# Deposits

Oracle FLEXCUBE Corporate Lending 12.1.0.0.0

[April] [2016]

Part No. E74823-01

ORACLE

FINANCIAL SERVICES

ORACLE

**Deposits**
**[April] [2016]**
**Version 12.1.0.0.0**

**Oracle Financial Services Software Limited**
**Oracle Park**
**Off Western Express Highway**
**Goregaon (East)**
**Mumbai, Maharashtra 400 063**
**India**
**Worldwide Inquiries:**
**Phone: +91 22 6718 3000**
**Fax:+91 22 6718 3001**
**www.oracle.com/financialservices/**




# Table of Contents

**1. ABOUT THIS MANUAL ..... 1-1**

1.1 INTRODUCTION ..... 1-1
*1.1.1 Audience ..... 1-1*
*1.1.2 Organization ..... 1-1*
*1.1.3 Conventions Used in this Manual ..... 1-2*
*1.1.4 Related Documents ..... 1-2*

**2. DEPOSITS – AN OVERVIEW ..... 2-1**

2.1 INTRODUCTION ..... 2-1
*2.1.1 Features ..... 2-1*
*2.1.2 Defining Schedule Types ..... 2-2*
*2.1.3 Roll-over of deposits ..... 2-2*
*2.1.4 Foreclosure of Deposits ..... 2-2*
*2.1.5 Liquidation ..... 2-3*
*2.1.6 Retrieving Information ..... 2-3*

**3. DEFINING ATTRIBUTES SPECIFIC TO A DEPOSITS PRODUCT ..... 3-1**

3.1 INTRODUCTION ..... 3-1
3.2 SPECIFYING THE 'PRODUCT TYPE' ..... 3-2
3.3 PREFERENCES FOR A DEPOSIT ..... 3-2
*3.3.1 Specifying the Payment Method ..... 3-3*
*3.3.2 Indicating the schedule type ..... 3-4*
*3.3.3 Specifying the Cluster ID ..... 3-5*
*3.3.4 Indicating Values to be Rekeyed during Authorization ..... 3-5*
*3.3.5 Setting the Accrual Frequency ..... 3-7*
*3.3.6 Specifying Your Preferences for Tax ..... 3-8*
*3.3.7 Specifying Tenor Related Details ..... 3-9*
*3.3.8 Specifying the Exchange Rate Variance ..... 3-9*
*3.3.9 Specifying your Preferences for Installment Deposits ..... 3-10*
*3.3.10 Viewing the Draw down Schedule Details ..... 3-12*
*3.3.11 Specifying Payment of Past Schedules ..... 3-12*
*3.3.12 Restricting the Generation of Settlement Messages ..... 3-13*
*3.3.13 Specifying the Mode of Liquidation ..... 3-13*
*3.3.14 Specifying the Minimum Amount for Auto Liquidation ..... 3-14*
*3.3.15 Allowing Rollover ..... 3-14*
*3.3.16 Allowing Pre-Payment Along with Overdue Schedules ..... 3-15*
*3.3.17 Specifying whether Prepayment is Allowed ..... 3-15*
*3.3.18 Allowing prepayment penalty ..... 3-16*
*3.3.19 Recomputing Schedules after a Prepayment ..... 3-17*
*3.3.20 Allowing Forward Dating ..... 3-18*
*3.3.21 Certificate of Deposit ..... 3-18*
*3.3.22 Identifying the Rate Code to be Used for Deposits in Foreign Currency ..... 3-19*
*3.3.23 Indicating the Rate Type ..... 3-19*
*3.3.24 Indicating the Effective Rate for Deposits (TEP) ..... 3-19*
*3.3.25 Specifying whether Installment Schedules should be Allowed ..... 3-21*
*3.3.26 Specifying Amortization Preferences ..... 3-24*
*3.3.27 Allowing Swift Confirmation Message ..... 3-24*
*3.3.28 Indicating Preference for SEPA Messages ..... 3-24*
*3.3.29 Selecting Components to be Automatically Liquidated ..... 3-24*
*3.3.30 Specifying the Holiday Treatment ..... 3-25*
3.4 CONTINGENT INTEREST BOOKING FOR DEPOSITS ..... 3-29

3.5 SPECIFYING THE LOGIC FOR CURRENCY ROUNDING ..... 3-29
3.6 APPLYING TAX ON LIQUIDATED PRINCIPAL ..... 3-30
*3.6.1 Handling Early and Delayed Payments of Installment Deposits ..... 3-30*

**4. CAPTURING THE DETAILS OF A DEPOSIT ..... 4-1**

4.1 INTRODUCTION ..... 4-1
*4.1.1 Invoking the Deposit Input Screens ..... 4-1*
4.2 CAPTURING DEPOSIT DETAILS ..... 4-2
*4.2.1 The Contract Details Screen ..... 4-3*
*4.2.2 Using a Template to Enter Deposit Details ..... 4-5*
*4.2.3 The Contract Reference Number ..... 4-5*
*4.2.4 Specifying the Product Code ..... 4-6*
*4.2.5 Specifying the Customer ..... 4-6*
*4.2.6 Specifying the Currency ..... 4-6*
*4.2.7 Specifying the Deposit Amounts ..... 4-6*
*4.2.8 Specifying the Cluster Id ..... 4-7*
*4.2.9 Specifying the Settlement Account ..... 4-7*
*4.2.10 Specifying the Related Reference Number ..... 4-8*
*4.2.11 Specifying the Tenor ..... 4-8*
*4.2.12 The Payment Method ..... 4-9*
*4.2.13 Specifying the Maturity Type ..... 4-10*
*4.2.14 Specifying Interest Details ..... 4-11*
*4.2.15 Allowing the Rollover of Deposits ..... 4-16*
*4.2.16 Rollover Count ..... 4-17*
*4.2.17 Tax Scheme ..... 4-17*
*4.2.18 Specifying your Internal Remarks ..... 4-17*
*4.2.19 Enabling the Reprogramming Counter ..... 4-17*
*4.2.20 Suppressing Confirmation Messages ..... 4-18*
4.3 'PREFERENCES' FOR A DEPOSIT ..... 4-19
*4.3.1 Setting Deposit Schedule Preferences ..... 4-19*
*4.3.2 Types of Repayment Schedules ..... 4-20*
*4.3.3 Specifying the Amortization Type ..... 4-21*
*4.3.4 Handling a Repayment Schedule Date that Falls Due on a Holiday ..... 4-23*
*4.3.5 Moving Schedules Forward or Backward ..... 4-24*
*4.3.6 Moving a Schedule Date across the Month ..... 4-25*
*4.3.7 Cascading Schedules ..... 4-26*
*4.3.8 Specifying the Holiday Currency ..... 4-26*
*4.3.9 Holiday Treatment for Maturity Date ..... 4-26*
*4.3.10 Mode of Liquidation ..... 4-27*
*4.3.11 Liquidating Back Valued Schedules ..... 4-28*
*4.3.12 Modifying a Deposit ..... 4-28*
*4.3.13 Financial Details that can be Changed ..... 4-29*
*4.3.14 Handling Split Deposits ..... 4-29*
*4.3.15 Viewing the Other Details of a Deposit ..... 4-29*
4.4 ADVICES FOR DEPOSIT ACCEPTANCE ..... 4-30
4.5 VIEWING EVENT DETAILS ..... 4-31
*4.5.1 Viewing Accounting Entries for the Deposit ..... 4-31*
4.6 MAINTAINING TRANSACTION SPECIFIC MIS REFINANCING RATES ..... 4-32
*4.6.1 Maintaining Contract Level Refinance Rates ..... 4-34*
4.7 VIEWING THE DETAILS OF THE TAX COLLECTED FROM THE CUSTOMER ..... 4-35
4.8 INITIATING A FUTURE VALUE DATED DEPOSIT ..... 4-35
4.9 ENQUIRY FOR INTEREST AND PRINCIPAL PROJECTIONS ..... 4-36
*4.9.1 Reversal of Accruals during Contract Reversal ..... 4-36*
*4.9.2 Viewing the Settlement Details during Contract Authorization ..... 4-36*
*4.9.3 Viewing the Different Versions of a Deposit ..... 4-37*
4.10 MAINTAINING BLOCK DEPOSIT DETAILS ..... 4-37
*4.10.1 Blocking a Deposit ..... 4-38*

**5. CALCULATING THE INSTALLMENT AMOUNT ..... 5-1**

5.1 INTRODUCTION ..... 5-1
5.2 MAINTAINING INSTALLMENT DEPOSIT CALCULATION DETAILS ..... 5-2
*5.2.1 Specifying Holiday Treatment ..... 5-2*

**6. PROCESSING REPAYMENTS ..... 6-1**

6.1 INTRODUCTION ..... 6-1
6.2 DEFINING SCHEDULES FOR A PRODUCT ..... 6-1
6.3 SETTING PRODUCT SCHEDULE PREFERENCES ..... 6-2
*6.3.1 Auto Liquidation ..... 6-2*
*6.3.2 Recomputing Schedules after a Repayment In Advance ..... 6-3*
*6.3.3 Liquidating Back Valued Schedules during Initiation ..... 6-3*
*6.3.4 Specifying the Payment Method ..... 6-4*
*6.3.5 Indicating the Schedule Type ..... 6-5*
6.4 THE PRODUCT DEFAULT SCHEDULES SCREEN ..... 6-6
*6.4.1 Specifying the Component ..... 6-6*
*6.4.2 Setting the Reference Date ..... 6-7*
*6.4.3 Specifying the Frequency of Schedules ..... 6-7*
*6.4.4 Specifying the Unit ..... 6-8*
*6.4.5 Specifying the Start Date ..... 6-8*
*6.4.6 Defining Repayment Schedules ..... 6-9*
*6.4.7 Setting Deposit Schedule Preferences ..... 6-10*
*6.4.8 Types of Repayment Schedules ..... 6-11*
*6.4.9 Specifying the Amortization Type ..... 6-12*
*6.4.10 Liquidating Back Valued Schedules ..... 6-12*
*6.4.11 When the Repayment Schedule is a Holiday ..... 6-13*
*6.4.12 Moving Schedules Forward or Backward ..... 6-13*
*6.4.13 Moving Schedule Dates across the Month ..... 6-14*
*6.4.14 Cascading Schedules ..... 6-14*
*6.4.15 Specifying the Holiday Currency ..... 6-15*
*6.4.16 Specifying the Mode of Liquidation ..... 6-15*
6.5 INVOKING THE CONTRACT SCHEDULES SCREEN ..... 6-15
*6.5.1 Revision and Repayment Schedules ..... 6-16*
*6.5.2 Interest Rate Revision Schedule ..... 6-16*
*6.5.3 Specifying the Rate Revision Frequency ..... 6-16*
*6.5.4 Specifying the Rate Revision Dates ..... 6-17*
*6.5.5 Repayment Schedule ..... 6-17*
*6.5.6 Interest Repayment Schedules as Different from Rate Revision Schedules ..... 6-17*
*6.5.7 Specifying Schedules for a Deposit with a Fixed Interest Rate ..... 6-19*
*6.5.8 Redefining Schedules ..... 6-20*
*6.5.9 Authorizing a Redefined Schedule ..... 6-21*
*6.5.10 Viewing Schedule Details ..... 6-21*
*6.5.11 Viewing Revision Schedule Details ..... 6-23*
*6.5.12 Viewing the Draw Down Schedule Details ..... 6-24*
*6.5.13 Defining Installment Schedules for Deposits ..... 6-24*
6.6 MAKING MANUAL PAYMENTS ..... 6-25
*6.6.1 Invoking the Contract Schedule Payments screen ..... 6-25*
*6.6.2 Features of the Contract Schedule Payments Screen ..... 6-26*
*6.6.3 Input of Manual Payments ..... 6-26*
*6.6.4 Refunding of tax to Customer ..... 6-29*
*6.6.5 Handling Prepayments ..... 6-31*
*6.6.6 Navigating to other screens ..... 6-31*
*6.6.7 Paying Tax ..... 6-32*
*6.6.8 Viewing the Schedule Breakup Details ..... 6-33*
*6.6.9 Deleting Manual Payments ..... 6-34*
*6.6.10 Reversing Manual Payments ..... 6-34*

**7. ROLLING OVER A DEPOSIT ..... 7-1**

7.1 INTRODUCTION ..... 7-1
7.2 FEATURES OF THE PRODUCT ROLL-OVER DETAILS SCREEN ..... 7-2
*7.2.1 Mode of rollover (manual or automatic) ..... 7-2*
*7.2.2 Rollover of Interest, Charge and Fee Components ..... 7-3*
*7.2.3 Applying Tax on Rollover ..... 7-3*
*7.2.4 Rolling over with Interest ..... 7-4*
*7.2.5 Capturing Reset Tenor Days for Rollover ..... 7-5*
*7.2.6 Indicating the Values to be Rekeyed during Authorization of Rolled over Contracts ..... 7-5*
7.3 SPECIFYING CONTRACT ROLLOVER DETAILS ..... 7-6
*7.3.1 Features of the Contract Roll-Over Screen ..... 7-7*
*7.3.2 Mode of Roll-Over of a Contract ..... 7-7*
*7.3.3 Rolling Over a Contract Manually ..... 7-9*
*7.3.4 Special Rollover Amount ..... 7-10*
*7.3.5 Specifying Rollover Details of Interest, Charge and Fee ..... 7-10*
*7.3.6 Applying Tax ..... 7-11*
*7.3.7 Rolling Over a Deposit with Interest or Without Interest ..... 7-11*
*7.3.8 Deduct tax on Rollover ..... 7-12*
*7.3.9 Specifying the Schedule Basis for the Rolled Over Contract ..... 7-12*
*7.3.10 Specifying whether New Components have to be Included ..... 7-12*
*7.3.11 Specifying whether Overdue Schedules should be Liquidated ..... 7-12*
*7.3.12 Specifying the Maturity Type ..... 7-13*
*7.3.13 Capturing Reset Tenor Days for Rollover ..... 7-13*
*7.3.14 Specifying the Refinancing Rate for the rolled over contract ..... 7-13*
*7.3.15 Advices for a Rolled over Deposit ..... 7-13*
*7.3.16 Authorizing a Manual Rollover ..... 7-14*

**8. AUTOMATIC EVENTS IN THE LIFE-CYCLE OF A DEPOSIT ..... 8-1**

8.1 INTRODUCTION ..... 8-1
8.2 SPECIFYING BRANCH PARAMETERS ..... 8-2
*8.2.1 Processing for Holidays (Automatic Events) ..... 8-2*
*8.2.2 Specifying the Tax Basis ..... 8-3*
*8.2.3 Setting the Accrual Level ..... 8-4*
*8.2.4 Setting the Residual Amount for Force Liquidation ..... 8-4*
*8.2.5 Specifying Preferences for Withholding Tax ..... 8-5*
*8.2.6 Indicating your Specifications for the Different 'Rates' ..... 8-6*
8.3 INITIATING THE AUTOMATIC DAILY FUNCTION ..... 8-7
*8.3.1 Processing during Beginning of Day ..... 8-7*
*8.3.2 Processing During End of Day ..... 8-7*
*8.3.3 Processing for Holidays ..... 8-8*
*8.3.4 Initiating a Future Value Dated Contract ..... 8-8*
*8.3.5 Processing an Automatic Repayment ..... 8-9*
*8.3.6 Advices Generated for a Repayment ..... 8-9*
8.4 AUTOMATIC RENEWAL OF A DEPOSIT ..... 8-10
*8.4.1 Advices for Renewal ..... 8-11*
*8.4.2 Accrual of ICCF Components ..... 8-11*
*8.4.3 Contents of the Accrual Control Journal ..... 8-12*
8.5 INTEREST RATE REVISION ON A DEPOSIT ..... 8-12
8.6 VALUE DATED CHANGES ..... 8-14
8.7 ADVICES GENERATED FOR VALUE DATED CHANGES ..... 8-14

**9. MAKING VALUE DATED CHANGES ..... 9-1**

9.1 INTRODUCTION ..... 9-1
*9.1.1 Specifying the Amendment Details ..... 9-1*
*9.1.2 Navigating to the Schedule Definition screen ..... 9-3*
*9.1.3 Changing the Maturity Date ..... 9-4*

*9.1.4 Making Changes in Interest* ..... *9-4*
*9.1.5 Amortization After a Value Dated Change* ..... *9-5*
*9.1.6 Making Changes in Charges Or Fees* ..... *9-6*
*9.1.7 Settlement instructions* ..... *9-6*
*9.1.8 Deleting Value Dated Changes* ..... *9-6*
*9.1.9 Authorizing the Value Dated Amendments* ..... *9-6*

**10. CLUSTER DEPOSITS ..... 10-1**

10.1 INTRODUCTION ..... 10-1
10.2 MAINTAINING CLUSTERS ..... 10-1

**11. APPENDIX A - CUSTOMER CORRESPONDENCE ..... 11-1**

11.1 INTRODUCTION ..... 11-1
*11.1.1 Initiation of the deposit* ..... *11-1*
*11.1.2 Advice generated for Roll-over of the Deposit* ..... *11-4*
*11.1.3 Advice Generated for Amendments on a Deposit* ..... *11-7*
*11.1.4 Unclaimed Deposit Notice* ..... *11-8*

**12. APPENDIX B – ACCOUNTING ENTRIES AND ADVICES FOR DEPOSITS MODULE ..... 12-1**

12.1 ACCOUNTING ENTRIES FOR DEPOSITS ..... 12-1
12.2 DEPOSITS EVENTS ..... 12-1
12.3 AMOUNT TAGS ..... 12-2
12.4 ACCOUNTING ROLES ..... 12-3
12.5 EVENT-WISE ACCOUNTING ENTRIES AND ADVICES ..... 12-4
*12.5.2 Product type-Deposit, bearing, amortized* ..... *12-7*
*12.5.3 Product type-Deposit, Bearing, Capitalized* ..... *12-10*
*12.5.4 Clustered deposit* ..... *12-15*
12.6 SWIFT CONFIRMATION MESSAGES RELATING TO DEPOSITS ..... 12-18

# 1. About this Manual

## 1.1 Introduction

This manual is designed to help you define and maintain a Deposits product. It helps you in processing interest and fee components, linking them to a product and applying them on a contract.

It also tells you what to do when you want to renew a deposit or make changes to the terms of a deposit, which will affect its financial details and accounting entries. Plus it also details the advantages of maintaining cluster deposits.

### 1.1.1 Audience

This manual is intended for the Customer Service Representatives (CSRs) and staff in charge of setting up new products in your bank.

### 1.1.2 Organization

This manual is organized as follows:

| | |
|---|---|
| *Chapter 1* | *Deposits – an Overview* gives you an overview of the deposits module. |
| *Chapter 2* | *Defining Attributes Specific to a Deposits Product* describes the procedure to define attributes specific to deposit products. |
| *Chapter 3* | *Capturing the details of a Deposit* explains at length how to capture the details of a deposits product in Oracle FLEXCUBE. |
| *Chapter 4* | The procedure for calculating the installment amount of installment deposits has been discussed in detail in the chapter on *Calculating Installment Amount.* |
| *Chapter 5* | The procedure for defining repayment schedules and processing repayments have been discussed in detail in the chapter on *Repayment Schedules.* |
| *Chapter 6* | *Rolling over or renewing a Deposit* explains how to process a deposit that has been renewed or rolled over. |
| *Chapter 7* | *Automatic Events in the Life Cycle of Deposit* explains the various events in the life cycle of a deposit that will be carried out automatically. |
| *Chapter 8* | *Making Value -dated Changes* tells you how the changes made to the terms of a deposit affect its financial details and accounting entries. The changes that you can make include changes to the components of a deposit like increasing the principal of a deposit, changing the interest rate or amount, charges or fees and changing the maturity date of a |

| | |
|---|---|
| | deposit. |
| *Chapter 9* | *Cluster Deposits* enables you to understand the input of a deposit as a multiple of specific units of a particular currency. |
| *Chapter 10* | *Customer Correspondence* explains the various types of advices and notices generated at each stage for the type of contract that the Deposits module handles. |
| *Chapter 11* | *Accounting Entries and Advices* – Contains an event-wise list of suggested accounting entries and advices for the Deposits module. |

### 1.1.3 Conventions Used in this Manual

Important information is preceded with the  symbol.

### 1.1.4 Related Documents

- For a detailed description of all the procedures in the manual please refer to the Oracle FLEXCUBE manual on Common Procedures.
- Also refer to the chapter titled *Handling the Euro* for a larger picture of the manner in which Oracle FLEXCUBE handles Euro. The chapter is available in the Core Services user manual.
- Settlements User Manual.
- Products User Manual
- Interest User Manual
- Charges and Fees User Manual
- Commission User Manual
- Tax User Manual
- Settlements User Manual
- User Defined Fields User Manual

# 2. Deposits – An Overview

## 2.1 Introduction

The Deposits module of Oracle FLEXCUBE supports the processing of all types of deposits such as Demand deposits, Certificate of deposits, Term deposits and Cluster deposits. The necessary activities in the life-cycle of a deposit like the application of appropriate interest rates for deposits with floating interest, periodic accrual of ICCF components and the generation of messages and advices for all the applicable events are also taken care of once a deposit is initiated.

In addition, the module also handles the application and collection of interests, charges and fees during the life - cycle of a deposit.

