

Oracle® Banking Relationship Pricing

Functional Overview

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Oracle Banking Relationship Pricing Functional Overview, Release 2.4.0.0.0

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Preface

Oracle Banking is a one-stop solution for a bank for its core banking operations, across retail offerings. It is designed to help banks respond strategically to today's business challenges, while also transforming their business models and processes to reduce operating costs and improve productivity across both front and back offices.

Oracle Banking provides a unified yet scalable IT solution for a bank to manage its data and end-to-end business operations with an enriched user experience. It is a composed set of different modules wherein each of the modules is serviced by a set of services and other subsystems.

This preface contains the following topics:

- [Audience](#)
- [Documentation Accessibility](#)
- [Related Documents](#)
- [Conventions](#)

Audience

This guide is intended for the users of Oracle Banking Relationship Pricing.

Documentation Accessibility

For information about Oracle's commitment to accessibility, visit the Oracle Accessibility Program website at <http://www.oracle.com/pls/topic/lookup?ctx=acc&id=docacc>.

Access to Oracle Support

Oracle customers have access to electronic support through My Oracle Support. For information, visit <http://www.oracle.com/pls/topic/lookup?ctx=acc&id=info> or visit <http://www.oracle.com/pls/topic/lookup?ctx=acc&id=trs> if you are hearing impaired.

Related Documents

For more information, see the following documentation:

- For installation and configuration information, see the Oracle Banking Installation Guide - Silent Installation
- For a comprehensive overview of security for Oracle Banking, see the Oracle Banking Security Guide

- For the complete list of Oracle Banking licensed products and the Third Party licenses included with the license, see the Oracle Banking Licensing Guide
- For information related to setting up a bank or a branch, and other operational and administrative functions, see the Oracle Banking Administrator's Guide
- For information related to customization and extension of Oracle Banking, see the Oracle Banking Extensibility Guide

Conventions

The following text conventions are used in this document:

| Convention | Meaning |
|-------------------|--|
| boldface | Boldface type indicates graphical user interface elements associated with an action, or terms defined in text or the glossary. |
| <i>italic</i> | Italic type indicates book titles, emphasis, or placeholder variables for which you supply particular values. |
| monospace | Monospace type indicates commands within a paragraph, URLs, code in examples, text that appears on the screen, or text that you enter. |

Overview

The objective of Relationship Pricing is to find the right price for a specific customer based on customer segment, geography, channel, market, or product. The need for a dedicated Relationship Pricing product is increasing day-by-day as the Banking industry is focusing on:

- Customer-centric initiatives
- Increase in share of fee-based income in banks
- Product bundling and personalized product offerings
- Increased cross selling of products
- Using simulations to provide various options to customers to select the most suitable bank product among the available

Oracle Banking Relationship Pricing offers a very flexible and a detailed structural framework which enables Banks to define prices for various products and services offered to the customers. The solution provides specialized tools for deciding the price of a particular product or for a target customer segment.

The solution can be used by any other product under the Oracle Banking suite. It works on the concept of returning price (fees and interest rates) on the basis of Rules created based on Customer, Transaction, Account and other attributes. Bank can define fees that are needed to be levied as per its operational policies, on various services or transactions that the customers may perform.

Banks typically deal in Loans, Deposits and other miscellaneous products. These products are priced in terms of Interest and Fees. Pricing requirements of Loan products vary from the Pricing needs of Deposit products. In the traditional Core Banking software systems, the core modules such as Current Accounts and Savings Accounts (CASA), Term Deposits, Lending and Corporate Finance have in-built Pricing definitions and structures. Thus, Price definitions and resolutions are enabled by the respective modules. This kind of maintenance consists of various product-centric, rigid and redundant maintenances which can be done away with Oracle Banking Relationship Pricing. In Oracle Banking Relationship Pricing, a common platform is designed, where the two main components of Price in Banking, namely Interest and Fees can be defined based on customer relationship with bank.