### 2.1.1 Features

The Loans and Deposits module of Oracle FLEXCUBE has certain unique features, which help in the effective functioning of this module:

- The module supports the processing of all types of deposits like:
  - Demand deposit
  - Certificate of deposit
  - Term deposit
  - Cluster deposit
- In order to simplify the task of accepting and initiating deposits, the product definition function, the basis of Oracle FLEXCUBE s design, enables you to create products for specific services that your bank offers. Consequently, every deposit that you initiate inherits the attributes of the product that it involves, thus providing greater efficiency and promptness in processing contracts.
- The product definition function offers flexibility in the sense that you are allowed to change the inherited attributes for a specific deposit to suit your requirements at the time of processing it.
- Interest and fee rules can be set up as part of ICCF maintenance and can be linked to specific products so that interest or fees for all the contracts involving the product will be calculated according to the rule definition. This reduces the time taken in processing a contract. You also have the option of modifying any of the interest or fee attributes while processing the contract. Additionally, you can also indicate that the application of a specific component should be waived.
- The Deposits module is capable of handling all the events in the life-cycle of a deposit once it is initiated. For instance, the initiation of a future dated deposit, the application of current interest rates for deposits with floating rates, the generation of a billing notice as a reminder of payment, liquidating scheduled repayments, and the application of interest rates for deposits with floating rates will be carried out automatically.
- Oracle FLEXCUBE gives you the flexibility to customize the terms of repayment of a deposit. When processing a specific deposit, you can change the repayment schedule, which it acquires, from the product it involves.

### 2.1.2 Defining Schedule Types

In Oracle FLEXCUBE you can customize repayment schedules for a deposit product. The same schedule will by default, apply to all deposits involving the product. However, when you process a specific deposit, you can change the repayment schedule, which it acquires, from the product it involves.

The type of repayment schedule you want to have for the product could either be Amortized, Capitalized or Normal.

In the case of Amortization or Equated Installments the main interest will be calculated for the term of the deposit, clubbed with the principal and the sum paid out according to the frequency you specify.

When you indicate Capitalization for schedules, and define schedules for the various components of the deposit, the interest is capitalized i.e., the unpaid interest is added to the unpaid principal and this becomes the principal for the next schedule.

You also have the flexibility of defining your own schedule type for a particular product. The defined schedule type applies to all the deposits involving the product and cannot be changed during deposit processing.

### 2.1.3 Roll-over of deposits

In Oracle FLEXCUBE you are allowed to rollover or renew deposits on maturity provided that it is allowed for the product with which the particular contract is associated.

For deposit products marked for rollover, the outstanding principal of the old deposit is rolled over with or without the interest outstanding on it depending on the specifications made. You will have to make this specification at the time of processing the contract. In addition you have to indicate whether the rollover is to be automatic or manual, specify the maturity type (fixed, call or notice), and the maturity date in case of a fixed maturity deposit or the notice days for a deposit with notice type of maturity.

Each of the above concepts is explained in detail in the chapter on Rolling- over a Deposit.

### 2.1.4 Foreclosure of Deposits

Oracle FLEXCUBE allows for fore closure of deposits only if the specification has been made at the product level. Since a prepayment made for the principal constitutes a violation of the contract, a penalty in the form of an increased interest for deposits can be charged.

Prepayment for penalty can be charged only if the contract has:

- Bearing interest
- Fixed maturity

A detailed account on how Oracle FLEXCUBE handles prepayments is available in the chapter on Processing Repayments.

### 2.1.5 Liquidation

Specifying whether the mode of liquidation is to be automatic or manual is done at the time of creating a product. The specifications that you make will apply to all the deposits involving the product.

The system provides you the option of changing this specification at the time of processing the contract where you can change the mode of liquidation from automatic to manual or vice versa.

### 2.1.6 Retrieving Information

The information that has been captured while processing a deposit and the static maintenance done for the module are available in the form of reports. These reports can be printed, spooled on to a disk file, or displayed on the screen. The following are the reports available:

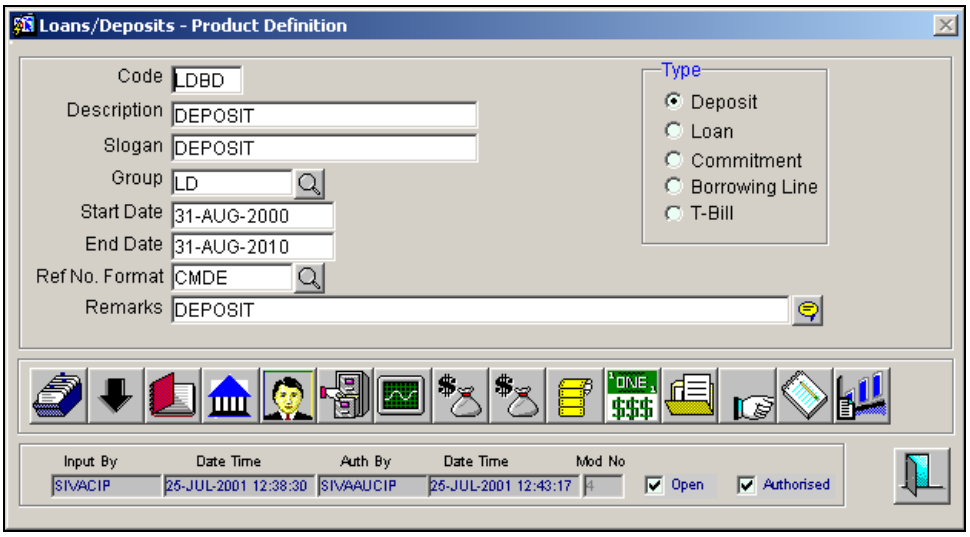
- Contract schedules and maturities report
- Forward contracts report
- Value dated amendments report
- Contract events report
- Contract retrieval report
- Memo accrual control journal
- Accrual control journal
- Accrual control journal summary

# 3. Defining Attributes Specific to a Deposits Product

## 3.1 Introduction

In this chapter, we shall discuss the manner in which you can define attributes specific to a Deposits product.

You can create a deposits product in the Loans and Deposits (LD) Product Definition screen, invoked from the Application Browser under L & D Maintenance under Product Definition. In this screen, you can enter basic information relating to a deposits product such as the Product Code, the Description, etc.




For any product you create in Oracle FLEXCUBE, you can define generic attributes, such as branch, currency, and customer restrictions, interest details, tax details, etc., by clicking on the appropriate icon in the horizontal array of icons in this screen. For a deposits product, in addition to these generic attributes, you can specifically define other attributes. These attributes are discussed in detail in this chapter.

You can define the attributes specific to a deposits product in the LD Product Definition Main screen and the Loans and Deposits Product Preferences screen. In these screens, you can specify the product type and set the product preferences respectively.

*For further information on the generic attributes that you can define for a product, please refer the following* Oracle FLEXCUBE *User Manuals:*

- Products
- Interest
- Charges and Fees
- Tax
- User Defined Fields

- Settlements

## 3.2 Specifying the ‘Product Type’

The first attribute that you define for a product is its *type*. In the LD Product Definition screen, you can classify the products you create into the following types:

- Loans
- Deposits
- Commitments

When creating a deposits product, you have to choose the ‘Deposits’ option in the ‘Product Type’ field.

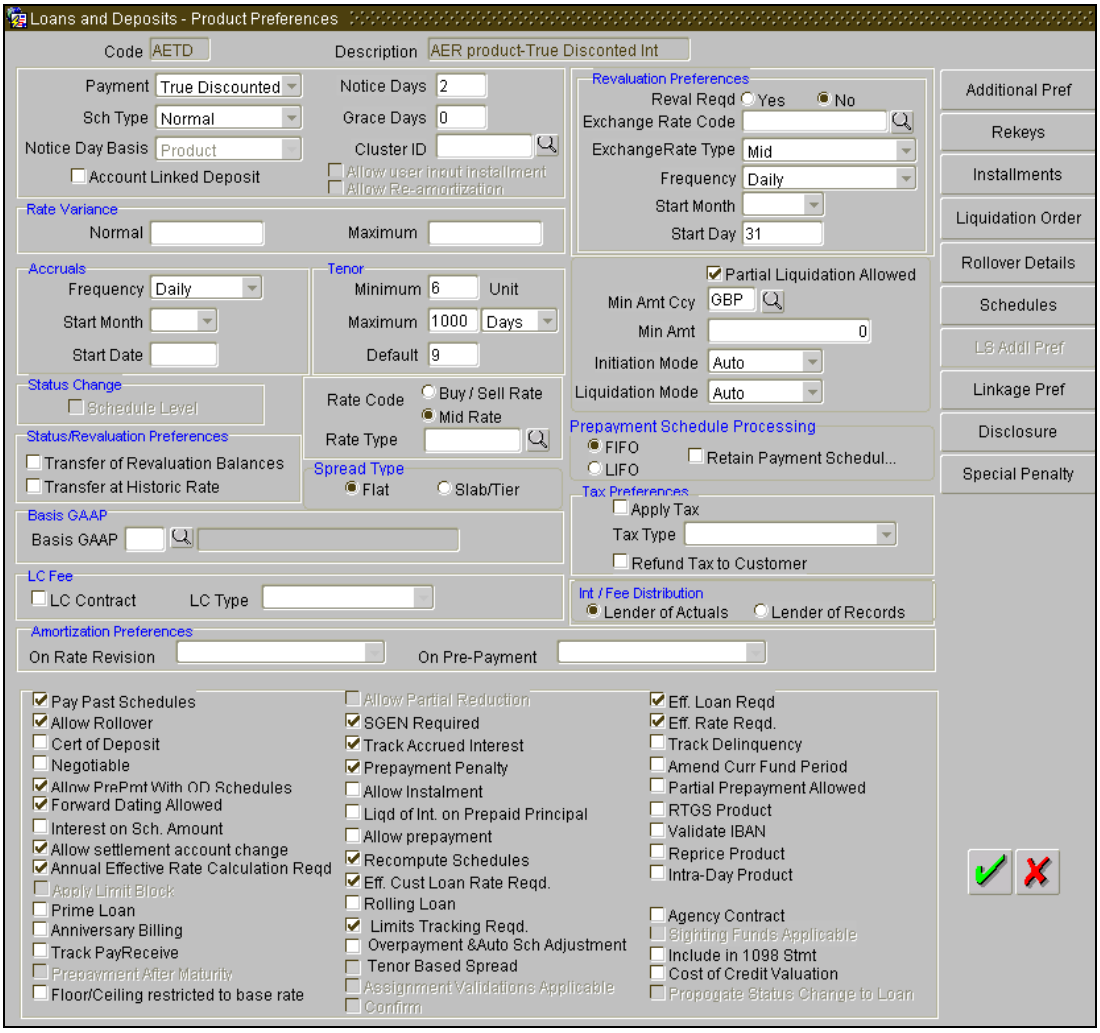
## 3.3 Preferences for a Deposit

Preferences are the options that are available to you for defining the attributes of a product. The options you choose, ultimately, shape the product.

For example, you have the option of making tax applicable to a product, or waiving it. If you specify that tax is applicable for a product, a deposit contract involving the product will inherit the attribute. However, you can change it while processing the deposit.

Similarly, you can choose between the automatic liquidation of schedules and manual liquidation; you can choose to allow rollover for a product, or deny it, and so on.

You can define the preferences for a product that you are creating in the Deposits Product Preferences screen. To invoke this screen, in the L&D Product Definition screen, click on the icon.




## 3.3.1 Specifying the Payment Method

You have to specify whether the payment method for the main interest is to be bearing, discounted or true discounted. This cannot be changed at the time of processing a deposit.

**Bearing**

The interest is liquidated on schedule payment date(s).

***Example***

You have Mr. Brian Williams's deposit of USD 10,000 under the scheme 'Short Term Deposits For Individuals', at 10% interest for a year. Now, under the bearing type of interest payment method, the nominal (USD 10,000), which becomes the principal in this case, the deposit of USD 10,000 is collected from Mr. Williams and the interest on it is paid out over the one year that is the tenor of the deposit.

**Discounted**

In this interest payment method, the interest is deducted from the principal at the time of initiating the deposit.

***Example***

You have accepted a deposit of USD 10,000 from Mr. Brian Williams, under the 'Short Term Deposits From Individuals' scheme, at 10% interest, for a year.

Under the discounted type of interest payment, the total interest calculated for the tenor of the deposit, USD 1,000 is deducted from the nominal (USD 10,000) and only USD 9,000 is accepted. This forms the principal of the deposit. At Maturity Mr. Brian Williams gets back USD 10,000.

**True discounted**

In this interest payment method, the interest is calculated on the principal in a manner differing slightly from the Discounted method. The interest rate is applied on the Principal instead of the Nominal, as is done in the Discounted method.

***Example***

You have accepted a deposit of USD 10,000 from Mr. Brian Williams, under the scheme 'Short Term Deposits From Individuals', at 10% interest for a year.

Under the true discounted type of interest payment, the interest amount, in absolute terms in not USD 1,000 but less than that. This is because the interest rate of 10% is not applied on USD 10,000 but on the actual amount deposited (derived by the system) which is USD 9090.91.

At Maturity Mr. Brain Williams gets back USD 10,000.

In short, in Discounted method the interest is calculated on Nominal whereas in case of True discounted method, the same is calculated on the Principal.

## 3.3.2 Indicating the schedule type

You can indicate the type of repayment schedule that you to want have for the product. It could be any of the following:

**Amortized**

Amortization is another term for Equated Installments. That is, the (main) interest will be calculated for the term of the deposit, clubbed with the principal and this sum is paid out in equal installments according to the frequency you specify - monthly, quarterly, etc.

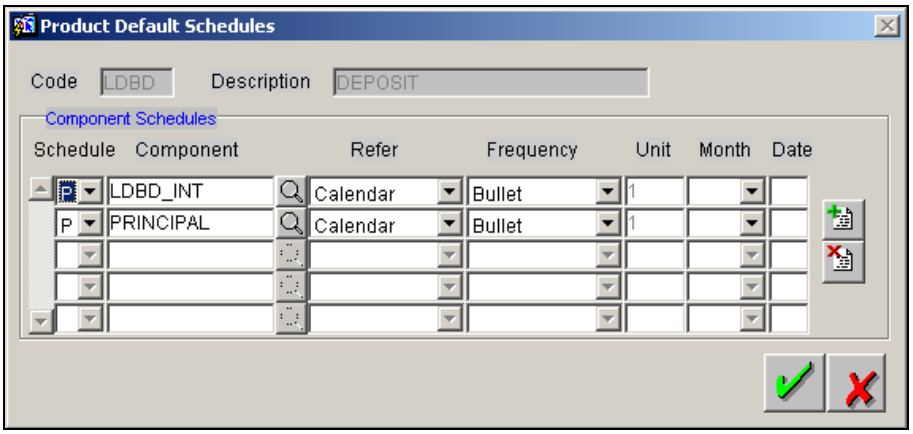
**Capitalized**

When you indicate capitalization for the schedules, and define schedules for the various components of the deposit (through the schedule definitions screens), the interest is not paid to the customer on the schedule dates but is capitalized (the unpaid interest is added to the unpaid principal and this becomes the principal for the next schedule).

For capitalization only the interest component, defined as Main Interest in the Product ICCF screen, will be considered.

**Normal**

If you indicate Normal as the schedule type, you will be able to define your own schedules through the Product Default Schedules screen. Click on the Schedules button to invoke this screen.




The schedule type applies to all deposits involving the product and cannot be changed during deposit processing.

## 3.3.3 Specifying the Cluster ID

A Cluster ID represents specific units of a currency that forms a cluster. If the product you are defining is for cluster type deposits specify a Cluster ID for the product. This will apply to all cluster deposits involving this product.

However, you can change the Cluster ID at the time of processing a specific deposit, through the Contract On-line Details screen.

## 3.3.4 Indicating Values to be Rekeyed during Authorization

You can specify the values that the authorizer of a deposit contract has to rekey at the time of authorizing.

All operations on a deposit (input, modification, reversal, manual liquidation or manual rollover) have to be authorized:

- by a user other than the one who carried out the operation, and
- before you can begin the end-of-day operations.

When you invoke a deposit for authorization - as a cross-checking mechanism to ensure that you are calling the right deposit - you can specify that the values of certain fields should be entered before the other details are displayed. The complete details of the deposit will be displayed only after the values to these fields are entered. This is called the 'rekey' option. The fields for which the values have to be given are called the 'rekey' fields.

If no rekey fields have been defined, the details of the deposit will be displayed immediately once the authorizer calls the deposit for authorization. The re-key option also serves as a means of ensuring the accuracy of inputs.

***Example***

At the Greenwill Global Bank, Mr. Trevor Atkins inputs a deposit of 1M USD, which has an interest of 20% and a tenor of one month. The deposit involves a product for which the rekey fields assigned are deposit amount and currency.

Now Mr. Trevor Atkins makes a mistake and enters the deposit amount as 10 M USD. When Mr. Jeffrey Hunt, who has rights to authorize the deposit, selects the deposit for authorization and indicates the rekey fields of deposit amount, and currency as 1M and USD respectively (based on the deposit document), the deposit details will not be displayed.

The deposit details will not be displayed if:

- the value in the field that has to be rekeyed has been entered wrongly at the time of deposit processing, or
- the rekey value is input wrongly at the time of authorization.

Now, if Mr. Trevor Atkins had input the deposit currency as GBP instead of USD then also, Mr. Jeffrey Hunt would have been denied access to the deposit when he attempted to access it by entering the *correct* data in the rekey fields. When this happens, Mr. Hunt can inform Mr.Atkins of the mistake, and have it rectified.

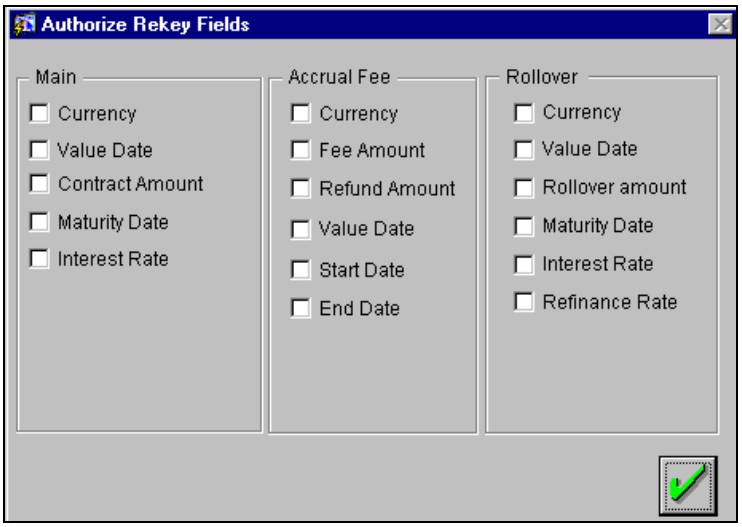
It could also be that Mr. Atkins has correctly captured the principal of the deposit as 1M and the authorizer and Mr. Hunt makes an error while entering the re-key value. Assume Mr. Hunt enters the deposit amount as 10M. In such a case also, the details of the deposit will *not* be displayed for authorization.

You can specify any or all of the following as re-key fields:

- Main
  - Currency
  - Value Date
  - Contract Amount
  - Maturity Date
  - Interest Rate
- Accrual Fee
  - Currency
  - Fee Amount
  - Refund Amount
  - Value Date
  - Start Date
  - End Date
- Rollover

- Currency
- Value Date
- Rollover Amount
- Maturity Date
- Interest Rate
- Refinance Rate

Click on the Rekeys button in the preferences screen to invoke the Authorization Rekey Fields screen.




### 3.3.5 Setting the Accrual Frequency

Apart from the principal, you can have other components for a deposit, such as interest, charge or fees, and these can be accrued over the tenor of the deposit before being realized into the expense or income accounts respectively.

You can define the frequency at which you would like to accrue these components as part of the preferences that you specify.

The attributes of these 'other' components are defined in the ICCF sub-system of Oracle FLEXCUBE. For components that have been marked for accrual, the frequency is specified in this screen (Product Preferences screen).

When you run the Automatic Contract Update function at the end of day, the system carries out the accruals according to the frequency that you specified. However, if the accrual date falls on a holiday, then the accruals are done as per your holiday handling specifications in the Branch Parameters screen.

That is:

- If you have specified that automatic events are to be processed for a holiday(s) on the working day before the holiday, the accruals falling due on a holiday(s) will be processed during end-of-day processing on the last working day before the holiday.
- If you have specified that the automatic events are to be processed for a holiday(s) on the working day following the holiday, the automatic events falling due on a holiday(s) will be processed on the next working day, during the beginning-of-day processing.

The frequency can be one of the following:

- Daily
- Monthly
- Quarterly
- Half yearly
- Yearly

In the case of monthly, quarterly, half yearly or yearly accruals, you should specify the date on which the accruals have to be done. For example, if you specify the date as '30', accruals will be carried out on the 30th of the month, according to the frequency that you have defined.

If you want to fix the accrual date for the last working day of the month, you should specify the date as '31' and indicate the frequency. If you indicate the frequency as monthly, the accruals will be done at the end of every month - that is, on 31st for months with 31 days, on 30th for months with 30 days and on 28th or 29th, as the case may be, for February.

If you specify the frequency as quarterly, and fix the accrual date as the last day of the month, then the accruals will be done on the last day of the month at the end of every quarter. It works in a similar fashion for half-yearly accrual frequency.

If you set the accrual frequency as quarterly, half yearly or yearly, you have to **specify the month** in which the first accrual has to begin, besides the date.

***Example***

If you specify the frequency as half yearly, the start date as 31, and the start month as June, the system will accrue interest for the first time on 30 June 1997 for the period from 1 January to June 30, 1997, and for the second time on 31 December 1997, for the period from 1 July 1997 to 31 December 1997.

## 3.3.6 Specifying Your Preferences for Tax

### Apply Tax

Specify whether tax should be applied on deposits involving this product.

If tax is specified for the product, you can waive it for specific deposit at the contract level. But, if you have specified that tax is not applicable to the product, you will not be able to levy tax on all the contracts under that product.

**Refund Tax to Customer**

In case you have collected excess tax from the customer, you may choose to refund the amount to the customer. Choose this option if you want to refund the excess tax amount collected from the customer. If you leave this box unchecked, the system will not refund the amount to the customer.

**Tax Type**

Tax is payable on interest earned on deposits. This is deducted by the bank in the form of withholding tax. You can indicate whether withholding tax is applicable to all deposits under the product. Choosing this option indicates that the system should compute the tax amount for the product. This amount is deducted from the customer.

## 3.3.7 Specifying Tenor Related Details

You can set the minimum and maximum limits for deposit tenor. You can also specify a standard tenor or a default tenor.

***Example***

You have a product 'Short term Deposits for the Corporate Sector' – SDC3. This product is for 'Short term Deposits for the Corporate Sector'. The deposits involving this product will have tenors like three months, six months etc. For such a product you can set a minimum tenor of one month and a maximum tenor of one year.

The 'default tenor' is the tenor that is associated with a deposit involving this product. However, the default tenor applied on a deposit can be changed during deposit processing.

***Example***

You can define a default tenor, say 6 months, for the product we just discussed, SDC3. This default tenor will apply to all the deposits involving the product. However, at the time of capturing the details of a deposit, you can specify a different tenor.

## 3.3.8 Specifying the Exchange Rate Variance

When a deposit involves a currency conversion the rates defined for the Rate Type, that has been specified for the product, will be picked up by default (examples for Rate Type could be cash rate, borrowing rate, lending rate, etc.,). This default can be changed.

You can impose some restrictions on this changed rate, as follows:

### 3.3.8.1 Normal Variance

If the exchange rate variance exceeds the standard exchange rate for the Rate Type by this value (normal variance), then the system will ask you for an override before proceeding to apply the exchange rate.

### 3.3.8.2 Maximum Variance

You cannot apply an exchange rate on a deposit, involving the product that you are creating, that is greater than the value that you specify as the Maximum Variance. If the exchange rate exceeds the standard exchange rate by the maximum variance you have defined for the product, then the system will not allow you to store the contract.

***Example***

You have specified the normal variance as 3% and the maximum variance as 6% for Product DD01.

Now, if the exchange rate to be applied on a contract in exceeds the standard exchange rate that has been maintained by 4% to 6%, the system will ask you for an override before applying this rate.

However, if the exchange rate exceeds the standard exchange rate by over 6%, then the system will not allow you to store the contract.

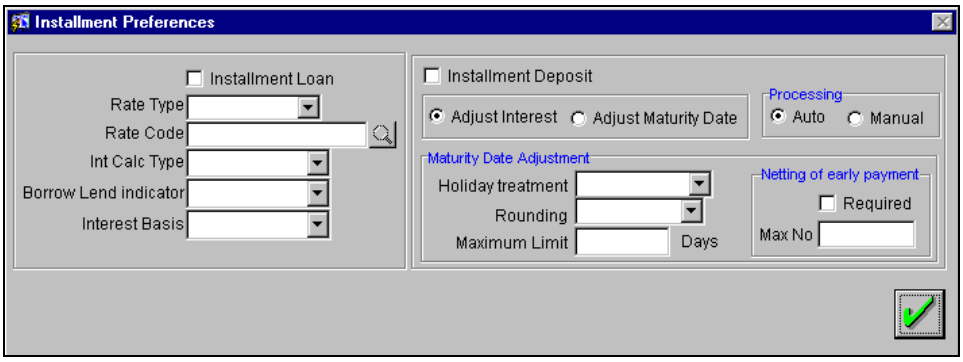
STOP The exchange rate variance is a percentage.

## 3.3.9 Specifying your Preferences for Installment Deposits

You can indicate whether the deposit product you are defining is meant to cater to Installment type of deposits.

An installment deposit is a type of deposit where the customer account is debited for a certain amount at a specified frequency for a specific tenor period. The purpose of maintaining installment deposits is to enable your customer to save enough funds to be able to pay up a loan at the end of the deposit period.

Click on the Installments button, to specify the Installment Preferences.




If you are maintaining the details of an installment type of deposit, the other preferences that you specify should necessarily be as follows:

- The main interest component linked to the product should be Fixed.
- The payment method should be Bearing.
- The deposit should have Normal repayment schedules.

**Indicating the draw-down schedules preferences**

For each installation type of deposit product that you maintain you need to define draw down schedules. Accordingly, at the specified frequency the system automatically debits the customer account for the draw down amount and credits the deposit draw down account. The draw down process gets executed automatically only if there are sufficient funds in the customer account involved in the transaction.

When the installment payment is delayed due to lack of sufficient funds, you can choose to adjust the maturity date. Adjusting the maturity date ensures that the principal plus interest amounts that the customer receives at the end of the deposit period are as per what was promised to the customer.

However, if you indicate that the interest amount is to be adjusted, the increase in principal will be effected on the actual payment date and the interest amount will be recalculated based on the increased principal from the actual payment date to the maturity date.

***Example***

You have advanced Ms. Yvonne Cousteau a loan of USD 10,000 under the scheme 'Short Term Loans for Individuals' at 10% interest for a year. The loan was initiated on 01 May 2000. The Maturity Date is on 05 May 2001.

To be able to repay the loan at the end of the tenor period Ms. Cousteau decides to maintain an Installation deposit with monthly draw down schedules. The installation deposit product involved in the contract is DI01, which has monthly draw dawn schedules.

Since the purpose of the installment deposit is to be able to pay back the loan at the end of the loan period, the maturity date of the installation deposit contact is 01 May 2001. Ms. Cousteau has unfalteringly paid up the draw down schedule payment amounts up to December 2000. However, due to lack of funds, the payment of the 01 January 2000, schedule is delayed by 5 days. Ms. Cousteau's draw down account is credited only on 06 January 2000.

**Scenario I**

Let us assume that as part of defining the product preferences for the product DI01you have indicated that the Maturity Date can be adjusted. During the batch-processing program the system re-adjusts the maturity date and moves it forward from 01 May 2001 to 06 May 2001. Consequently, the total interest receivable is kept constant.

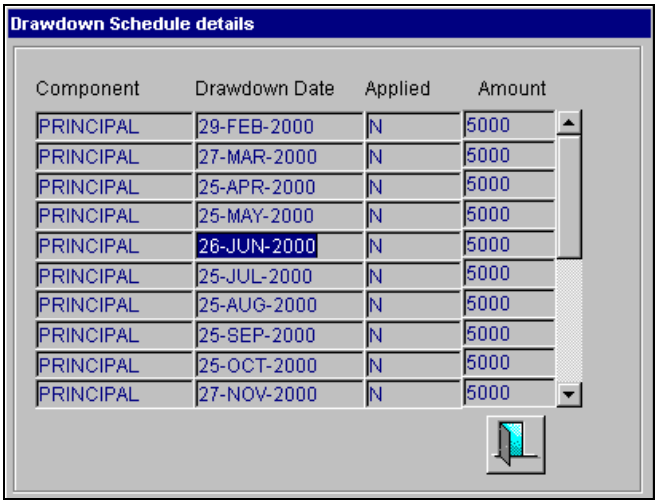
**Scenario II**

You have indicated that for the product DI01, the interest amount should be adjusted in case of defaulted payments. The increase in principal will be effected on 06 January 2000. During the batch processing program the system recalculates interest from 06 January 2000, which is the actual payment date and not the schedule due date which is 01 January 2000.

Note that the specification you make at the product level will be defaulted to all the contracts involved in the product. You will not be allowed to change them while processing individual contracts.

## 3.3.10 Viewing the Draw down Schedule Details

When you click on  in the Schedules tab of the Contract On-line screen, the Draw Down Schedule Details screen is invoked. In this screen, you can view the draw down details for an installation type of deposit contract.




In this screen, the following details about the draw down component will be displayed:

- The draw down schedule date
- Whether the revision date has been applied; and
- The draw down amount

To go back to the schedule definition screen click on  .

## 3.3.11 Specifying Payment of Past Schedules

You have to indicate whether for a back-dated deposit that has schedules prior to today's date, those schedules have to be liquidated when the deposit is initiated. A back dated deposit is one with a Value Date (initiation date), which falls before today's date.

***Example***

Deposits can be initiated as of

- today,
- a date in the future, or,
- a date in the past.

Today's date is 15 October 1997. Suppose you initiate today a deposit of 15,000 USD with the value date (date on which the deposit comes into effect) as 15 September 1997, the system will pass accounting entries for initiation as of 15 September 1997.

But if there had been an interest payment schedule for 30 September 1997, for 500 USD, then if you specify that back valued schedules should be liquidated, you can make the system pass accounting entries to liquidate this schedule also, when the deposit is initiated. If you specify that back dated schedules are not to be liquidated, only accrual entries will be passed till today.

Please note that the entries associated with each event (initiation and liquidation in this case) will be passed only if they have been defined for the product. Further, the accounts used will be the ones defined for each entry.

## 3.3.12 Restricting the Generation of Settlement Messages

Oracle FLEXCUBE will generate the settlement messages associated with deposit contracts only if you opt for generation of settlement messages at the time of defining a product. At the time of creating a product, you can indicate whether you want to generate settlement messages for contracts, which you want to process under the product that you are defining.

Select the option 'SGEN Required', if you want to allow generation of settlement messages. Consequently, Oracle FLEXCUBE will generate settlement messages for contracts associated with the product. You have to specify the number of calendar days before the repayment date, when a settlement message has to be generated for the customer (as a reminder of the payment), if you have opted for generation of settlement messages. This is specified as 'Notice Days' in the 'Preferences' screen. The system will check for the settlement days prior to the due date against the currency holiday calendar and will accordingly execute the holiday treatment, if the settlement date falls on a currency holiday.

## 3.3.13 Specifying the Mode of Liquidation

Components of a deposit can be liquidated automatically or manually. You should indicate whether the mode of liquidation of repayment schedules is to be automatic or manual. You can also indicate that certain specific components must be liquidated automatically.

If you opt for automatic liquidation, a schedule will be automatically liquidated on the day it falls due, during beginning-of-day processing (by the Automatic Contract Update function). Specify **Auto** liquidation if you want all the components of a deposit involving this product to be liquidated automatically.

If you opt for manual liquidation you have to give specific instructions for liquidation through the Manual Liquidation screen on the day you want to liquidate the schedule. Specify **Manual** liquidation if you want to perform a manual liquidation for all components of a deposit involving this product.

If you want some specific components to be liquidated automatically in a certain prioritized order, you can specify **Component** liquidation. When you choose this option, you can select the components that must liquidated automatically, and define the order in which they will be liquidated automatically. In such a case, the components not selected must be liquidated manually, by entering the payment in the Manual Liquidation screen.

You can select components to be automatically liquidated only if the liquidation type chosen for the product is 'Component'.

### 3.3.14 Specifying the Minimum Amount for Auto Liquidation

If you opt for automatic liquidation of deposit schedules, you can specify a minimum amount that should be liquidated in case of partial liquidation. You can also specify the currency of the Minimum Amount for Auto Liquidation.

Your specification for a product will apply to all contracts involving the product. On automatic liquidation, if a schedule amount is more than the defined Minimum Amount for Auto Liquidation, the system checks the payment account for the available balance.

If the funds available in the account *exceed* the defined minimum amount, the schedule is liquidated entirely or to the tune of the available funds in the account. If the funds in the payment account are *less than* the minimum amount specified for the product, the system liquidates the schedule only if it can be *entirely* liquidated. If not, the system marks the schedule as 'pending' until there are sufficient funds in the account.

The system validates the minimum deposit amount against the deposit amount. If the Deposit amount is less than the minimum deposit amount maintained in this screen, then a configurable override is displayed.

### 3.3.15 Allowing Rollover

You should specify whether a deposit, involving the product you are defining, can be rolled over into a new deposit if it is not liquidated on its Maturity Date.

When creating a product you can specify whether rollover of a deposit, involving the product, is allowed.

If you specify that rollover is allowed for the product, it will be applicable to all the deposits involving the product. However, at the time of processing a specific deposit involving this product, you can indicate that rollover is not allowed.

However, if you specify that rollover is not allowed for a product, you cannot rollover a deposit involving the product.

The terms of a deposit that are rolled over can be the same as those of the original deposit or they can be different. (The terms that can be changed are discussed in the chapter 'Rolling over a deposit'. Please refer this chapter). If the terms should be different, they should be specified during deposit processing.

#### 3.3.15.1 Tracking Changes in Deposit Tenors for GL Changes

The Central bank reporting lines to which GLs are linked are often different for different tenor slabs. Since a deposit rollover can change the tenor of the deposit to take it to a different tenor slab, it becomes necessary to transfer the liability to a different GL that has a mapping to the appropriate CB line. Each time you change the tenor of a deposit you will have to identify the new GL to which the deposit should report. This holds true for automatic as well as manual rollover.

Such an event is treated as a status change. Therefore, you will have to define a new status, corresponding to each tenor slab in the Central Bank reporting lines.

The system performs the status change as per the derivation rule linked to the Status Rule defined in the Status Maintenance screen.

**What happens if the deposit contract is split**

You need to handle a deposit split manually by reversing the original deposit contract and manually re-booking the split contracts. When you split a deposit you may ensure that:

- The rollover count of the parent deposit contract is continued for the split deposits. This is done by manually entering the rollover count.
- The Contract Reference Number of the parent contarct is preserved in an UDF.
- The split contract reference number is preserved in another UDF.

These features are particularly useful for CB reports where the change in the tenor of a deposit contract due to rollover might make it necessary to change the GL to which the contract reports. The generated advice will contain the Parent Contarct Reference Number, the Split Contarct Reference Number and the Rollover Count, which is carried over from the parent contract to the split deposit.

## 3.3.16 Allowing Pre-Payment Along with Overdue Schedules

You can indicate whether you would like to accept payments for overdue schedules along with the pre-payments or whether you would like to split the payments.

***Example***

Let us assume that you have loaned a USD 10,000 to Mr. Silas Marner, a customer of your bank at 10% interest. This loan has been initiated under the Short Term Personal Loans for regular customers scheme.

Mr. Marner's monthly EMI works out to USD 1010. The tenor of the loan is for a year, from January 2001 to January 2002.

In the month of March, Silar Marner informs your bank that since he will not be able to pay the amount in March, he would like to make the payment in the April schedule, along with the schedule amount due for April.

If you check this box, you will be allowed to accept the overdue amount for the month of March, along with the prepayment amount for April. If you leave this box unchecked you will be allowed to process the overdue and pre-payment amounts separately.

Your specification will be made applicable to all the contracts associated with this product.

## 3.3.17 Specifying whether Prepayment is Allowed

Before indicating your preference for prepayment penalty, you need to specify whether payment of the principal before a deposit schedule is allowed for the product.

If you specify that prepayment is not applicable to the product, the system will not allow prepayment of deposit schedule. During manual liquidation process, the system verifies that the limit date is greater than the Application date. Subsequently, the system displays an error message.

## 3.3.18 Allowing prepayment penalty

You can indicate whether a penalty is to be applied on a deposit involving the product if a withdrawal is made before it is due. If you have made a principal repayment before the schedule date, you can give a lower interest on the amount that is repaid to the customer before it is due.

A prepayment is a withdrawal that is made before it is due. The following example explains a 'prepayment'.

***Example***

Parivallal Express Services has deposited USD 10,000 at 14% interest on 1 January 1998. The deposit is to mature on 31 March 1998. There are three monthly payment schedules for the interest and the principal is to be paid at maturity.

Now, Parivallal withdraws the entire principal on 31 January 1998 that is on the first schedule payment date of the interest. This amounts to a prepayment. You have accepted the deposit on the understanding that it will be with you for three months. When it is withdrawn in just one month you have the option of charging a prepayment penalty. This could be in the form of a lower rate of interest (lower than the 14% that was to be paid on the principal for three months) for the one month period, or a flat amount.

For the amount that is paid in advance, the penalty interest (that is, the rate of interest that is lower than the normal interest rate, or it can be a flat one-time prepayment penalty amount) should be specified when the repayment is being processed for the deposit.

Here is another example to explain the concept:

***Example***

Ms. Yvonne Cousteau has a deposit contract with you. The terms of this contract are as follows:

| | |
|---|---|
| Principal | USD 10,000 |
| Value Date of the contract | 01/01/98 |
| Maturity Date of the contract | 31/03/98 |
| Interest Rate | 10% |
| Payment schedules | Principal and interest paid on maturity |

Ms. Cousteau wants to withdraw a part of the deposit, say USD 4,000 on 150/01/98. You may want to give a rate lesser than the one agreed upon earlier on, as a part of the deposit is being taken away before its maturity. Let this rate be 8%.

When this prepayment is processed on 15/01/98, the interest amount is calculated as follows:

USD 4,000 at 8% (the amount that is prepaid) for a period from 01/01/98 to 14/01/98

USD 6,000 continues to be processed at 10% interest.

(You can specify the 'penalty rate' which is the percentage of interest that has to be decreased from the earlier contract rate or a penalty amount, as the case may be, when you are processing the prepayment. In this example, the 'penalty rate' is 2%.).

However, through the Product Preferences screen, you can only indicate whether penalty can be applied on deposits involving the product. The actual rate or the amount has to be specified when the prepayment is processed, through the Manual Liquidation screen.

## 3.3.19 Recomputing Schedules after a Prepayment

When defining the preferences for a product, you have to specify whether the interest on the future schedules of a deposit (involving the product) has to be recalculated in case of an advance repayment on a schedule (that is, when a repayment is made before its due date).

***Example***

You have specified repayment schedules for Parivallal Express Services for a USD 300,000 deposit at 14% interest for three months as follows:

USD 100,000 with interest on Jan 1, 1998

USD 100,000 with interest on Feb 1, 1998

USD 100,000 with interest on March 1, 1998

Now, Parivallal Express Services withdraws USD 150,000 on 1 February 1998. This leaves only USD 50,000 principal to be paid back with interest. However, the interest would have been calculated with the expected balance of USD 100,000 on the third schedule and not the present USD 50,000. When defining your preferences for the product, you can opt to recompute schedule amounts for the interest component automatically to be in tune with the principal pre-payment If you do not specify that schedules have to be recomputed, the interest recalculation in view of the advance payment, will not be done. Parivallal Express Services will have to be paid the same interest that it would have been paid if it had kept up with the original schedule.

**Tenor Based Spread**

Check this box to specify that tenor based spread should be applied for Deposit products. This value will be defaulted in the Spread option of the 'Interest Details' screen.

## 3.3.20 Allowing Forward Dating

The Value Date of a deposit (that is, the date on which it is initiated) can be:

- the date on which it is input (booked)
- a date in the past; or
- a date in the future

You should indicate whether a deposit involving a product can have a Value Date in the future. A deposit can have a value date in the future only if you have allowed it for the product, which it involves. An initiation date in the past or today can be indicated for any deposit.

When a deposit with a Value Date in the future is stored, no accounting entries will be passed on the date of input. The deposit will be initiated by the Automatic Contract Update function during the Beginning of Day (BOD) processes on the Value Date (date of initiation). All the necessary accounting entries will be passed on this date.

However, if the initiation date (Value Date) falls on a holiday, then, the deposit will be initiated as per your holiday handling specifications in the Branch Parameters screen:

- If you have specified that automatic processes are to be carried out for holidays, the deposit slated for initiation on the holiday will be initiated during end-of-day processing on the last working day before the holiday.
- If you have specified that the automatic processes are to be carried out only till the System Date (today's date), the deposit slated for initiation on the holiday will be initiated on the next working day, immediately after the holiday, during beginning of day processing.

## 3.3.21 Certificate of Deposit

If the product you are defining involves contracts that are certificates of deposits, you should specify so in this screen.

**Negotiable**

If the product you are defining involves certificates of deposits that are negotiable, you should specify so in this screen.

When you create a product, you can specify the following:

- the branches of your bank which can offer it
- and the currencies that are allowed or disallowed for the product

### 3.3.22 Identifying the Rate Code to be Used for Deposits in Foreign Currency

For deposits involving currency conversions you have to identify the Rate Code which is to be used for arriving at the conversion rate.

The options available are:

- Mid Rate
- Buy/Sell rate

Your specifications will apply to all contracts associated with the product. You will not be allowed to change it for a specific deposit.

### 3.3.23 Indicating the Rate Type

Specify the rate type in this field. This value is used to convert fee and charge amount from charge/fee currency to contract currency.

### 3.3.24 Indicating the Effective Rate for Deposits (TEP)

The Effective Rate of interest is computed in the following manner:

Effective Deposit Rate = {(1 + (i*(PPI/360))) power (360/PPI) – 1}

*(In this case we have used 360 as the denominator. The other options available are 365 days, Actuals or Currency. The denominator is defaulted from your specification in the Branch Conditions screen).*

Where the following are the abbreviations used.

- i – Annual Nominal Rate
- PPI – the interest payment periodicity.

This option can be set up as a preference for the deposit product you are defining. Additionally, you have to enable this option in the MM/Loans and Deposits Branch Conditions screen as well. These rates will be calculated for a contract only if this option has been enabled at the Product and Branch level.