None of the products under Oracle Banking suite, such as CASA or Loans need to maintain Interest and Fees definitions. They utilize the common framework of 'Relationship Pricing' to maintain and achieve their Pricing requirements.

Thus, Relationship Pricing is a common utility product under Oracle Banking. All other products in Oracle Banking consume the required services from Relationship Pricing to meet their Interest and Fees functionalities.

Key Features

This chapter describes the key features of Oracle Banking Relationship Pricing. Following are the key features of Relationship Pricing product of Oracle Banking:

2.1 Setting up of Price Policy Chart

A Price Policy Chart facilitates setting up conditions and action columns. Condition columns have evaluation rules and action columns have output like Interest Rate Chart and Margin Rate Chart.

2.1.1 Price Policy Chart for Interest

Price Policy Chart for Interest can be defined at:

2.1.1.1 Bank Level

Individual Price Policy Chart is defined for each domain (for example, Retail Banking is a Domain), domain category (for example, Current Accounts and Savings Accounts (CASA) is a domain category) and price element.

2.1.1.2 Product Offering Level

Price Policy Chart can be defined at the Product Offering level.

- Multiple Price policy charts can be created to support all Product Offerings.
- It can be defined for a pricing element and Domain Category.
- Price Policy Chart can be defined for Interest, Margins and Fees.
- Pricing can be differentiated based on Facts (attributes) of Customer, Product or Transaction.

2.1.1.3 Product Group Level

Oracle Banking Relationship Pricing permits set up of specific Price policies. A Price policy can be set up for the Bank as a whole, for each domain and domain category. Price policy can also be set up for a Product group or for a specific Offer in a Product group.

- Price Policy Chart is defined for Modules where Product Groups are defined.
- Bank level Price Policy Chart is defined for such modules where products groups are not defined (Bank Drafts).
- Accounting template is defined once Price Policy Chart is defined for Fees.

2.1.1.4 Account Level

Price policy can also be set up for an Account. Price policy charts created at Account level enable specific pricing for the account in addition to Pricing at Product group level.

- During account opening, a Pricing Plan is created for the account.
- The Plan contains the details of Interest and Margins to be applied on the account.
- Fees applicable for various events on the account.
- The Price Policy Chart for Interest and Fees and Price Benefit charts for Bundles or Campaigns are evaluated while arriving at the account level pricing.
- Account level pricing is displayed during Origination showing the Interest and fees applicable on the account. The same may be negotiated during Origination.
- Interest rates can be negotiated by way of User Discretionary Margin. Fees can be negotiated by way of giving discounts or replacing the fee by an absolute amount.
- Interest and Fees can be negotiated during the life of the account.

2.1.2 Price Policy Chart for Fees

Price Policy Chart can be defined for Fees. One or more Price Definitions are linked to an event to levy fees. There can be an event with one or more base fee and one or more additional fees on the base fee.

2.2 Event Definition

Banks normally levy fee on customer accounts for financial or non-financial transactions. For example, Periodic account maintenance Fee, Cheque book issue fee, Fee for closure of account, and so on. Such transactions or circumstances are recognized as 'Events' in Oracle Banking Products. The solution enables banks to define all such events and stores them in the system. One or more Price Definitions (PD) can be maintained in Pricing which are then linked to the respective events through defining the Price Policy Chart for levying appropriate fee.

2.3 Fact Definition

A 'FACT' is an attribute or parameter of an entity that can be recognized in the Oracle Banking products, which can hold values as a stagnant value or during run time, when a transaction is performed. These attributes can be used as basis for determining the price for various events. The solution supports storing attributes (FACTs) related entities like Party, Transaction or Financial Terms. Facts like LVR and Risk Score can be used to define pricing.

2.4 Interest Index Definition

Index can be defined for Interest and Margins. Index can be:

- Fixed Index
- Benchmark Index
- Derived Index

Interest Index has a positive value and Margin Index can have a positive or negative value.