The rates are calculated during:

- Takedown
- Value Dated Amendments
- Contract amendments resulting in change of cash flows
- Partial or full liquidation (premature withdrawal)

***Example I***

Case I

Mr Franco Gonzalvis has placed a deposit of USD 10,000 under the Monthly income deposit product of the scheme wherein the interest is paid to the deposit holder at the beginning of every month. The nominal interest paid by the bank at the time of the deposit was 12%. Mr Franco Gonzalvis placed the deposit with the bank on 1st Jan 2002 and it matures on 1st Jan 2003. In this case the TEP calculation would be as follows:

TEP={(1 + (0.12*(PPI/360))) power (360/PPI) – 1}

PPI or the interest payment periodicity = Duration of the contract (365 days) divided by the number of interest payments (12). (i.e., 365 / 12)

Therefore the above formula TEP =

{(1 + (0.12*(365/12/360))) power (360/(365/12) – 1}} = 1.126816-1 = 0.126816

PPI is always computed as the duration of the Contract (deposit) divided by the number of interest payments (Even if the interest payment periods are not at periodic intervals.

***Case II – Premature Liquidation***

Suppose Mr Gonzalvis was in immediate need of funds and he liquidated the deposit on 02-Dec-2002. Then the TEP computation on liquidation of the deposit would be as follows:

The number of days between 1st Jan 2002 and 02 Dec-2002 =335

The number of interest payments = 12 (11 monthly payments from 1st Feb to 1st Nov and an interest payment onm 2nd dec for one day). Therefore PPI= 335/12

Thus TEP = {(1 + (0.12*(335/12/360))) power (360/(335/12) – 1} = 1.126871 – 1 = 0.126871.

***Example II***

Rate Change

Mr Marco Van Basten placed a deposit of USD10000 under the Monthly Income plan wherein the interest payments are made to the client on the first of every month. He placed his deposit on the 1st of Jan 2002 when the rates were 12%. The deposit matures on 1st Jan 2003. After 2 months on the 1st of March the rate changes to 15%. (the terms of the deposit – i.e interest payment periodicity remain unaltered).

In such cases the Nominal interest that is to be used in the above mentioned formula is computed as follows:

Nominal Interest Rate = Interest Paid /Average Deposit amount

= ((10000*0.12*2/12) + (10000*0.15*10/12))/10000

=1450/10000

=14.5%

The TEP for the above example= {(1 + (0.145*(365/12/360))) power (360/(365/12) – 1} = 1.155022 –1 = 0.155022

**Derivation of Nominal rate in case of Discounted or true discounted deposits**

In case of Discounted and True discounted deposits the Nominal rate of Interest is computed as follows:

Nominal Rate =

(Interest Payable x 360) /(Principal - Interest Payable) x Duration of contract)

(For discounted and true discounted computation the duration of the contract is equal to the interest payment periodicity)

The Nominal Rate so computed is then used to compute TEP.

***Example III***

Mr Andrez Sacoli made a deposit of USD 10000 under Bonanza Deposit Scheme which is a discounted deposit. At the time of the deposit the prevailing interest rate was 12% for a deposit of one year. TEP would be computed as follows:

The nominal Rate = (1200 x 360) / ((10000 –1200) x 365) == **0.136363**

TEP = (1+ 13.449564* 365/360) ^(360/365) =**0.134375**

***Example IV***

Suppose the deposit was a True discounted product then

The Nominal Rate = (1071.43 x 360) / ((10000 – 1071.43) x 365) = 0.11835

TEP = (1+ 11.835* 365/360) ^(360/365) =**.118263**

## 3.3.25 Specifying whether Installment Schedules should be Allowed

Your bank may need to define a flexible repayment schedule for some customers who make deposits in your bank. The customer may need to repay fixed amounts on certain schedules, which you must adjust towards both interest and principal.

For such customers, for a deposit contract with payment method as bearing, and normal schedules, you can define installment schedules. The amount repaid on the due date of an installment schedule is considered as inclusive of interest computed on the main component.

It is possible to have more than one installment schedule for a contract.

To define installment schedules, you must:

- Specify installment schedules as allowable, for the product, in the Product Preferences screen. Select the 'Allow Installment' box. When you do this, for any deposit contract involving the product, you can define installment schedules.

- When you enter a deposit contract using the product for which installment schedules are allowable, in the Contract Schedules screen, select “Installment” as the component, and specify the fixed amount being repaid. The interest payable on the main component will be computed and deducted from the fixed amount, and the remaining portion is appropriated towards repayment of principal.

An example of a contract with installment schedules is shown below:

***Example***

The calculation of amounts due for principal and interest for main component is explained below with an example.

You have received a deposit from one of your customers, with a Value Date of 1st January 2003, which matures on 1st November 2003. The amount of the deposit is 10,000 USD, the interest being charged at 10.00%, calculated on ‘Actual / 360’ basis.

Schedules for principal and interest on the deposit are shown in the table below. The customer has requested you to define monthly fixed amount schedules from 1st May 2003 to 1st July 2003, and also between 1st September 2003 and 1st November 2003, when the deposit matures.

| Component | Start Date | Number of schedules | Frequency | Amount |
|---|---|---|---|---|
| PRINCIPAL | 01-FEB-2003 | 3 | Monthly | 500.00 |
| INTEREST | 01-FEB-2003 | 3 | Monthly | |
| INSTALMENT | 01-MAY-2003 | 2 | Monthly | 1,000.00 |
| PRINCIPAL | 01-JUL-2003 | 1 | Daily | 1,000.00 |
| INTEREST | 01-AUG-2003 | 1 | Daily | |
| INSTALMENT | 01-SEP-2003 | 2 | Monthly | 1,500.00 |
| PRINCIPAL | 01-NOV-2003 | 1 | Bullet | |
| INTEREST | 01-NOV-2003 | 1 | Bullet | |

For each schedule due date, the amount due for the interest and principal components, as computed by the system, are shown below (the installment schedules are marked):

| Schedule | Component | Due Date | Amount |
|---|---|---|---|
| | INTEREST | 01-Feb-2003 | 86.11 |
| | PRINCIPAL | 01-Feb-2003 | 500.00 |
| | INTEREST | 01-Mar-2003 | 73.89 |
| | PRINCIPAL | 01-Mar-2003 | 500.00 |
| | INTEREST | 01-Apr-2003 | 77.50 |

| Schedule | Component | Due Date | Amount |
|---|---|---|---|
| | PRINCIPAL | 01-Apr-2003 | 500.00 |
| Installment | INTEREST | 01-May-2003 | 70.83 |
| | PRINCIPAL | 01-May-2003 | 929.17 |
| Installment | INTEREST | 01-Jun-2003 | 65.19 |
| | PRINCIPAL | 01-Jun-2003 | 934.81 |
| | PRINCIPAL | 01-Jul-2003 | 1,000.00 |
| | INTEREST | 01-Aug-2003 | 103.83 |
| Installment | INTEREST | 01-Sep-2003 | 48.53 |
| | PRINCIPAL | 01-Sep-2003 | 1,451.47 |
| Installment | INTEREST | 01-Oct-2003 | 34.87 |
| | PRINCIPAL | 01-Oct-2003 | 1,465.13 |
| | INTEREST | 01-Nov-2003 | 23.42 |
| | PRINCIPAL | 01-Nov-2003 | 2,719.42 |

For the installment schedules, the amount repaid is adjusted towards interest and principal.

Details of the calculation of interest on the various due dates, based on the principal being repaid are shown below:

| Due Date | Start Date | End Date | Days | Basis Amount | Interest |
|---|---|---|---|---|---|
| 01-Feb-2001 | 01-Jan-2001 | 01-Feb-2001 | 31 | 10,000.00 | 86.11 |
| 01-Mar-2001 | 01-Feb-2001 | 01-Mar-2001 | 28 | 9,500.00 | 73.89 |
| 01-Apr-2001 | 01-Mar-2001 | 01-Apr-2001 | 31 | 9,000.00 | 77.50 |
| 01-May-2001 | 01-Apr-2001 | 01-May-2001 | 30 | 8,500.00 | 70.83 |
| 01-Jun-2001 | 01-May-2001 | 01-Jun-2001 | 31 | 7,570.83 | 65.19 |
| 01-Aug-2001 | 01-Jun-2001 | 01-Jul-2001 | 30 | 6,636.02 | 55.30 |
| 01-Aug-2001 | 01-Jul-2001 | 01-Aug-2001 | 31 | 5,636.02 | 48.53 |
| 01-Sep-2001 | 01-Aug-2001 | 01-Sep-2001 | 31 | 5,636.02 | 48.53 |
| 01-Oct-2001 | 01-Sep-2001 | 01-Oct-2001 | 30 | 4,184.55 | 34.87 |
| 01-Nov-2001 | 01-Oct-2001 | 01-Nov-2001 | 31 | 2,719.42 | 23.42 |

## 3.3.26 Specifying Amortization Preferences

**On Rate Revision**

Select an appropriate value from the drop-down box. The following values are displayed:

- I - Change Installment
- B - Change Bullet schedule

**Allow Re-Amortization**

Check the box to indicate that re-amortization is allowed.

**On Prepayment**

Select an appropriate value from the drop-down list. This field will be enabled only for Amortized products. The value 'Change Bullet' is defaulted by the system. System displays the following values:

- I – Change Installment
- B – Change Bullet

## 3.3.27 Allowing Swift Confirmation Message

Check this option to indicate that system must generate SWIFT confirmation messages for contracts booked under this product.

Confirmation messages are generated provided CIF Confirmation Parameters are maintained for LD module in the 'CIF Confirmation Parameters' screen.

*For a detailed discussion on the CIF Confirmation screen refer to the SWIFT Related Maintenances chapter of the Core Services user manual.*

## 3.3.28 Indicating Preference for SEPA Messages

You can indicate whether or not the system should allow generation of messages with SEPA mandated fields and SEPA related validations. Check the 'Sepa Product' option to indicate that the system should support generation of messages with SEPA mandated fields and SEPA related validations for all contracts booked under this product.

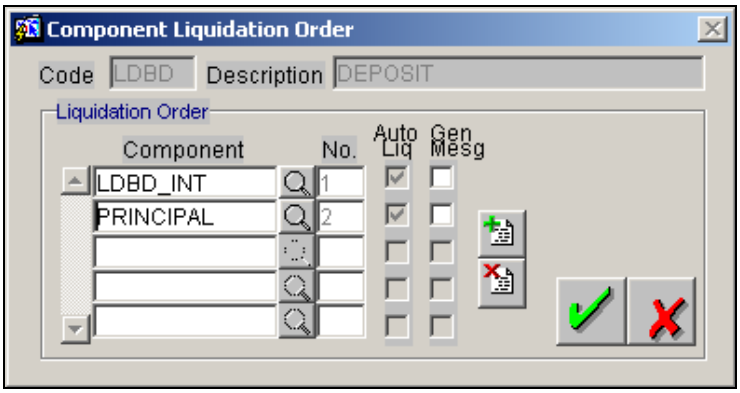
## 3.3.29 Selecting Components to be Automatically Liquidated

If you have chosen the 'Component' liquidation type to be applied to deposits involving the product, you must select the components that must be liquidated automatically.

In the Component Liquidation Order screen, you can select the 'Auto Liq' box for those components that you wish to be automatically liquidated.

Any components for which you do not select the ‘Auto Liq’ box must be liquidated manually.

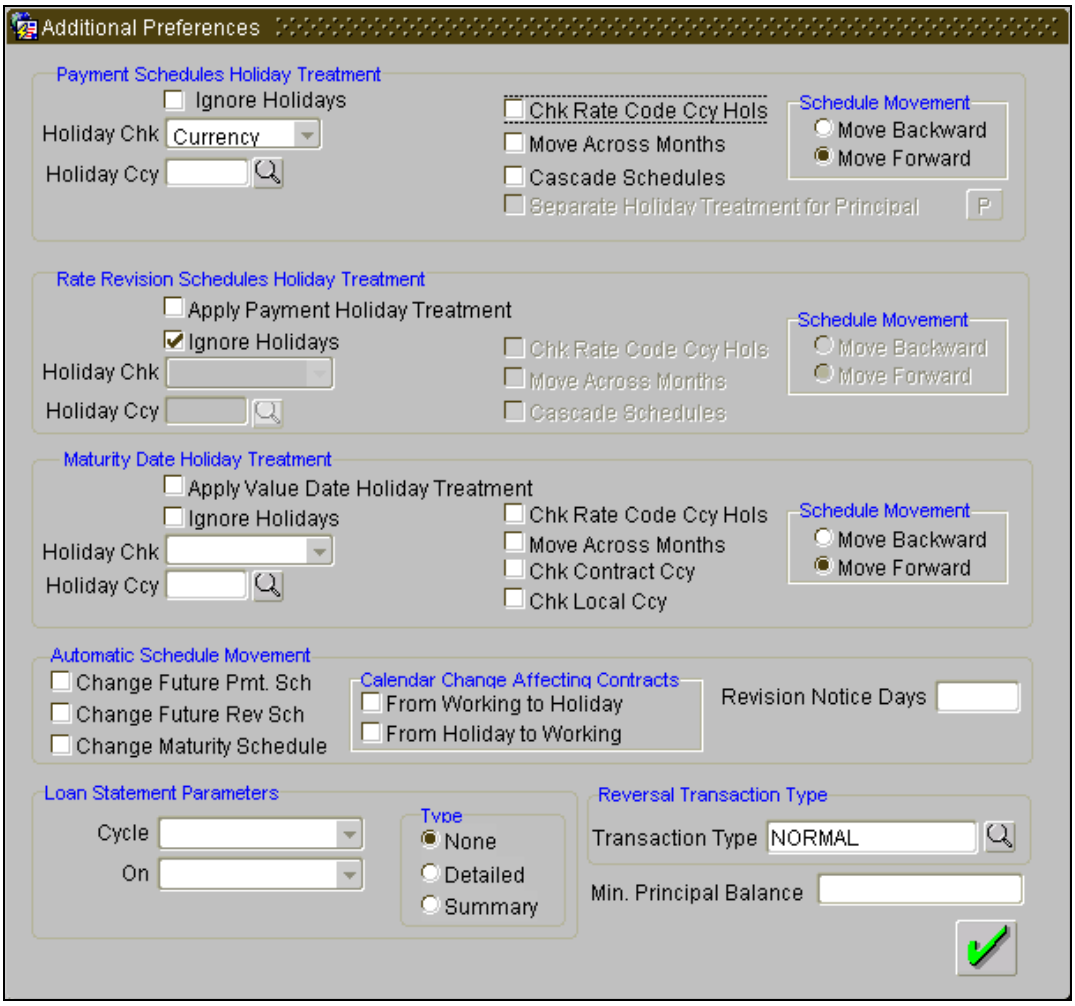
You can invoke the Component Liquidation Order screen from the Deposit Product Preferences screen by clicking Liquidation Order.




## 3.3.30 Specifying the Holiday Treatment

The value date or schedule date or revision date or the maturity date of a contract might fall on a local holiday defined for your branch or on a holiday specified for the currency involved in the contract.

You need to specify the holiday parameter, which has to be considered for holiday handling. This is done in the ‘Additional Preferences’ screen. Click on Additional Pref in the ‘Loans and Deposits Product Preferences’ screen.




### 3.3.30.1 Holiday Treatment for Schedules

The parameter that has to be considered for holiday treatment is specified in the 'Holiday Chk' field. The options available are:

- Currency

Select this option if you want the system to check whether the value date or schedule date or revision date or the maturity date of a contract falls on a holiday defined for the currency involved in a contract.

If you select this option, you need to specify the holiday currency code. The system will check the holiday table for that particular currency. If the system encounters a contract whose currency is same as that of holiday currency, holiday handling will be done according to the specified holiday handling preferences (This is discussed in the subsequent sections of this chapter).

- Local

Select this option if you want the system to check whether the value date or schedule date or revision date or the maturity date of a contract falls on a local holiday defined for your branch. If you select this option, you will not be allowed to enter the holiday currency.

- Both

Select this option if you want the system to check for both currency and local holidays of your bank. You need to indicate the holiday currency if you select this option.

Note the following:

- The default holiday check will be 'Currency'.
- The 'Separate Holiday Treatment for Principal' box will be disabled by default as it is applicable only for loan products.

**Moving the schedule date forward or backward**

If you have indicated that a currency holiday should not be ignored for the contract, you need to specify whether the schedule date should move forward to the next working day or move backward to the previous working day.

Check against the appropriate field to indicate your preference.

**Move Across Months**

If you have chosen to move the schedule date of a contract falling due on a currency holiday, either forward or backward to a working day and it crosses over into a different month, the schedule date will be moved to the next month only if you indicate so in this field.

Check this field to allow movement of schedule date of the contract across months.

Leave it unchecked to indicate that the deposit schedule should be paid within the same month on the last or first working day of the month, depending on whether the schedule date is over the month-end or the beginning of the month.

### 3.3.30.2 Holiday Treatment for Maturity Date

You also have the option of specifying holiday handling preferences if the maturity date of a contract falls on a holiday. You can select one of the following options if either the schedule date or the maturity date falls on a holiday:

- Ignore the holiday or
- Specify preferences for the movement of the maturity date

**Moving the maturity date forward or backward**

If you have indicated that a currency holiday should not be ignored for the contract, you need to specify whether the maturity date should move forward to the next working day or move backward to the previous working day.

Check against the appropriate field to indicate your preference.

**Move Across Months**

If you have chosen to move the maturity date of a contract falling due on a currency holiday, either forward or backward to a working day and it crosses over into a different month, the maturity date will be moved to the next month only if you indicate so in this field.

Check this field to allow movement of maturity date of the contract across months.

Leave it unchecked to indicate that the deposit should mature within the same month on the last or first working day of the month, depending on whether the schedule date/maturity date is over the month-end or the beginning of the month.

You will also be prompted to specify holiday handling preferences in the following circumstances:

- If you amend the Maturity Date of a contract and the new date falls on a holiday
- If you manually rollover a loan and the new maturity date falls on a holiday

**Apply Payment Holiday Treatment**

Check this box to indicate that holiday treatment should be carried out on the value date and on the maturity date. Holiday treatment for the value date is performed during booking and the liquidation transactions of time deposits.

**Chk Contract Currency**

Check this box to indicate that contract currency should be validated against holiday. The 'Chk Contract Currency' will be defaulted to the contract level.

This option will be enabled only if the value of 'Holiday Chk' is Currency & Both.

**Chk Local Currency**

Check this box to indicate that local currency should be validated against holiday. The 'Chk Local Currency' will be defaulted to the contract level.

This option will be enabled only if the value of 'Holiday Chk' is Currency.

**Min. Principal Balance**

Specify the minimum principal balance amount here. During rollover, the principal amount should not be less than the minimum principal balance amount.

## 3.4 Contingent Interest Booking for Deposits

For a deposit product, you can specify that contingent entries must be passed for the total interest payable on a main interest component, at the time of booking a deposit contract involving the product. To do this, you must specify the following roles in the Accounting Role to Head Mapping screen, for the product:

- Component Name + CINT and
- Component Name + CINO

For instance, for booking contingent entries for main interest at the time of initiation of a loan, if the interest component is 'INTEREST', the roles will be INTEREST_CINT and INTEREST_CINO.

You must also associate the amount tag 'Component Name + COIN' for the events REVN and LIQD. For instance, if the interest component is 'INTEREST', the tag would be INTEREST_COIN.

The system uses these accounting roles and amount tags to pass the contingent interest entries into the contingent accounts. During the end of day cycle, the interest accrual reverses the contingent entries passed into the contingent accounts.

Any adjustments to the interest due to prepayment of principal, rate revision, value dated amendments will result in contingent entries to the extent of adjusted interest.

## 3.5 Specifying the Logic for Currency Rounding

You can maintain tenor based, currency-wise interest limits for a combination of Product and Interest Component through the Interest Limits screen.

When an interest class for which currency-wise interest limits have been maintained is associated with a Deposits product (in the Interest Definition screen), the product inherits the limits, by default. Such default limits can be modified if required, when the interest limits for the product and branch combination are maintained, in the Interest Limits screen.

*For details about the Interest Limits screen, refer the Interest user manual.*

For deposits products, you can also define the following currency rounding rules in the Interest Limits screen:

- How the interest amounts in respect of the interest component in the specified currency are to be rounded – truncated, rounded up, rounded down or rounded near.
- If truncation is opted for, the number of digits after the decimal place, to which interest amounts in respect of the interest component in the specified currency, must be truncated. The number of digits specified for truncation cannot exceed the allowed decimal places for the specified currency. If not specified, the number of decimals indicated in the Currency Definition for the specified currency is picked up by the System.

- For the Round Up, Round Down and Round Near options, the rounding unit, which is the lowest possible measure in which the interest amounts in respect of the interest component in the specified currency, can be considered. This value cannot be less than the rounding unit for the specified currency in the Currency Definition. If not specified, the rounding unit indicated in the Currency Definition for the specified currency is picked up by the System.

When generic interest limits are being defined for all currencies in the Interest Limits screen (that is, the ALL option has been selected in the Currency field), the fields relating to rounding rules are not available for definition.

## 3.6 Applying Tax on Liquidated Principal

Your bank may need to deduct tax on principal that is liquidated on each schedule date, for a deposit. The tax may also need to be applied on any interest as well as penalty interest earned on the repaid principal.

To specify the deduction of such tax on liquidated principal, you must:

- Define a tax rule for application of the tax, and associate the rule with a tax class. You must then link the tax class to a tax scheme.
- You must then link the tax scheme defined for the application of the tax to a product, and associate the amount tag TAX_PRINC_LIQD in the Product Tax Linkage Definition screen, as an attribute for the deposit product. For any deposit contracts involving the product, tax would be computed and deducted based on the liquidated principal amount.