Interest set up can be done through definition of Indices for various bank products. Oracle Banking Relationship Pricing supports maintenance of such indices for base interest as well as margins applicable.

An Interest index can be a simple index having a constant rate or a derived index rate based on a benchmark rate such as LIBOR, MIBOR, and so on.

- Different index can be attached to different tiers in a rate chart.
- Rate chart can be defined for Interest and Margins separately.
- Different tier structures can be defined for Fixed Period and Variable periods in a rate chart.
- Margin Validity period can be defined.
- Interest indices have a refresh frequency. At the maintained frequency, the change in index value is applied to the corresponding accounts. Anniversary (for CASA, TD, Loans) and scheduled (only for TD) based frequency is supported.

2.5 Rules and Expressions

Oracle Banking Relationship Pricing provides an option for creation of Rules and Expressions through its Rules framework. This enables the bank to create simple as well as complex rules to be defined in interest indices. This framework is also used to create Interest rate chart and Price definitions for fees.

2.6 Tier Criteria and Rate Chart Definition

Oracle Banking Relationship Pricing supports simple as well as complex tier structures to define the interest pricing. Such tiers can be term based or amount based or a combination of both term and amount. The interest rates so defined can be attached with cumulative effect or incremental effect on tiers.

- Rates can be tiered based on Period, Amount or Both.
- Tiers can be Incremental or Cumulative.
- Rate chart is defined for Interest and Margins separately.
- Rate charts can also be maintained separately for fixed and variable term periods.
- Different index can be attached to different tiers in a rate chart.
- Different tier structures can be defined for Fixed Period and Variable periods in a rate chart.
- Margin Validity period can be defined to restrict applicability of a margin.

The interest index and the tiers are put together in the rate chart and Interest Pricing is created. Rate charts can be maintained separately for Fixed and Variable term periods. The above features of Index definition, Tier criteria definition and Rate chart definition are specific to Pricing - Interest definition. These definitions can be used to define Interest sensitivity rate which will be used in origination to determine the customer's debt service capability.

Apart from fixed, benchmark, and derived index, Pricing supports customized rates. Customized rates are taken directly from the treasury desk for an account or deposit. These are generally applicable for high value loans or deals for which rate cannot be pre-determined. Hence, the bank prefers providing a tailored rate based on account or deposit details rather than using the card rates. Customized rate is a base rate and is defined through Rate Chart definition.

Pricing also supports step-up rates for TD by the way of a step-up margin. At a defined frequency (defined at offer level), the step up margin gets applied and net rate changes accordingly.

2.7 Price Definition

Price Definition enables set up for Fees or Rewards. Fees can be base fees or additional fees. It can be defined as an absolute amount, a percentage or a discount. Tax or Cess which is an additional deduction and payable to the authorities can also be deducted using this setup.

Such Price definitions can be tiered, non-tiered, simple, rule based or expression based.

2.8 Charge Attribute Definition

Various attributes that may require to be linked to a Price Definition can be defined. This definition decides the behavior of the fee deduction such as frequency to compute and apply the fee, whether to compute online and apply online or End of period, whether such application is calendar or anniversary based, duration for levy of fees, and so on.

- Additional Attributes of a Fee can be defined
- Online fee can be Charged:
 - Compute online and Charge Online
 - Compute online and charge End of Day
 - Compute online and charge End of a Period
- Charging frequency of Periodic Fees can be defined
- Non sufficiency of Funds (NSF) Treatment can be defined:
 - Force Debit
 - Reject Transaction
 - Part Waive Part Debit
 - Mark Hold

The above definitions of Price Definition and Charge attributes are specific to Pricing Fees definition.

2.9 Modifications to the Price Policy Chart

Versioning of the Price Policy Chart is a unique feature of Oracle Banking Relationship Pricing. This enables linkage of an earlier version of the Price Policy Chart to a product group or account.

Modification of the Price Policy Chart is allowed in addition to modification of the rate chart, index and the Price Definition. Applicability of the modification can be maintained for 'all' accounts or 'new' accounts.