In such a case, the basis amount that would be considered for the computation of the tax is arrived at as follows:

Basis amount = principal liquidated + interest earned on the liquidated principal amount + penalty interest earned due to non-payment of principal.

### 3.6.1 Handling Early and Delayed Payments of Installment Deposits

An installment deposit may involve early payments and delayed payments. Oracle FLEXCUBE allows you to net such early and delayed installment payments.

**Indicating netting of payments and extension of maturity date of installment deposits**

When an installment payment is delayed due to lack of funds, you can choose to adjust the maturity date. Select the option ‘Adjust Maturity Date’ to indicate that the maturity date has to be adjusted. As part of adjusting the maturity date, you can:

- Net early and delayed payments of installments, and
- Specify the maximum number of days by which the system should extend the maturity date of an installment deposit.

Adjusting the maturity date ensures that the (Principal + Interest) amount that the customer receives at the end of the deposit period is as per what was promised to the customer.

You can specify the features of installment deposits in the 'Installment Preferences' screen. Select the option 'Installment Deposit' to indicate that it is an installment deposit. You can either specify:

- Adjustment of maturity date, or
- Adjustment of interest – If you indicate that the interest amount has to be adjusted, the principal along with the recalculated interest will be paid on the actual payment date. The interest amount will be adjusted to compensate for the delay in the payment of one or more installments.

The number of days by which the maturity date has to be extended is calculated using the formula:

$$\text{Extension Days} = \frac{(P_1 * D1 + P_2 * D_2 + P_3 * D3\text{----------} + P_N * D_N)}{(P_1+P_2+P_3+\text{------}P_N)}$$

Where,

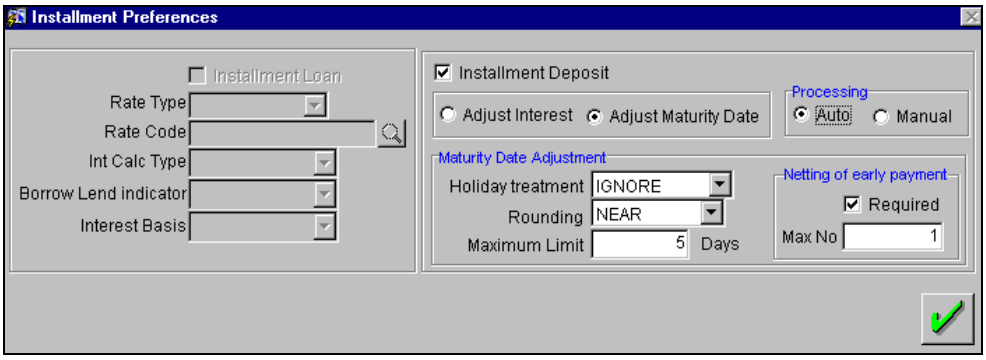
Pn is the installment amount

Dn is the delay in days

N is the number of installments

**Specifying the preferences for extension of maturity date**

You need to specify the parameters by which the system will calculate the number of days by which the maturity date will be extended in the 'Installment Preferences' screen.




If you opt for adjustment of maturity date, you need to specify the following:

- Holiday treatment

The extended maturity date calculated by the system might fall on a holiday. Under such circumstances, the system will arrive at the maturity date based on the holiday preferences that you specify here. You can indicate the following preferences for holiday treatment:

- Ignore the holiday if the new maturity date falls on any of the holidays, or
- Whether the maturity date should move forward to the next working day or move backward to the previous working day.

- Rounding preferences

You need to specify rounding rules to round off fractional units of maturity days by which it has to be extended. The options available are:

- Round Up: The number of days is rounded up to the nearest whole number based on the number of decimal units.
- Round Down: The number of days is rounded down to the nearest whole number based on the decimal units.
- Near: The number is rounded off to the nearest whole number based on the decimal units.

***Example***

Let us assume that the system has calculated the number of extension days as 3.7 days. Then,

Rounding up would be 4 days

Rounding Down would be 3 days

Rounding Near would be 4 days

- Maximum limit by which the system will automatically extend the maturity date

***Example***

Let us assume that you specify the Maximum Limit as 5 days.

For an installment deposit, the system calculates the extension of maturity date as 7 days.

Since Extension Days > Maximum limit, the maturity date would be extended by 5 days.

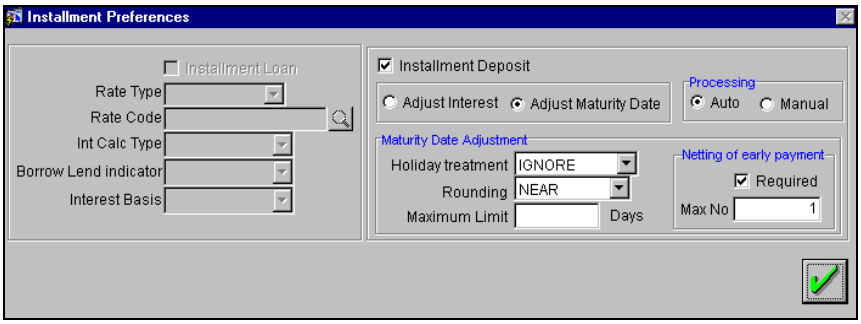
- Whether processing of schedules for the installments has to be Automatic or Manual

If you select automatic mode for processing the installment schedules, Oracle FLEXCUBE will process the installment schedules when you run the batch processing for installment deposits during Beginning of Day and End of Day operations.

If you select manual type of processing, you can record the early and delayed payments in the 'LD- Value Dated Amendments' screen and increase the principal amount.

**Indicating netting of delayed and early payments of installment deposits**

In Oracle FLEXCUBE, you can net delayed payments against early installment payments. The netting of early payments against delayed payments is also indicated in the 'Installment Preferences' screen. Check against 'Required' to enable netting of early and delayed installment payments. If you opt for netting, you have to indicate the maximum number of nettings.




If you have opted for netting of early and delayed payments, then the extension days will be calculated as:

Extension Days =

$$\frac{d1 \pm d2 \pm d3 \pm .....dn}{N}$$

Assuming equal instalments. where,

- $d_N$ is the nth delay or early payment
- + is for delayed payment
- - is for early payment

The example given below explains the method by which the system calculates the extension of maturity date and the netting of early and delayed installment payments.

***Example***

Let us consider an installment deposit with the following details:

First Installment (S1):

Contract Amount: USD 10,000

Value Date: 01-Dec-2001

Maturity Date: 01-May-2002

Installment Schedules:

| | | |
|---|---|---|
| S2 | 01-Jan-2002 | USD 10,000 |
| S3 | 01-Feb-2002 | USD 10,000 |
| S4 | 01-Mar-2002 | USD 10,000 |
| S5 | 01-Apr-2002 | USD 10,000 |

1. Calculation of Maturity Date Extension

**Case 1**: Let us assume that Installment 2 (S2) is delayed by 15 days.

Since the installment amount is same, extension days will be calculated as:

Extension Days= (Number of days by which the installment amount is delayed / Number of Installments}

= {15 / 5}  = 3 days.

Therefore, the maturity date will be extended to 3 days and the new maturity date will be 04-May-2002

**Case2: Installment 2 (S2) is delayed by 10 days and Installment 3 (S3) is delayed by 8 days**

Extension days= (10 + 8)/5 = 3.6 days

If you have opted for Rounding Up, extension days will be 4 days

If you have opted for Rounding Near, the extension days will be 4 days

If you have opted for Rounding Down, the extension days will be 3 days

Let us assume that you have opted for Round up. Consequently, the new maturity date will be extended by 4 days = 05-May-2002.

If 5th May 2002 is a holiday, system will arrive at the maturity date depending on your specification for holiday treatment.

If holiday treatment is Ignore, the final maturity date will be 05-May-2002

If holiday treatment is Forward, final maturity date will be the next working date = 06-May-2002

If holiday treatment is Backward, Final maturity date will be the previous working date = 04-May-2002

**2. Netting of Early Payments**

**Case1:** Netting is set to 'Required' and the maximum instances of such nettings is 1.

**Case A**: Installment 3 (S3) was paid on 25-Jan-2002 (Early payment) and Installment 4 (S4) is delayed to 15-Mar-2002.

Extension Days = [- (the number of days between 26th January 2002 and 1st February 2002) + (the number of days between 1st March 2002 and 15th March 2002)] / [Number of Installments]

Here, - is for early payment and + is for delayed payment.

Therefore, Extension Days = (-7 + 14) /5 = 1.4 days = 2 days (Rounding Up)

**Case B:** Installment 2 (S2) was paid on 25th December 2001 and Installment 3 (S3) was paid on 25th January 2002 (Early Payments) Installments 4 and 5 (S4 and S5) were delayed to 15th March 2002 and 10th April 2002.

In this case, you have two sets of early and delayed payments (S2, S4 and S3, S5). However, you have specified that the maximum instances of nettings as 1. Therefore, to calculate the number of extension days, system will net the first set of early and delayed payments (S2 and S4) and considers only next delayed payment (S5) of the next schedule.

Therefore, Extension days = [(-S2 + S4) + S5]/(Number of Installments)

Extension Days = [-(Number of days between 25th December 2001 to 1st January 2002) + (Number of days between 1st march 2002 and 15th March 2002) + (Number of days between 1st April 2002 and 10th April 2002)] / 5

= (-7 + 14) + 9/5 = 3.2 = 4 days (Rounding up)

**Case II: Netting Not Required**

**Case A:** Installment 3 (S3) was paid on 25th January 2002 (Early Payment) and Installment 4 (S4) delayed to 15th March 2002

When you do not opt for netting, system will consider the number of days by which the payment is delayed to calculate the extension days.

Therefore, Extension Days= (Number of days by which the payment is delayed} / Number of Installments

= 14/5= 2.8 days = 3 days (Rounding up)

**Case B:** Installment 2 (S2) was paid on 25th December 2001 and Installment 3 (S3) was paid on 25th January 2002 (Earlier Payments). Installment 5 (S5) is delayed to 15th March 2002 and Installment 5 (S5) is delayed to 10th April 2002.

Since netting is not required, system will calculate the extension days by considering only the delayed payments.

Therefore, Extension days = (Number of days by which the installments S4 and S5 are delayed)/Number of Installments

Extension Days = (14 + 9)/5 = 4.6 days = 5 days (Rounding Up)

**3. Calculation of Maturity Date with maximum extension limit**

Let us assume that you have specified the Maturity Date Limit as 5 days.

Further, Installment2 (S2) was delayed by 15 days, Installment 3 (S3) delayed by 10 days and Installment 4 (S4) delayed by 12 days.

Therefore, Extension days= (15+10+12)/5= 7.4 = 8 days (Rounding Up)

Extension Days > Maximum Limit

Consequently, the system will extend the maturity date by 5 days.

# 4. Capturing the Details of a Deposit

## 4.1 Introduction

A 'product' is a *specific* service that you offer your customers.

For example, amongst other financial services, you may offer the 'Short Term Deposit' facility to your customers. You may offer two types of 'Short Term Deposits':

- Short Term Deposits (STDs) with a tenor of three months
- Short Term Deposits (STDs) with a tenor of six months

Both, STDs with a tenor of three months and STDs with a tenor of six months, are examples of *specific* services that you offer. All STDs of three months, which you accept, would involve the product 'Short Term Deposit of three months'. Similarly, all STDs of six months would involve the product 'Short Term Deposit of six months'.

A product, you will notice, helps you classify the Deposits that you accept according to certain broad similarities (such as, the tenor).

The other advantage of defining a product is this: you can define certain general attributes for a product, which will default to all *contracts* (deposits) involving it.

When you accept a deposit from a customer, you enter into a *'contract'*. Contracts are customer specific. Every time you accept a deposit, you do not have to specify its general attributes since a deposit acquires the attributes defined for the product it involves. You can change the general attributes at the time of processing a deposit.

Besides the general attributes, which a deposit inherits from a product - which can be changed - there are the specific attributes which you have to define for the deposit:

- The counterparty (customer) details
- The loan amount
- The loan currency
- The repayment account for the loan, and so on

### 4.1.1 Invoking the Deposit Input Screens

Through the following screens you can capture the details of deposits that you accept:

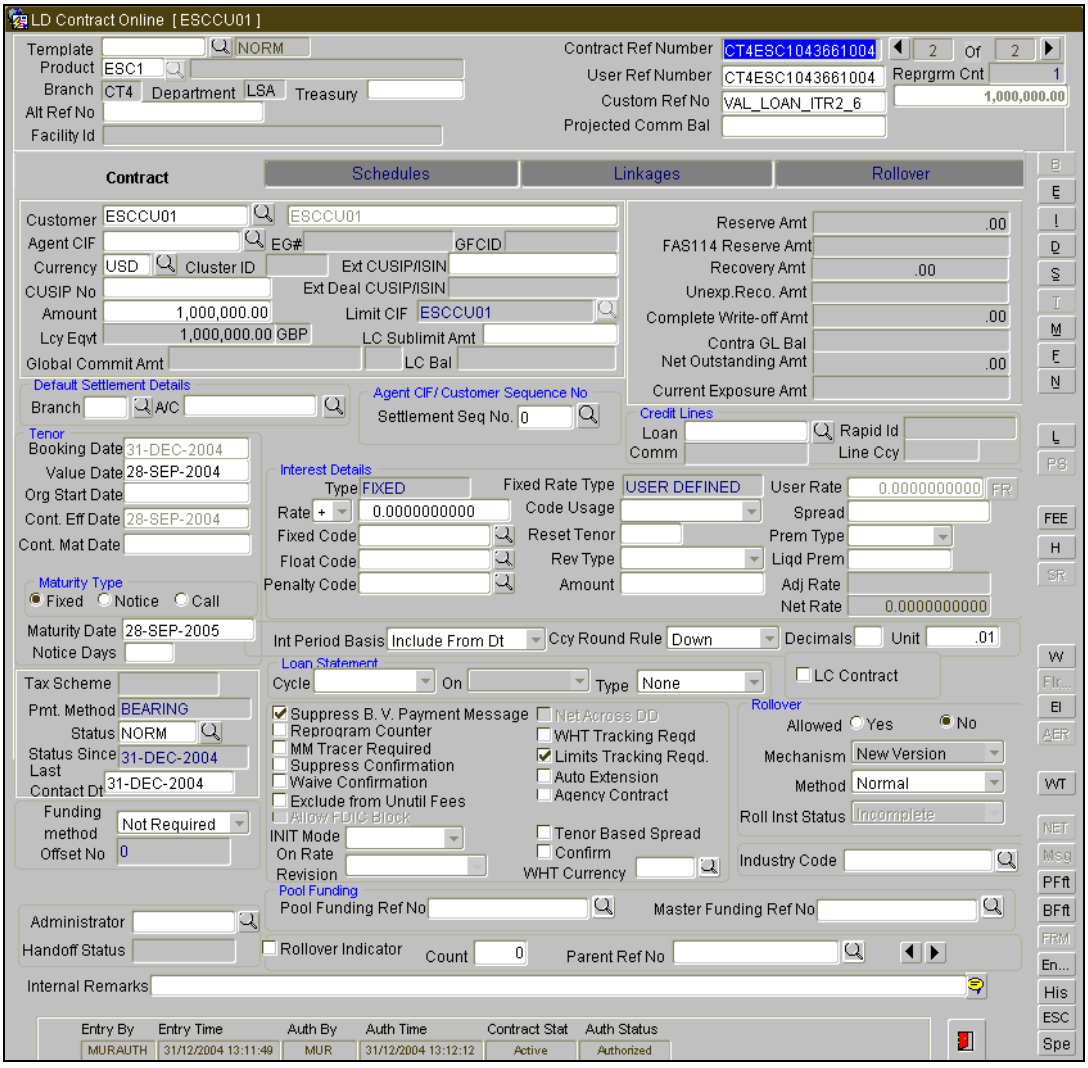
- Contract Details
- Contract Schedule Definition
- Contract Rollover

The Contract Details screen is available under the module Loans and Deposits in the Application Browser. Under this module, it is available under Contract Input.Once in the Contract Details screen, you will see the three other sections, each representing a screen:

| Section | Screen |
|---|---|
| Contract | Contract Preferences screen |
| Schedules | Contract Schedule details and the contract Linkage details screen |
| Rollover | Contract Rollover screen |

## 4.2 Capturing Deposit Details

From the Application Browser, click on **L& D Operations** and under that **Contract Input**. The LD Contract Details screen will be displayed.



### 4.2.1 The Contract Details Screen

Every product that is created in your bank is endowed with certain general attributes. A deposit that you accept acquires the general attributes defined for the product it involves.

To recall, a product is endowed with the following general attributes:

- The product code, description, slogan, start and end date for the product and remarks
- The frequency of interest accrual
- The tenor limits for the product
- The liquidation mode: manual or automatic
- Whether deposits involving a product can be rolled over (into a new deposit) if it is not liquidated on its Maturity Date
- Whether tax has to be applied
- The exchange rate variance
- The fields to be rekeyed, by the authorizer of a contract, at the time of authorization
- Whether a penalty is to be imposed if there is an advance repayment
- Whether interest schedule amounts have to be recomputed in case of an advance payment
- Whether a deposit involving a product can be booked such that it is initiated on a date in the future
- Indicate whether for a back-dated deposit that has schedules prior to today's date, the schedules have to be liquidated when the deposit is initiated (a back dated deposit is one which has an initiation date that falls before today's date).
- The payment type for main interest -- bearing, discounted or true discounted
- The schedule type – amortized, capitalized, normal
- Authorization rekey fields
- The number of working days before a repayment date when a billing notice is to be generated
- Repayment schedules
- Specifying rollover details like tax on rollover, rolling over with interest or without interest, deduction of tax on rollover
- Details of interest, commission, charge and fee
- The cluster ID
- Whether the deposit is negotiable
- Whether it is a certificate of deposit
- Other tax details like the tax scheme, the component being taxed, the type of tax and the event (booking, liquidation, etc.) upon which it is applied

- The accounting roles and the General Ledgers for accounting purposes when an event (initiation, liquidation, etc.) takes place, and the advices or messages to be generated
- The customer categories and customers who can be counterparty to a deposit involving the product
- The branch and currency restrictions

However, when you input a deposit involving a product, you need to enter information that is specific to the deposit. You can enter details specific to a deposit in the Contract Details screen.

You need to enter the following information:

- The template ID if you are using one
- The base number of the counterparty (customer)
- The currency of the contract
- The principal amount (for a deposit with True Discounted interest, you should enter the nominal)
- The tenor related details for the deposit
- The settlement accounts
- The related reference number, if any
- The maturity details
- The interest details
- Whether the deposit can be rolled over

The following details are displayed. They cannot be changed:

- Product type
- Default tax scheme
- Schedule payment method
- Interest type
- Rollover count

**Installment Amount**

Specify the installment amount for amortized contracts. The Amount must be greater than zero and less than the contract amount. It should also be greater than the maximum schedule interest amount of the contract. This field will be enabled only if the ‘Allow User Input Installment’ box is checked at the product level.

**On Rate Revision**

System defaults the value from the product level. However, while creating a contract you can modify it. You cannot modify this field after the contract is saved and authorised.

### 4.2.2 Using a Template to Enter Deposit Details

A template can be described as a *sample contract* that has attributes most commonly applicable to many deposits in a category. Once a template is defined, it can be used as a base to enter a deposit – by changing only those attributes that are specific to the deposit you are processing. This renders the input of deposit details faster and easier.

To use a template you should enter the details of a deposit by specifying the template ID of your choice in the LD Contract Details screen.

#### 4.2.2.1 Entering Deposit Details without Using a Template

If you do not want to use a template, do not specify a Template ID. Enter values into all the mandatory fields and save the deposit details.

### 4.2.3 The Contract Reference Number

The Contract Reference Number identifies a deposit. It is automatically generated by the system for each deposit. The Contract Reference Number is a combination of the branch code, the product code, the date on which the deposit is booked (in Julian format) and a running serial number for the booking date.

The Reference Number consists of a three-digit branch code, a four-character product code, a five-digit Julian Date and a four-digit serial number.

The Julian Date has the following format:

'YYDDD'

Here, YY stands for the last two digits of the year and DDD for the number of day(s) that has/have elapsed in the year.

***Example***

31 January 1998 translates into the Julian Date: 98031. Similarly, 5 February 1998 becomes 98036 in the Julian format. Here, 036 is arrived at by adding the number of days elapsed in January with those that elapsed in February (31+5=36).

A contract is rolled over with the original contract reference number.

#### 4.2.3.1 The User Reference Number

You can enter any reference number for a deposit that you accept. The deposit will be identified through this number in addition to the Contract Reference Number generated by the system. No two deposits can have the same User Reference Number. By default, the Contract Reference Number generated by the system will be taken as the User Reference Number. You can use this number, besides the deposit Reference Number, to retrieve information relating to a deposit.

### 4.2.4 Specifying the Product Code

Every deposit that you issue would involve a specific service (which you have defined as a product) that you offer. When accepting a deposit you should specify the product that it involves.

All the attributes of the product that you specify will apply to the deposit. However, you can change some of these attributes while entering the details of the (deposit) contract. When you specify a product for the deposit, the product description is displayed.