Whenever there is a modification in the Price policy chart, the accounts will get repriced and the interest and fee for the account may change. Pricing will trigger the repricing only for those accounts which will be impacted by the modification in the Price policy.

2.10 Negotiations

Oracle Banking Relationship Pricing supports negotiation of Interest rates and fees at Account level. Such negotiation is enabled during Origination or at any event during the life-cycle of an account. Interest rate negotiation is done by setting up User Discretionary Margins (UDM's) while fee negotiations are done during transactions which are authorized by competent authority.

2.11 Price Benefit Chart

The solution allows the bank user to define benefits for Interest by way of margins, and benefits for Fees by way of variance to an applicable fee or by way of replacing an applicable fee with an absolute value. This feature is very useful in promotion of Campaigns and Offer bundles by banks to capture market. Bank user can define all interest margins and fee benefits through maintaining details in Price Benefit Chart. Fee benefits can be provided either as a Discount in absolute terms or in percentage terms. Interest benefits are provided by linking margin rate charts.

2.12 Entity Level Price Benefit Chart

Oracle Banking Relationship Pricing supports display of net interest rates for an account from the account opening date. It displays the break-up of net interest rates (base rate and margins).

2.13 Re-pricing

Oracle Banking Relationship Pricing supports re-pricing of an account. Such re-pricing may be required due to changes in the customer attributes or account attributes or due to events in the account such as restructure, reschedule of a loan account or changes in the relationship of the customer with the bank.

2.14 Transaction Level Fee

Wherever a fee is defined for a transaction, while performing the transaction, the solution has the capability to display the applicable fee and allows bank user to modify the fee manually to facilitate negotiation of fee. Banker can negotiate the fees during the transaction by giving a discount. The fee negotiated during the transaction will be the final fee applicable on the account for that transaction.

Bank can define the price attributes required to maintain the Price Definition (PD) for Foreign Transaction Fee and Network Access Fee. This is required mainly for ATM transactions like Balance Inquiry and Cash Withdrawal transaction through other Bank ATMs.

Bank can define price attributes required to maintain the Price Definition (PD) for fees to be charged for Point of Sale related transactions. Point of Sale transactions are also considered as debit card purchase transactions. Most of the banks charge fees for Foreign Transactions. However, some banks charge fees even for domestic purchase transactions.

The bank can define the branch in which the Fee income will be recognized. Bank can choose between the Transaction branch and the Account Branch to recognize the fee.

2.15 Definition of Fee Groups for Free Transactions

Bank can group fee for different events and define the number of transactions in the group that can be free. The free transactions evaluation can be based on Occurrence, Cheapest or Costliest. Pricing will evaluate the fees across all the events defined in the group and will apply the free transactions. At the end of the period, it will apply the fees only for those transactions which are chargeable.

2.16 Support For Fees at Facility Level

Banks normally charge fee at account level. Banks can open multiple accounts under a facility and may charge a fee at the facility level that is debited to an account nominated for the fee. Pricing can be set up to charge a periodic fee at the facility level.

2.17 Fees Inquiry

The Fees Inquiry (Fast path: PR022) page allows the bank user to inquire on fees that are computed but not charged to the account. The following details are displayed for an account:

- The transaction events for which fees are not collected.
- The computation date and the charge date for each fees associated with each event.
- The net fee amount to be charged along with the break-up details.

2.18 Interest Inquiry

The Interest Rate Derivation Analysis (Fast path: PR017) page allows a bank user to inquire on the pricing interest plan linked for an account. The user can further drill down to the level of indices linked to the account from account opening date. The page gives a vivid picture of the used facts and its value pertinent to the account inquired, while deriving the net interest rate.

The Account Interest Rate Inquiry (Fast path: PR018) page allows a bank user to inquire for a given period the Net Interest Rate applicable on an account. This page also displays the Net Interest Rate applicable for each pricing element (regular and penalty) along with the break-up of Net Interest Rate (base interest rate and various applicable margins).