If you specify a product for which the option 'Sepa product' has been checked, the system will check for the following while saving the contract:

- Currency of the payment is 'EUR'
- Payment amount is less than or equal to the maximum limit maintained under 'SEPA Txn Limit' in the 'Branch Parameters – Preferences' screen
- Charge option is 'SHA'
- Bank operations code is 'CRED'
- BIC of sender and Account with Institution have the option 'SEPA Member' checked in the 'Branchwise BIC Parameters' screen
- Details required for field 50F are available in the 'Settlements' screen
- Lines 1 and 2 in the 'Ordering Customer' and 'Ultimate Beneficiary' are present
- Line 1 of the field 'Sender To Receiver Information' are '/ACC/SEPA' i.e. '/ACC/SEPAINCOMING' for an Incoming Payment
- Line 2 of the field 'Sender To Receiver Information' starts with the tag /AT41/ and has a value after the tag. If the value after tag /AT41/ exceeds 29 characters, the remaining characters will be carried forward with a prefix of '//' to Line 3 of this field.

### 4.2.5 Specifying the Customer

When entering the details of a loan you should specify the customer from whom this deposit is being received. The category of customers (or the customers themselves) that can be the counterparty to a deposit is defined for the product the deposit involves. Specify the code of an authorized customer who falls into a category allowed for the product.

### 4.2.6 Specifying the Currency

You should specify the currency of the deposit when accepting it. You can select any currency that is allowed for the product, which the deposit involves.

### 4.2.7 Specifying the Deposit Amounts

If a product has bearing or discounted type of interest, you should enter the principal of the deposit in this screen. For a deposit involving a true discounted product, you should enter the face value (nominal) of the deposit. You can enter 'T' or 'M' to indicate thousands or millions, respectively. For example, 10T means 10,000 and 10M means 10 million.

Note that the amount, which you enter, would be taken to be in the currency specified for the deposit.

### 4.2.8 Specifying the Cluster Id

If the deposit you are initiating is a cluster deposit, then the ID of the cluster you have defined for the product involving the deposit will be displayed in the screen by default. However, you can change the cluster for this particular deposit, by changing the cluster ID. The cluster size for the specified cluster ID is displayed.

### 4.2.9 Specifying the Settlement Account

You have to specify the settlement account here if Settlement Instructions have not been defined for the customer.

The settlement account that you specify would be the account through which:

- The deposit amount would be drawn down and
- The repayment for ALL the components would be done

If Settlement Instructions have been defined for the customer, the settlement accounts will be picked up from those instructions. While entering the deposit details, you can change the Settlement Instructions for the deposit.

Please note that if a settlement account has been specified in the settlement instructions for the customer, and a different account has been specified for the deposit, the account specified for the deposit will take precedence.

#### 4.2.9.1 Cross Currency Settlement

If the contract currency of a deposit is different from that of the settlement account, you can specify the exchange rate as well as the spread applicable for the component in the Settlements screen while capturing the contract details.

If you just specify the spread, the System picks the standard currency rate and applies the spread defined here.

The settlement function derives the effective rate by taking into account the exchange rate, spread and pay or receive indicator. When the quotation method for the currency pair is direct, the spread is subtracted from the exchange rate in case of a Pay component. However, for a Receive component, the spread is added to the exchange rate. When the quotation method is indirect, the spread is added to the exchange rate for a pay component and subtracted for a receive component in order to get the effective exchange rate.

## 4.2.10 Specifying the Related Reference Number

In a scenario where your customer is tracking a deposit with you in her own system, she would probably give it a unique reference number. If she offers the number for reference purposes, it can be recorded in this screen. The number will be printed on the advices sent to the customer to enable her to identify and track the deposit with ease.

## 4.2.11 Specifying the Tenor

**Booking Date**

The date on which the deposit details are entered would be displayed in this screen. This defaults to the system date (today's date). This date is for information purposes only. The accounting entries are passed as of the Value Date of the deposit (initiation date of the deposit).

**Value Date**

This is the date on which a deposit takes effect. The accounting entries for the initiation of the deposit will be passed as of this date. The tenor of the deposit will begin from this date and all calculations for interest and all the other components based on tenor will be made from this date onwards.

The system defaults to today's date. You can enter a Value Date of your choice. The date that you enter can be any one of the following:

- Today's date
- A date in the past
- A date in the future (you can enter a date in the future only if Future Dating has been allowed for the product)

The Value Date should not be earlier than the Start Date or later than the End Date defined for the product involved in the deposit.

If the liquidation date for any component falls before today's date, the liquidation entries (as defined by you for the product) will be passed if you have so specified for the product. If the Maturity Date of a deposit is earlier than today, maturity entries will also be passed.

Once the deposit details have been stored and authorized, this date can be amended only if the deposit has bearing type of interest and NO schedule has been liquidated.

An override will be sought if the Value Date falls on a holiday, in the country of the deposit currency.

**Original Start Date**

For a deposit that has been rolled over, this is the date on which the deposit was originally initiated. If a deposit has been rolled over more than once, this will be the date on which the first deposit was initiated.

If you are entering a deposit that has already been initiated, you should enter the date on which the deposit began. In this case, the date will be for information purposes only and for all accounting purposes the Value Date will be considered as the date on which the deposit was initiated.

## 4.2.12 The Payment Method

The payment method specified for the main interest for the product (whether bearing, discounted or true discounted) applies to the contract as well. The method defined for the product is displayed here.

### Bearing

Interest is liquidated on schedule payment date(s).

***Example***

You have Mr. Brian William's deposit of USD 10,000 under the scheme 'Short Term Deposits for Individuals' at 10% interest for a year.

Now, under the bearing type of interest payment method, the nominal (USD 10,000), which becomes the principal in this case, the deposit of USD 10,000 is collected from Mr. Williams and the interest on it is paid out over the one year, which is the tenor of the deposit.

### Discounted

In this interest payment method, the interest is deducted at the time of initiating the deposit.

***Example***

Carrying forward the example of Mr. Brian Williams's deposit of USD 10,000 under the scheme 'Short Term Deposits From Individuals' at 10% interest for a year, under the discounted type of interest payment, the total interest calculated for the tenor of the deposit, USD 1,000 is deducted from the nominal (USD 10,000) and only USD 9,000 is accepted. This forms the principal of the deposit. At Maturity Mr. Williams gets back USD 10,000.

### True discounted

In this interest payment method, the interest is calculated on the principal of the deposit and not on the nominal. All the same, like the discounted method, here too, it is deducted from the principal at the time of initiation of the deposit.

***Example***

You have accepted a deposit of USD 10,000 from Mr. Brian Williams, under the 'Short Term Deposits from Individuals' scheme, at 10% interest for a year.

Under the true discounted type of interest payment, the interest amount, in absolute terms in not USD 1,000 but less than that. This is because the interest rate of 10% is not applied on USD 10,000 but on the actual amount deposited (derived by the system) which is USD 9090.91. At Maturity Mr. Brain Williams gets back USD 10,000.

In short, in Discounted method the interest is calculated on Nominal whereas in case of True discounted method, the same is calculated on the Principal.

### 4.2.13 Specifying the Maturity Type

The Maturity Type you have specified for the product is displayed by default, in the screen. However, you can change it to one of the following:

| | |
|---|---|
| Fixed | The deposit has a fixed Maturity Date. This date should be specified in the screen. |
| Call | The Maturity Date is not fixed. The deposit can be liquidated any time. |
| Notice | The deposit will be liquidated at a certain period of notice. The number of days of notice should be specified in the screen. |

For a deposit with a Fixed Maturity, this date can either be postponed or advanced through the Value Dated Changes function, once the deposit has been initiated.

**Maturity Date**

If the Maturity Type is fixed (that is, the Maturity Date of the deposit is known when the deposit is initiated) specify the Maturity Date when entering the details of the deposit. This date should be later than the Start Date of the product. If the product has a Standard Tenor, this date will be defaulted based on the tenor and the From Date of the contract. If you change this date, you should get an override when you store the deposit.

For a deposit with Call or Notice type of maturity, the Maturity Date should be entered in the screen when it is known. This date should be later than the Start Date of the product. You can Unlock the record and add the date.

If the product has a Default Tenor, this date will be defaulted based on the tenor and the From Date of the contract. If you change this date, you will have to give an override when you store the deposit.

If you have specified auto liquidation for the deposit, liquidation will be done automatically on that date. If manual liquidation has been specified, you will have to manually liquidate the deposit through the Manual Liquidation function.

For a deposit with Fixed Maturity Type, this date can either be extended or brought backward through the Value Dated Changes function, once the deposit has been initiated.

**Notice Days**

For a contract maturing at notice, you should enter the notice period (in days). This is for information purposes only. When the notice to repay is issued to the counterparty, you should indicate the Maturity Date of the deposit in this screen. You can Unlock the record and add the date.

If you have specified auto liquidation for the deposit, liquidation will be done automatically on that date. If it is manual, you will have to manually liquidate the deposit through the Manual Liquidation function.

**Extending the maturity date of a contract after expiry**

You can choose to extend the maturity date of a contract after the maturity date has passed. In such a case, any penalty accruals for the maturity schedule are reversed. The due date for the bullet schedule is changed to the new maturity date, and any interest that would accrue from the old maturity date to the changed date is added to the total interest. Any penal accruals that have commenced since the maturity date, they are reversed and the status of the contract is changed accordingly.

**Status Since**

This option displays the date on which the status got changed.

**Last Contact Dt**

The system displays the last contact date here. However, you can modify this value.

## 4.2.14 Specifying Interest Details

Any number of interest rates, charges and fees can be defined for a product through the ICCF (Interest, Commission, Charge or Fee) screens. By default, all these will be applied on the deposit involving the product.

The attributes pertaining to the component defined as the Main Interest (by checking the 'Main Component' in the ICCF Product Details screen) will be displayed here. If you want to make changes to the Main Interest component only, you can do so through this screen without having to invoke the Contract ICCF screen. If you change the Main Interest details, the changed values will be applied on the deposit, along with the specifications for the other components (fee, charge etc.,) defined for the product. If you want to change the details for any other ICCF component, you have to invoke the Contract ICCF screen by clicking on the ICCF button and make the changes there.

**Specifying the Rate Type**

The rate type applicable for the product involved in the deposit will be displayed. It can be one of the following:

- Fixed - a fixed interest rate
- Floating rate - an interest rate that changes periodically or automatically as per your specifications in the Floating Rate Table
- Special - an amount instead of a rate

**Floating Rate Code**

If a Floating Rate Code has been specified for the product involving this deposit, it will be displayed in the screen. You can change it to suit the needs of this specific deposit.

**Spread**

For a deposit with a floating interest rate, you can specify the Spread that you want to apply over the rate maintained in the Floating Rates table.

This Spread should be greater than or equal to the Minimum Spread and less than or equal to the Maximum Spread defined for the product involved in the deposit. If the spread you apply happens to be greater than the Maximum Spread, then the Maximum Spread will be applied on the rate. On the other hand, if it is less than the Minimum Spread defined for the product, the Minimum Spread will be picked up.

For a floating rate, the spread will be applied over the market rate applicable for the day.

**Fixed Interest Rate**

If the deposit involves a fixed interest rate product, the default rate defined in the Product ICCF screen will be displayed here. This rate can be changed (through this screen) only for the main interest component.

This changed rate should be greater than or equal to the Minimum Rate and less than or equal to the Maximum Rate defined in the Product ICCF screen.

The rate specified for the deposit, along with the spread, can exceed the interest rate specified for the product only within the variance rate specified for the product.

***Example***

The maximum and minimum rates defined in the product ICCF screen are 2% and 10%.

The interest rate, which defaults from the product, is 5%. The interest rate you have specified for the deposit is 8%. This will be accepted, as it does not exceed the maximum rate of 10%. However, if you want to specify the rate as 1%, this will not be accepted, as this rate is less than the minimum rate of 2%.

**Special Interest Amount**

If the product involved in the deposit has been defined with a special interest, the interest amount applicable for the deposit will be displayed in this screen. You can change this amount.

### 4.2.14.1 Specifying the Interest Period Basis

You can indicate how the system must consider the tenor basis upon which interest is computed over a schedule or interest period, in respect of the contract. This preference is inherited from the Interest Limits definition for the product used by the contract, and you can change the default option chosen.

You can choose any of the following options:

**Including the From Date**

For all schedules, the period considered for interest calculation would include the start date and exclude the end date. Therefore, the value date of the deposit is considered for interest calculation and the maturity date is excluded.

### Including the To Date

For all schedules, the period considered for interest calculation would exclude the start date and include the end date. Therefore, the value date of the deposit is excluded, but the maturity date is included for interest calculation.

### Including both From and To Dates

The period considered for interest calculation would include both the value date and the maturity date. This would mean:

- For the first schedule, it would include the Value Date. Interest would be calculated for the Value Date
- For the last schedule, it would include the Maturity Date. Interest would be calculated for the Maturity Date

### Excluding both From and To Dates

The period considered for interest calculation would exclude both the value date and the maturity date. This would mean:

- For the first schedule, it would exclude the Value Date. No interest would be calculated for the Value Date
- For the last schedule, it would exclude the end date. No interest would be calculated for the Maturity Date

***Example***

A deposit with a value of USD 400,000 is value dated 1st January 2003 and matures on 1st May 2003. The intermediate interest payment schedules are on 1st February 2003, 1st March 2003 and 1st April 2003.

| Schedule | Start Date | End Date |
|---|---|---|
| 1 | 1st January 2003 (Value Date) | 1st February 2003 |
| 2 | 1st February 2003 | 1st March 2003 |
| 3 | 1st March 2003 | 1st April 2003 |
| 4 | 1st April 2003 | 1st May 2003 (Maturity) |

The periods considered for interest calculation for each schedule, for each of the four options, are arrived at as given below:

***Include From Date***

| Schedule | Days from | Days To | Days for Interest Calculation |
|---|---|---|---|
| 1 | 1st January 2003 (including) | 1st February 2003 | 32 |
| 2 | 2nd February 2003 | 1st March 2003 | 28 |
| 3 | 2nd March 2003 | 1st April 2003 | 31 |

| Schedule | Days from | Days To | Days for Interest Calculation |
|---|---|---|---|
| 4 | 2nd April 2003 | 1st May 2003 (excluding) | 31 |

***Include To Date***

| Schedule | Days from | Days To | Days for Interest Calculation |
|---|---|---|---|
| 1 | 1st January 2003 (excluding) | 1st February 2003 | 31 |
| 2 | 2nd February 2003 | 1st March 2003 | 28 |
| 3 | 2nd March 2003 | 1st April 2003 | 31 |
| 4 | 2nd April 2003 | 1st May 2003 (including) | 30 |

***Include both From and To Dates***

| Schedule | Days from | Days To | Days for Interest Calculation |
|---|---|---|---|
| 1 | 1st January 2003 (including) | 1st February 2003 | 32 |
| 2 | 2nd February 2003 | 1st March 2003 | 28 |
| 3 | 2nd March 2003 | 1st April 2003 | 31 |
| 4 | 2nd April 2003 | 1st May 2003 (including) | 30 |

You would notice that consequent to the first schedule, this option would work in the same manner as the Include To Date option.

***Exclude From and To Dates***

| Schedule | Days from | Days To | Days for Interest Calculation |
|---|---|---|---|
| 1 | 1st January 2003 (excluding) | 1st February 2003 | 31 |
| 2 | 2nd February 2003 | 1st March 2003 | 28 |
| 3 | 2nd March 2003 | 1st April 2003 | 31 |
| 4 | 2nd April 2003 | 1st May 2003 (excluding) | 29 |

You would notice that consequent to the first schedule, this option would work in the same manner as the Include From Date option.

### 4.2.14.2 Specifying the Currency Rounding Logic for Interest Components

A deposits contract inherits the currency-wise rounding rules defined for interest components, in the interest class associated with the product used by the contract.

Such inherited rounding rules can be altered, if required, when the contract is entered. For the main interest component, the applicable rounding rules can be altered in the main Contract Online screen.

The following rounding rules can be specified:

- How the interest amounts in respect of the interest component in the specified currency are to be rounded – truncated, rounded up, rounded down or rounded near.
- If truncation is opted for, the number of digits after the decimal place, to which interest amounts in respect of the interest component in the specified currency, must be truncated. The number of digits specified for truncation cannot exceed the allowed decimal places for the specified currency. If not specified, the number of decimals indicated in the Currency Definition for the specified currency is picked up by the System.
- For the Round Up, Round Down and Round Near options, the rounding unit, which is the lowest possible measure in which the interest amounts in respect of the interest component in the specified currency, can be considered. This value cannot be less than the rounding unit for the specified currency in the Currency Definition. If not specified, the rounding unit indicated in the Currency Definition for the specified currency is picked up by the System.

The rounding rules so defined would also be applicable for any special interest and / or rollover special interest amount in respect of the contract.

The rounding rules for any of the interest components applicable for the contract can be specified in the ICCF Details screen, which can be invoked by clicking on the 'I' button in the Contract Online screen.

**Application of Rounding Rules during Interest Processing**

When the System processes any of the following events in respect of a deposits contract, the rounding rules defined for the interest component applicable for the contract are picked up:

- Interest Schedule Calculation
- Interest Accrual
- Manual Liquidation.
- Contract Rollover (if a partial liquidation is done, the rules are applied on the interest liquidation amount, and any differential amount arising from this is adjusted. An override is sought in such a case)
- Auto Liquidation (If the Verify Funds and Partial Liquidation Allowed options are applicable, the rules are applied on the interest liquidation amount, and any differential amount arising from this is adjusted)

If the rounding rules are not available from the contract details, the rounding rules specified in the Currency Definition are used.

### 4.2.14.3 Choosing the Applicable Rate from Historical Rates

For contracts involving a fixed rate primary interest component, your bank may require choosing the applicable rate from historical floating rates for a floating rate code that has been maintained for a treasury source. For such requirements, select the TREASURY option in the Fixed Rate Type field in the main Contract Online screen.

To select the applicable floating rate from those available for the rate code maintained for the designated default treasury, click on the FR button alongside the User Rate field. The Treasury Floating Rates Maintenance screen is opened, with the historic floating rates for the rate code displayed. You can choose the required rate for the desired effective date, in this screen. The rate you select is displayed in the Rate field in the main Contract Online screen. You can also specify an appropriate spread.

For all future interest computations, fixed rate contracts for which such historic floating rates have been specified, are processed as fixed rate contracts for which the applicable rates are derived from the user rate and the specified spread.

## 4.2.15 Allowing the Rollover of Deposits

While setting up a product, if you specified that deposits involving this product should be automatically rolled over, all deposits involving the product will be rolled over on their Maturity Date, if they are not liquidated.

This feature is called ‘auto’ rollover. If auto rollover had been allowed for the product, which the deposit involves, it will be indicated on this screen.

However, if you do not want the deposit, whose details are being captured to be rolled over, you can disallow rollover for the deposit. If rollover has been disallowed for a product, you cannot rollover deposits involving the product.

Please note that for rollover to be applicable for the deposit, it has to be defined for the product.

**Tenor Based Spread**

Based on the 'Tenor Based Spread' option selected at the product level, system checks this option. However, you can modify this value at contract level.

### 4.2.16 Rollover Count

You will see the rollover count in this screen. For a deposit that has been rolled over, this count indicates the number of times it has been rolled over.

One of the reasons the system tracks the rollover count is for CB Line reporting purposes.

### 4.2.17 Tax Scheme

The tax scheme, which has been specified for the product will be displayed in this screen. The tax scheme cannot be changed at the time of deposit processing.

### 4.2.18 Specifying your Internal Remarks

You can enter information describing the deposit that you are processing. This will be available when you retrieve information on the deposit. However, this information will not be printed on any advice printed for the customer's benefit. This information will be displayed whenever you retrieve information on the deposit either as a display or in print.

### 4.2.19 Enabling the Reprogramming Counter

Whenever any event (deposit liquidation, value dated amendment etc.) in the life-cycle of a deposit contract results in a negative cash flow for a bank Oracle FLEXCUBE allows you to update a counter to keep track of such events.

You can enable this option by checking the box positioned next to the Reprogram Counter field.

## 4.2.20 Suppressing Confirmation Messages

While processing a contract you can choose to suppress confirmation messages that are sent to specific counterparties by enabling the Suppress Confirmation option. Confirmation messages are generated provided:

- 'Allow SWIFT Confirmation Message' in the product preferences screen should be checked
- CIF Confirmation Parameters should be maintained for LD module in the 'CIF Confirmation Parameters' screen
- 'Suppress Confirmation' option is Unchecked at the Contract Level

System displays a configurable override while saving the contract if the 'Suppress Confirmation' option is checked at the contract level.

If however you choose not to suppress the generation of confirmation messages at the contract level but if you have indicated that confirmation messages should be suppressed for the counterparty in the 'CIF Confirmation Parameters' screen and at the product level, the message will not be generated.

*For detailed discussion on the CIF Confirmation screen refer to the SWIFT Related Maintenances chapter of the Core Services user manual.*

To generate confirmation message, you need to uncheck the 'Suppress Confirmation'. The preferences maintained for the latest contract version will be considered for confirmation message generation. Hence, 'Suppress Confirmation' option will have to be reset manually for subsequent events as explained below:

- Amend the contract to reset the option 'Suppress Confirmation' for the subsequent events
- Trigger the appropriate event such as Amendment, Liquidation, Reversal, Rollover, etc

In the LD module, SWIFT confirmation message generation is supported for the following events:

- BOOK
- CAMD
- VAMI
- VAMB
- REVC
- ROLL
- LIQD

Each of the above mentioned events performs validations for certain conditions and prompts an override in the following instances:

- Main Interest Component is not defined for the contract

- The Main Interest Component Currency is different from the contract currency
- The Primary Interest Component of a Discounted contract is of Type ‘Special’
- Notice Days of Notice contracts is greater than 999
- The periodic schedule of the Main Interest Component has more than one distinct frequency
- Periodic Schedule Frequencies are other than ‘Daily’ and ‘Monthly’
- Contract has Periodic Schedule frequencies (days/months/quarters/half-years/years) greater than 999
- A contract is liquidated against Multiple Schedules
- Contracts have back valued schedules for Primary Component

You will be allowed to save the contract on accepting the overrides. However, SWIFT Confirmation message will not be generated. All other messages maintained for the event will be generated.

You can view all confirmation messages generated or processed for contracts will be available for view / further processing in Outgoing Message Browser.

*For detailed information on the Outgoing Message Browser screen refer to the Processing Outgoing Messages chapter of the Messaging System user manual.*

## 4.3 ‘Preferences’ for a Deposit

Preferences are options. For instance, for a product, you have the option of:

- Making liquidation automatic or manual
- Allowing or disallowing rollover
- Applying tax or waiving it
- Applying prepayment penalty or waiving it and so on.
- These are your product preferences. For a contract, you have the option (preference) of specifying the preferences in the ‘Contracts’ tab of the Contract Online screen.

However, you *cannot* change the schedule payment type (amortized, capitalized or normal) for specific contracts. By default, the payment type, which you have defined for the product, applies to all deposits involving the product.

### 4.3.1 Setting Deposit Schedule Preferences

Schedule preferences are the attributes of the repayment schedules defined for the deposit.

Certain attributes can be changed during loan processing. They are:

- The liquidation schedules that fall due before the day on which the deposit is booked
- The liquidation mode (auto to manual)

You define certain attributes for a loan, for the first time, when you are entering it. They are:

- The amortization type, if the loan has been specified with amortized schedules
- Whether holidays are to be ignored at the time of drawing up repayment schedules, and
- If so, the behavior of schedules when they fall due on the holiday

## 4.3.2 Types of Repayment Schedules

When creating a product, you specify the type of repayment schedule --amortized, capitalized or normal (periodic). All deposits involving a product acquire the repayment schedule type that is specified for the product. When processing a deposit you cannot change the repayment schedule type that the deposit has acquired.

For example, if you have specified an *'amortized'* repayment schedule for a product, it will apply to all deposit involving the product. You cannot change it.

By specifying that your payment schedules have to be amortized over the period of repayment, you indicate that all the repayments should be in Equated Installments. These repayment schedules will be drawn up taking the Principal and the Main Interest. (While defining the attributes of interest applicable on a product, you can designate one interest component as the 'main interest').

If you specify amortized schedules, the system will automatically do the amortization according to the frequency that you have defined.

If a deposit is to be amortized, it should have a Fixed type of interest and a Bearing interest payment method.

If you have specified *Capitalization* and defined schedules for the various components of the deposit, and if the repayments of principal or interest are not made on a particular schedule date, they will be capitalized for the next schedule. If a partial payment has been made, the unpaid amount will be capitalized (the unpaid interest is added to the unpaid principal and this becomes the principal for the next schedule).

If you have specified *Normal* type of schedules, you will be able to define your own schedules for deposits involving the product.

**Defining installment schedules for deposits**

Your bank may need to define a flexible repayment schedule for some customers who make deposits. The bank may need to repay fixed amounts on certain schedules, which you must adjust towards both interest and principal.

For such deposits with payment method as bearing, and normal schedules, you can define installment schedules. The amount repaid on the due date of an installment schedule is considered as inclusive of interest computed on the main component.

It is possible to have more than one installment schedule for a contract.

You can only specify installment schedules for a contract that uses a product for which installment schedules are allowed, in the product preferences. When you enter a deposit contract using the product for which installment schedules are allowable, in the Contract Schedules screen, select "Installment" as the component, and specify the fixed amount being repaid. The interest payable on the main component will be computed and deducted from the fixed amount, and the remaining portion is appropriated towards repayment of principal.

### 4.3.3 Specifying the Amortization Type

You need to specify the amortization applicable to the deposit only if the schedule type is amortization.

The following options are available:

- Reducing Balance: The reducing balance method is used for calculating interest on the outstanding balance for each repayment schedule. The principal repayment would be the difference between the equated monthly installment and the interest, for each schedule. The following example illustrates principal and interest calculation using this method.

***Example***

Assume that you have disbursed a loan with the following details:

- Principal – 10,000 USD
- Interest Rate – 10%
- Interest Calculation Method – Actual/360
- Deposit Start Date - 12/1/2000
- Deposit End Date - 11/30/2001
- Days in the year – 364

Based on the reducing balance method, the interest, principal and the EMI will be as follows:

| Sl. No | Interest | Principal | EMI | Outstanding Bal |
|---|---|---|---|---|
| 1 | 86.11 | $793.05 | $879.16 | $9,206.95 |
| 2 | 79.28 | $799.88 | $879.16 | $8,407.07 |
| 3 | 65.39 | $813.77 | $879.16 | $7,593.30 |
| 4 | 65.39 | $813.77 | $879.16 | $6,779.53 |
| 5 | 56.50 | $822.66 | $879.16 | $5,956.88 |

| Sl. No | Interest | Principal | EMI | Outstanding Bal |
|---|---|---|---|---|
| 6 | 51.30 | $827.86 | $879.16 | $5,129.02 |
| 7 | 42.74 | $836.42 | $879.16 | $4,292.60 |
| 8 | 36.96 | $842.20 | $879.16 | $3,450.40 |
| 9 | 29.71 | $849.45 | $879.16 | $2,600.95 |
| 10 | 21.67 | $857.49 | $879.16 | $1,743.46 |
| 11 | 15.01 | $864.15 | $879.16 | $879.31 |
| 12 | 6.11 | $873.05 | $879.16 | $6.26 |

The interest for the first schedule is computed on the deposit (10,000) for the first month (31 days) using the following formula:

(10000 * 10 * 31)/(100*360)

Interest for the subsequent schedules will be computed on the outstanding balance for each schedule.

- Rule of 78: A method of amortization, the Rule of 78 is also a way of determining how much of each monthly payment is paid towards interest and how much is paid towards the principal component. First, you will compute the annual interest on the total principal amount. Then, you will divide this interest amount equally into 12 parts and divide the deposit amount also into 12 equal parts, so that each equal installment is basically a sum of the two. Subsequently, you will apply the rule of 78 to calculate how much of the EMI goes towards interest and principal. The following example will illustrate this:

***Example***

Consider the deposit details mentioned in the above example:

Total interest on the deposit = (10000 * 10 * 364)/(100*360) = 1011.11

- Interest for each schedule = 1011.11/12 = 84.26
- Principal for each schedule = 10000/12 = 833.33
- EMI = 833.33 + 84.26 = 917.59

First month's interest = 12/78 times $1011.11 = 155.56

(78 is the sum of integers from 1 to 12)

- Therefore, principal for the first month = 917.59 – 155.56 = 762.03.
- The interest, principal, and EMI due for each schedule are as follows:

| Sl. No | Interest | Principal | EMI |
|---|---|---|---|
| 1 | 155.56 | 762.03 | 917.59 |
| 2 | 142.59 | 775.00 | 917.59 |

| Sl. No | Interest | Principal | EMI |
|---|---|---|---|
| 3 | 129.63 | 787.96 | 917.59 |
| 4 | 116.67 | 800.92 | 917.59 |
| 5 | 103.70 | 813.89 | 917.59 |
| 6 | 90.74 | 826.85 | 917.59 |
| 7 | 77.78 | 839.81 | 917.59 |
| 8 | 64.81 | 852.78 | 917.59 |
| 9 | 51.85 | 865.74 | 917.59 |
| 10 | 38.89 | 878.70 | 917.59 |
| 11 | 25.93 | 891.66 | 917.59 |
| 12 | 12.96 | 904.63 | 917.59 |
| Total | 1011.11 | 9999.97 | 11011.08 |

### 4.3.4 Handling a Repayment Schedule Date that Falls Due on a Holiday

The holiday check parameter (Currency, Local or Both) and the holiday preferences specified at the product level will be defaulted to the contracts associated with it.

You cannot change the holiday check parameter at the time of processing contracts. However, you can modify the holiday preferences for the contract. Oracle FLEXCUBE will perform holiday checks for the value date, maturity date, schedule date and revision date. If any of these days falls on a holiday (either local holiday or currency holiday or both, whichever you have specified), the system will handle the holiday treatment according to the holiday preferences specified for the contract.

You have specified that repayment schedules should be generated automatically once you indicate the frequency, number and the date of first repayment. When the system computes the repayment dates based on these values, there is a chance that one or more schedules fall due on a holiday. In such a case, you have two choices:

- Ignore the holiday and retain the due date, or
- Move it either backward or forward
- Move across months
- Move other schedule dates relative to the current rescheduled date

**Ignoring Holidays**

If you specify that holidays are to be ignored, the schedule dates will be fixed without taking the holidays into account. In such a case, if a schedule date falls on a holiday, the processing of such a schedule is determined by your holiday handling specifications for automatic processes, in the Branch Parameters screen:

- If you have specified that processing has to be done today for automatic events right up to the day before the next working day the schedule falling on the holiday will be liquidated during end-of-day processing on the previous working day.
- If you have specified that processing has to be done only up to the System Date, then only the events scheduled for today will be processed. The events of the holiday are processed on the next working day during beginning -of-day processing.

Always, the payment will be processed *as of* the day it falls due (as of the holiday, if it falls on a holiday).

***Example***

A monthly repayment schedule date for Taggart Iron and Steel's deposit for USD 100,000 (for one year at 16% interest) falls on 31 October a holiday. If you have specified that holidays should be ignored by clicking this field, the schedule date will remain on 31 October when the schedules are fixed. The processing of this is determined by your holiday handling specifications in the Branch parameters screen:

- If you specified that processing has to be done today (on System date) for automatic events up to the day before the next working day, then, on 30 October itself, the schedule of 31 October will be liquidated during the EOD run of the Automatic Contract Update function.
- If you specified that processing has to be done only up to the System Date, then, on 30 October only the events scheduled for that date will be processed. This means that since the schedule date is 31 October, which is a holiday, the schedule will be processed on November 1 (the next working day) during the BOD run of the Automatic Contract Update function.

Oracle FLEXCUBE will apply the above explained holiday checks on all contracts uploaded from an external system also.

## 4.3.5 Moving Schedules Forward or Backward

If a schedule date falls on a holiday and you have not specified that holidays are to be ignored at the time schedule definition, then you have to indicate the movement of the schedule date forward or backward to the next working day or the previous working day, respectively. In such a case, since the schedule date itself is moved to a working day, the payment will be processed on the day it falls due, *as of* that day.

The following example illustrates this concept:

***Example***

For a deposit, you have defined monthly schedules falling due on the following dates:

- 31 March
- 30 April
- 31 May

30 April is a holiday. You have the following options in fixing the date for that schedule:

You can **ignore** the holiday. In such a case, the schedule date will still be 30 April, despite the holiday. The liquidation of the schedule will be done as per your specifications in the Branch Parameters screen

- You can move the schedule date **forward** to the next working day, which happens to be 1 May. In this case, the schedule will be liquidated during BOD processes on this date, as it is a working day.
- You can move the schedule date **backward.** *In such a case, the schedule date will be 29 April, the last working day before the holiday.* The schedule will be liquidated during BOD processes on this date, as it is a working day.

### 4.3.6 Moving a Schedule Date across the Month

If you have chosen to move a schedule falling due on a holiday either forward or backward, such that it falls due on a working day, and it crosses over into another month, the schedule date will be moved into the next month only if you so indicate. If not, the schedule date will be kept in the same month.

***Example***

**Scenario 1:**

You have defined a repayment schedule that falls due on 30 April. This happens to be a holiday. You have indicated that in case of a holiday, the schedule date is to be moved forward to the next working day.

If you have indicated that the schedule can be moved across months, then the schedule will be automatically moved to 1 May, that is, the next working day in the next month.

If you have not allowed movement across the month but have indicated forward movement for the same schedule under discussion, the schedule date will remain on the holiday. Scenario 2:

You have defined a repayment schedule that falls due on 1 May. This happens to be a holiday. You have indicated that in case of a holiday, the schedule date is to be moved backward to the previous working day.

If you have indicated that the schedule can be moved across months, then the schedule will be automatically moved to 30 April, that is, the previous working day.

If you have not allowed movement across months but have indicated backward movement for this schedule, the schedule date will remain on the holiday.

### 4.3.7 Cascading Schedules

The question of cascading schedules arises only if:

- You have specified that a schedule falling due on a holiday has to be moved forward or backward; and
- The schedule has been defined with a definite frequency

If you have indicated that schedules should be cascaded, the schedule date for the next payable schedule will depend on how the schedule date was moved for a holiday. The following example illustrates how this concept of cascading schedules functions:

***Example***

A monthly schedule has been defined with backward movement and a schedule date falling due on 30 April was moved to 29 April, 30 April being a holiday.

The schedule date for May depends on whether you have chosen to cascade schedules. If you have, chosen to cascade schedules, the schedule date for the month of May will be set as 29th May, since the frequency has been specified as monthly. For the subsequent schedules also, 29 May will be considered the last schedule date.

If you have not specified that schedules have to be cascaded, the date originally specified, will be the date for drawing up the schedules. Even if the April month end schedule has been moved to 29 April, the next schedule will remain 30 May.

When you cascade schedules, the last schedule (at maturity), however, will be liquidated on the original date and will not be changed like the interim schedules. Hence for this particular schedule, the interest days may vary from that of the previous schedules.

### 4.3.8 Specifying the Holiday Currency

You can indicate here the country of the deposit currency for which the holiday table should be checked before drawing the payment schedules related to the deposit.

By default, the currency to be checked is the deposit currency. If a currency other than this is specified, the holiday table is checked for both the currencies.

Oracle FLEXCUBE will apply the above explained holiday checks on all contracts uploaded from an external system also.

### 4.3.9 Holiday Treatment for Maturity Date

Just as you define holiday preferences for the schedule date, you can also maintain preferences for holiday treatment for the maturity date of a loan.

The following options are available:

- Ignore the holiday and retain the due date

- Move it either backward or forward
- Move across months

**Chk Local Currency**

The system automatically checks the 'Chk Local Currency' box based on the selection of this option at Product level. However, you can modify it at contract level.

**Chk Contract Currency**

The system automatically checks the 'Chk Contract Currency' box based on the selection of this option at Product level. However, you can modify it at contract level.

## 4.3.10 Mode of Liquidation

A deposit inherits the attributes of the product it uses. One of the attributes defined for a deposit product is the liquidation type that governs how schedules are liquidated. This attribute inherited by a deposit can be changed when you enter the deposit contract. For instance, if the liquidation type specified for the product was 'Auto', you can change it to 'Manual', if required, and so on.

If **Auto** liquidation has been set for the contract, then all components of the deposit are liquidated automatically when each schedule is liquidated. You cannot modify the order in which components are automatically liquidated, which was defined for the product.

If **Manual** liquidation has been set for the contract, then a manual liquidation must be performed for each schedule, and all components of the deposit must be liquidated manually. You cannot modify the order in which components are to be manually liquidated, which was defined for the product.

If **Component** liquidation has been set for the contract, then you can select the components that must be automatically liquidated, and specify the order in which the automatic liquidation will take place. In such a case, only those components so selected are liquidated automatically in the order specified. The other components that are not selected must be liquidated manually.

For 'Component' liquidation, the specifications made for the product can be viewed in the Component Liquidation Order screen when you enter a contract. Click on L alongside the Liquidation Type field in the Contracts Tab of the Contract Online screen. The Component Liquidation Order screen is displayed, with the component liquidation preferences defined for the product. You can make changes to these specifications in this screen.

STOP The Component Liquidation Order screen is available through the Contract Online screen only if a 'Component' liquidation type is specified.

For any components selected for automatic liquidation in the product preferences, the 'Auto' box will be checked. You can uncheck it to indicate that the component is not to be selected for automatic liquidation.

For any components not selected for automatic liquidation in the product preferences, the 'Auto' box is not checked. You can check it to select the component for automatic liquidation.

You cannot change the liquidation order defined for the product, in the Component Liquidation Order screen, when you enter a contract.

## 4.3.11 Liquidating Back Valued Schedules

If you have specified, while defining the product, that a back-dated deposit (which has an initiation date which falls before today's date), with repayment schedules prior to today's date, the schedules have to be liquidated when the deposit is initiated, the same will apply to the deposit you are entering. However, you can choose not to liquidate back valued schedules.

***Example***

Deposits can be initiated as of today, a date in the future or as of a date in the past.

Today's date is 15 October 1997. Suppose you initiate a deposit today, of 15,000 USD with the Value Date (date on which the deposit comes into effect) as 15 September 1997, the system will pass accounting entries for initiation as of 15 September.

But if there had been an interest payment schedule for 30 September 1997, for 500 USD, then if you specify that back values schedules should be liquidated, you can make the system pass accounting entries to liquidate this schedule also when the deposit is initiated.

If you specify that back dated schedules are not to be liquidated, only accrual entries will be passed till today.

Please note that the entries associated with each event (initiation and liquidation in this case) will be passed only if they have been defined for the product. Further, the accounts used will be the ones defined for each entry.

## 4.3.12 Modifying a Deposit

There are two types of modifications that you can make on a deposit:

- Those that affect the financial details of the deposit
- Those that do not affect the financial details of the deposit

For example, the changes made to the User Reference Number, Auto Rollover and Auto Liquidation flags; do not result in changes to the accounting entries that have been passed.

However, the inputs to some fields that contain financial information can be changed only under specific circumstances. This is done through the Value Dated Changes function. For example, the changes in the interest rate, changes in the principal etc., can be made only through the Value Dated Changes function.

A deposit on which the previous activity has been saved but not been authorized, can be modified. For example, you have captured the details of a deposit. The details have been saved but not yet authorized when you realize that some of the details have been wrongly entered. You can Unlock the deposit make the modifications and Save it.

Any type of change, however, has to be authorized, before it takes effect.

### 4.3.13 Financial Details that can be Changed

Inputs to the following fields can be changed through the contract processing function:

- The settlement account if the deposit has not yet been initiated
- Maturity Account if the deposit is yet to mature
- Interest Payment Account if the entire interest has not yet been liquidated. The new account will be used for future interest payments
- Contract End Date for a notice or call deposit
- Tax details if tax has not yet been liquidated

Note that the changes listed do not trigger any accounting entries or the generation of any advices.

### 4.3.14 Handling Split Deposits

You need to handle a deposit split manually by reversing the original deposit contract and manually re-booking the split contracts.

When you split a deposit you may ensure that:

- The rollover count of the parent deposit contract is continued for the split deposits. This is done by manually entering the rollover count
- The Contract Reference Number of the parent contarct is preserved in an UDF
- The split contract reference number is preserved in another UDF

These features are particularly useful for CB reports where the change in the tenor of a deposit contract due to rollover might make it necessary to change the GL to which the contract reports.

### 4.3.15 Viewing the Other Details of a Deposit

There are some icons displayed when you are in any of the Contract On-line screens. Using these, you can view the following details of a deposit:

- The Settlement details
- The Tax details
- The Advices that you can suppress or prioritize
- The MIS details
- The ICCF details

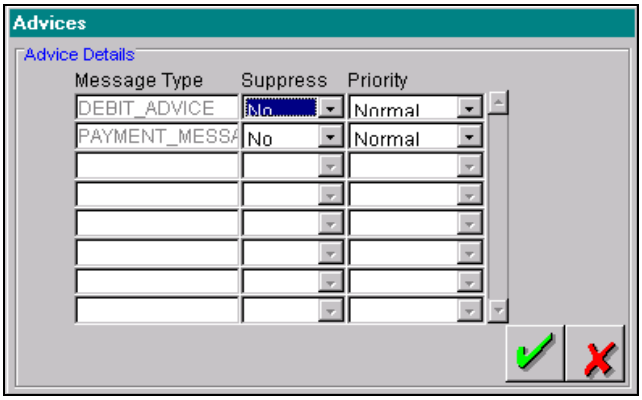
- The events for the deposit (in this screen double click on the event to view the accounting entries)
- The Charge details

## 4.4 Advices for Deposit Acceptance

The advices that have to be generated for any event during the life cycle of a deposit are specified for the product involved in the deposit. For example, you may have specified the following advices for the product:

- When a deposit is initiated, a contract advice addressed to the customer
- If any components (like discounted interest, tax on principal etc.) are liquidated on takedown, an advice for each of them

While processing the deposit acceptance, you can you can suppress the generation of any of these advices. Click on D to invoke the Advices screen to make these changes.




**Suppressing the generation of an advice**

By default, all the advices that have been defined for a product will be generated for a deposit. However, you can suppress the generation of an advice, for a deposit by specifying the same in this screen.

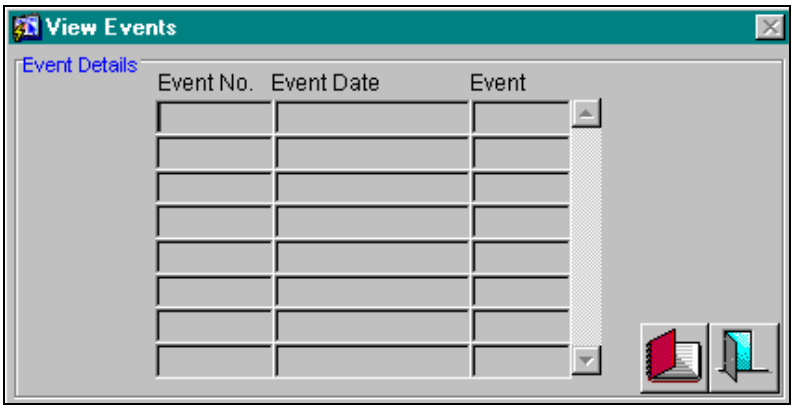
**Indicating the generation priority**

For a payment message by SWIFT, you also have the option to change the priority with which the message should be generated.

STOP This does not apply to deposits as messages and advices are not generated and sent electronically, but by mail.

## 4.5 Viewing Event details

You can view all the events that have take place on a deposit through the View Events screen. You can access this screen by clicking on  in the LD Contract Online screen.

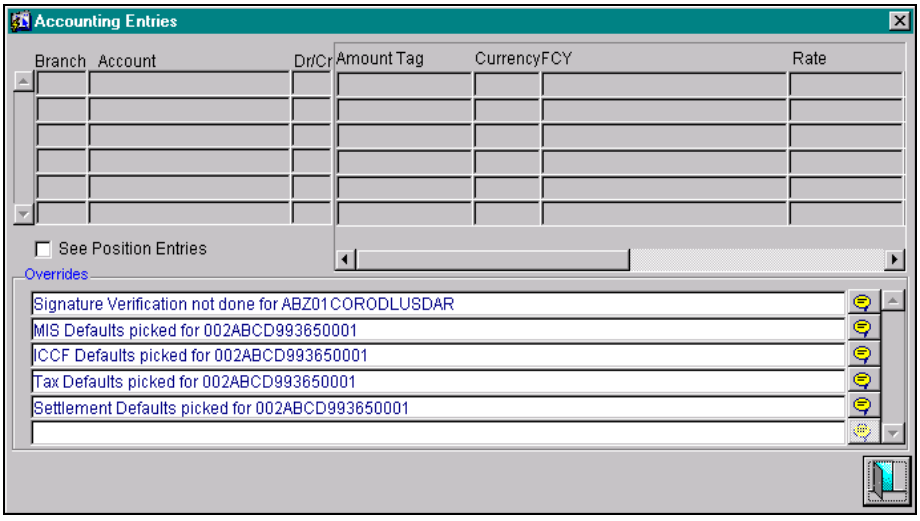



All the events that have taken place on the contract so far will be listed in this screen according to the sequence in which they have taken place. The Date on which the event took place will also be displayed.

For example, this list could contain events like Booking, Initiation, Interest Accrual, Interest Payment, etc.

### 4.5.1 Viewing Accounting Entries for the Deposit

To view the accounting entries passed for a specific event, highlight the event and double click on the event in the View Events screen or click on the  button in this screen. The accounting entries and overrides for that event will be displayed.



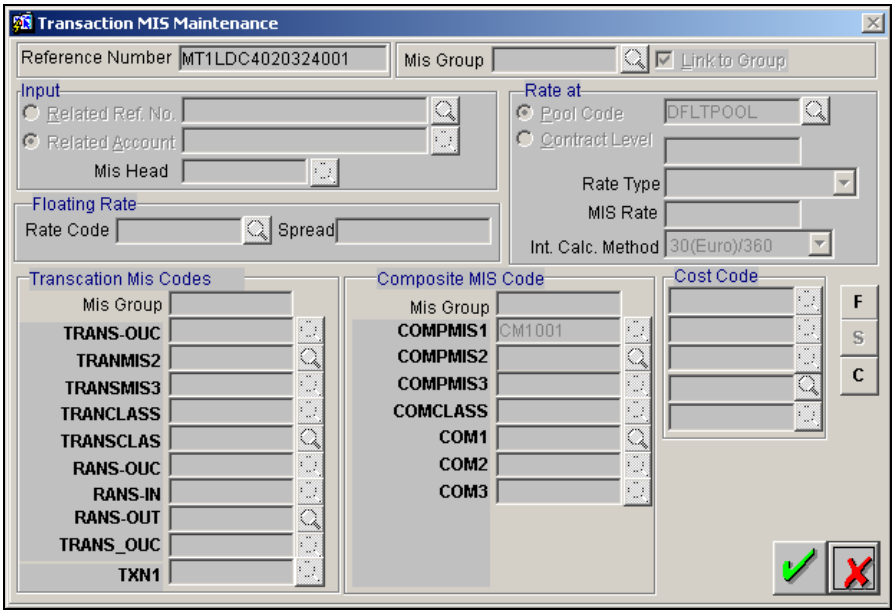
The following information is provided for each event:

- Branch
- Account
- Dr/Cr indicator
- The amount tag
- The currency
- FCY
- Rate
- LCY
- Date
- Value Date
- Code
- All the overrides that were encountered for the event will also be displayed.

## 4.6 Maintaining Transaction Specific MIS Refinancing Rates

You can choose to perform MIS Refinancing on a daily basis for all deposit contracts, only if this option has been enabled in the Bank-wide Preferences screen. If the MIS refinancing has been set to a daily frequency, you have to indicate the refinance rate pick up specification through the transaction MIS sub-screen while processing the respective contract.

Click on the M button in the Loans and Deposits contract online screen. The Transaction MIS screen is displayed.



For a contract, the transaction type of MIS class, the cost code and pool code will be picked up from the product under which the contract is processed. The composite MIS code will be picked up from the definition made for the customer, on behalf of whom the contract is being processed.

As part of specifying the MIS refinance specifications you have to indicate whether the system should pick up the MIS Rate associated with the pool linked to the contract or whether you would like to maintain a rate specific to the contract. You can indicate your choice by selecting any one of the following options:

- Pool Code – indicating that the MIS Rate maintained for the pool code should be used for refinancing
- Contract Level – indicating that you would like to maintain a specific MIS Rate for the particular contract

If you specify that the system should pick up the refinancing rate specific to the contract you have to indicate the rate type, which is to be used for refinancing.

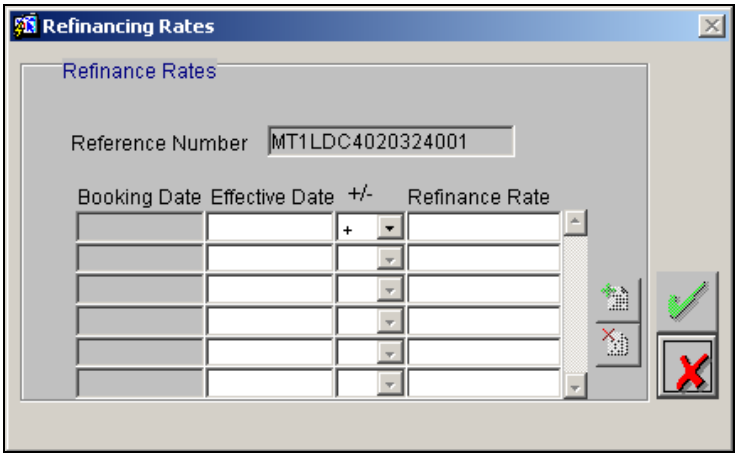
The options available are:

- Fixed
- Floating Automatic – indicating that the system should pick up the refinancing rate associated with the Reference Number of the contract. Since the contract is linked to a Rate Code the system picks up the rate associated with the rate code when the End of Day processes are run to refresh the various rates.
- Floating Periodic – you can select this preference only if you are maintaining rate refinance details for the Loans module. The periodic revision rates maintained at the product level will be picked for refinancing purposes.

If you have indicated that the rate maintained for the pool to which the contract is linked should be picked up for refinancing, you need not specify the Rate Type. The rate applicable on the pool will be made applicable on the contract as well.

### 4.6.1 Maintaining Contract Level Refinance Rates

If you have indicated that you would like to maintain a fixed rate for refinancing, you have to capture the effective dates along with the effective refinance interest rates through the Refinancing Rates maintenance screen. Click on the Rate button in the Transaction MIS screen.




When you invoke this screen, the Reference Number of the contract for which you are maintaining refinancing rates will be displayed in the respective field. Similarly, the booking date of the contract will be defaulted in the Booking Date field.

**Specifying the Effective Date**

You have to specify the Effective Date with which you would like to associate the refinance interest rate. You are allowed to maintain any number of Effective Date and Refinance Rate combination records.

The effective date is the date on which the refinance rate comes into effect. Once a rate comes into effect, it will be applicable till a rate with another effective date and reference number combination is maintained.

**Specifying the Refinancing Rate**

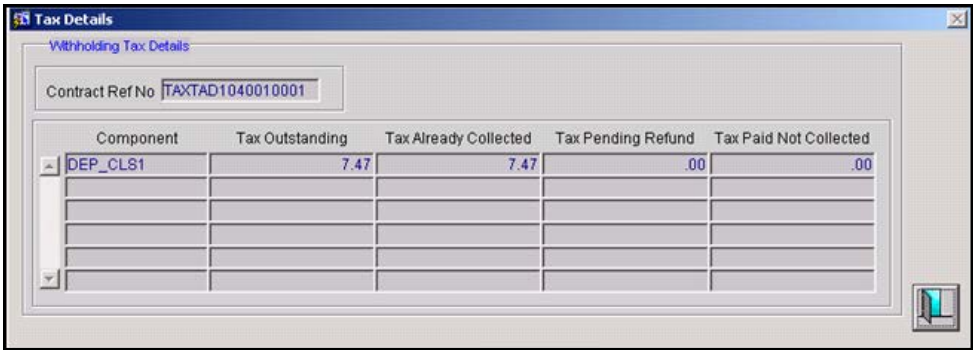
You can specify the refinancing rate that is to be associated with the effective date.

If the Rate Type you have specified is either Floating Automatic or Floating Periodic the system automatically calculates and populates the effective date and refinancing interest rate in the respective fields after the EOD processes have been run successfully.

## 4.7 Viewing the Details of the Tax Collected from the Customer

For deposits, you can view the details of the withholding tax through the ‘Tax Details’ screen.

To invoke the ‘Tax Details’ screen, you have to click on the button in the ‘Contract Online’ screen.




In this screen, the total tax amount collected from the customer in case of deposits is displayed. You can view the details of the tax to be collected, tax already collected and excess tax not refunded back to customer and tax paid in advance.

The system computes the tax amount and every time there is a change in the outstanding Principal for Deposit / Interest Rate for the Deposit / Tenor for the Deposit, the system recalculates the tax amount. As a result, the tax amount displayed in the Tax Details screen indicates the tax applicable at that point of time, in case there is no change in the cash flow.

The system allows you to view the details of withholding tax after the contract is saved.

## 4.8 Initiating a Future Value Dated Deposit

A ‘future-dated’ deposit is one that has a Value Date that is later than the date on which it is booked. The Automatic Contract Update function will initiate the deposit on the Value Date of the deposit.

A future Value Date falling on a holiday will be initiated either on the previous working day or the next, depending on your definition for automatic processing at your branch.

All the initiation related entries specified for the product involved in the deposit will be passed automatically. If currency conversions are involved, the applicable conversion rates as of the date on which the deposit is initiated will be picked up from the Currency Table. To recall, the rates that are applicable for a deposit are defined for the product involved in the deposit.

If there is a rate revision applicable for the future dated deposit on the day it is initiated (that is, on the future Value Date), the rate revision will also be applied on the deposit. This rate revision could either be due a Floating Rate change or a Value Dated Change.

## 4.9 Enquiry for Interest and Principal Projections

You can view the projected interest accruals and principal on a deposit contract, for a future date.

You can choose the contracts of a particular customer, for which you want to view the projections.

The following details are displayed, for each contract:

- Outstanding principal amount
- Interest due as of the current date
- Penal interest due as of the current date
- Projected interest amount, from the current date till the future (projection) date
- Any applicable tax due on the projected amounts
- Total amount due
- The settlement account
- The balance in the settlement account, on the current date

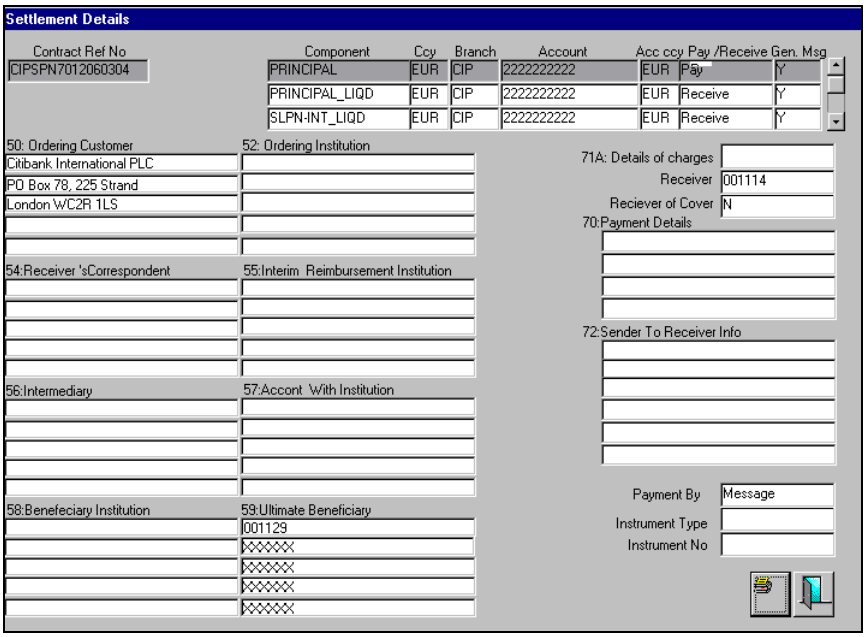
### 4.9.1 Reversal of Accruals during Contract Reversal

Your bank might encounter a situation wherein you might have to change the non-financial details (like customer account, customer etc) of a contract after it is authorized. You cannot amend these non-financial details after authorization. Under such circumstances, you can to 'reverse' a contract and then make the necessary modifications. When you reverse a contract, the event-wise accounting entries of the original contract will be reversed.

During reversal of foreign currency contracts, for the events ACCR (Accrual) and STCH (Status Change), Oracle FLEXCUBE will pick up the current exchange rates maintained in the Exchange Rate table for the accrual entries with the amount tag _ACCR. Further, the system will re-calculate the local currency equivalent of the amount and pass the entries to the respective GL's.

### 4.9.2 Viewing the Settlement Details during Contract Authorization

During authorization of Contract Input, Value Dated Amendment and payments of LD contracts, you can view the settlement details of the contract. Oracle FLEXCUBE will force you to view the settlement details during authorization. During authorization of contracts and value dated amendments in the 'Authorization' screen, click on Settlement info.... to view the settlement details of the contract. During authorization, if you click on  without viewing the settlement details, system will display a message 'Settlement Details not visited'.

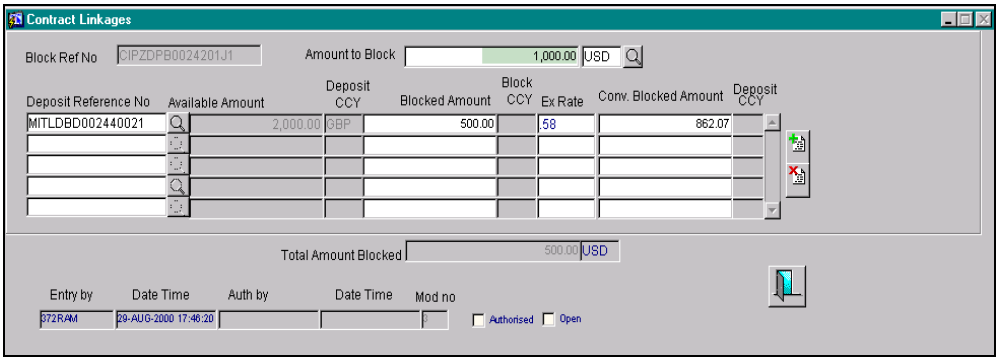



### 4.9.3 Viewing the Different Versions of a Deposit

When a deposit is input, it is assigned a version number of 1. From then on, each amendment of the deposit results in its next version. When you come to the Detailed View Screen for a deposit, the latest version will be displayed. To see the previous version, click . Click to view the next version.

## 4.10 Maintaining Block Deposit Details

You can choose to block deposits through the Contract Linkages. To invoke this screen, from the Application Browser choose L& D Operations and then Block Deposits.




When you insert a new record, the system automatically assigns a unique reference number to the block deposit record.

### 4.10.1 Blocking a Deposit

In this screen, you have to indicate the total amount that is to be blocked along with the currency in which it is to be blocked.

After you specify the total amount that is to be blocked, select the contract reference number of the deposit, which is to be used for this purpose. When you select the reference number of the deposit the deposit amount will be displayed in the Available Amount field. Similarly, the currency of the deposit will also be displayed in the currency field.

The currency of the blocked amount can be different from the currency of the deposit. In such as case the exchange rate maintained for the currency pair (blocked amount currency and the deposit currency), for the day will be picked from the Exchange Rate screen and the equivalent of the blocked amount will be displayed in the Conversion Blocked Amount field in the block currency.

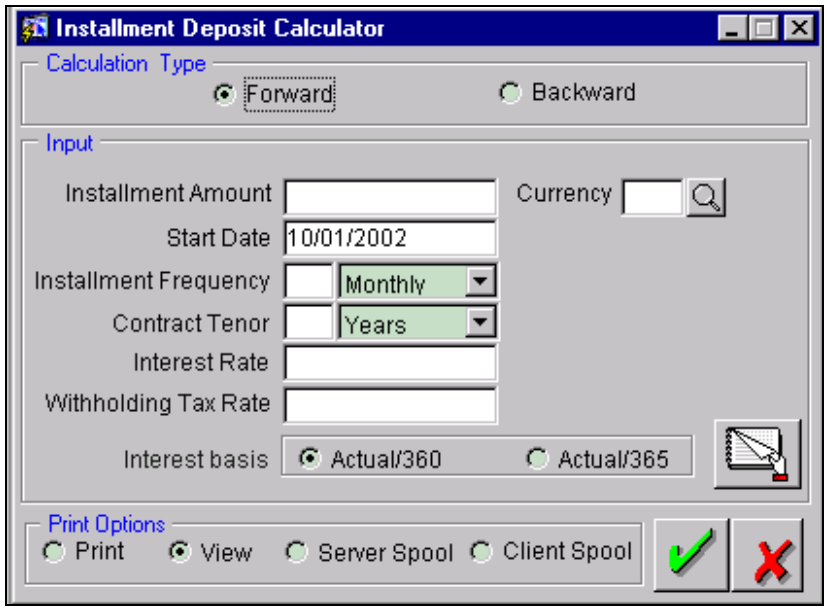
# 5. Calculating the Installment Amount

## 5.1 Introduction

In Oracle FLEXCUBE, you can enter the installment amount or the final maturity amount and accordingly the system will automatically calculate:

- The final maturity amount before and after tax deductions (if you specify the installment amounts), or
- The installment amount (if you specify the final maturity amount)

This calculator function of Oracle FLEXCUBE is available in the 'Installment Deposit Calculator' screen. Invoke this screen from the Application Browser.



## 5.2 Maintaining Installment Deposit Calculation details

In this screen, you need to specify the following:

- Calculation Type – This is to indicate whether you want to calculate the final maturity amount or the installment amount
  - Forward – Select this option if you know the installment amount and want the system to calculate the final maturity amount (before and after tax deductions)
  - Backward - Select this option if you know the final maturity amount but want the system to calculate the installment amount
- Amount – Specify the installment amount if you want the system to calculate the final maturity amount of an installment deposit. Else, specify the final maturity amount if you want to know the installment amounts. This field will dynamically change to accept the value for either installment amount or final maturity amount depending on the Calculation type (Forward or Backward).
- Start Date – This is the installment start date and indicates the date from which the system will start calculating the installment amount/final maturity amount.
- Installment Frequency – Indicate the frequency of the installments. Accordingly, system will arrive at the schedule dates for calculation of interest at the specified frequencies.
- Currency – Indicate the currency of the contract
- Contract Tenor – Indicate the tenor of the installment deposit in months for calculating either installment amount or final maturity amount
- Interest Rate – Specify the interest rate for calculating the installment amounts or the final maturity amount
- With holding Tax Rate – Oracle FLEXCUBE will calculate the installment amount / maturity amount before and after deducting the tax amount based on the tax rate.
- Interest Basis – Indicate the method by which the system should calculate the installment amount or final maturity amount. The two method available are:
  - Actual /360
  - Actual/365
- Print Options – You can instruct the system to either display or print or spool the installment details to the server or client after it calculates the installment amount/final maturity amount.

### 5.2.1 Specifying Holiday Treatment

The schedule dates for calculation of interest will be treated according to the parameters defined for holiday treatment. In the 'Installment Deposit Calculator' screen, click on  to specify the holiday preferences.

In the 'Holiday Treatment 'screen, you need to specify the following:

- Holiday Check – Indicate whether the system should check for currency holiday or local holiday or both
- Holiday Currency – If you have opted for currency holiday check or 'Both', indicate the currency whose holiday has to be checked in the Currency Holiday calendar

Further, you have the option to:

- Ignore holidays
- Specify the preferences for the movement of schedules

If you indicate that a currency holiday or a local holiday is not be ignored, you need to specify whether the schedule dates falling on a holiday should move forward to the next working date or move backward to the previous working date.

If you have chosen to move the schedule date falling due on a holiday (currency or local or both), either backward or forward and it crosses over into a different month, the schedule date will be moved to the next month if you opt for 'Move Across Months'.

***Example***

***Calculation of final maturity amount given installment amount***

Let us assume that you want to calculate the final maturity amount for an installment deposit with the following details:

- Installment Start Date: 01-Jan-2002
- Installment Amount: 10,000
- Contract Tenor: 12 months
- Installment Frequency: 1 month
- Interest rate: 10%
- Interest Basis: Actual/365
- Tax Rate: 5%

Since the tenor of the contract is 12 months, the maturity would be 01-Jan-2003

System will arrive at the final maturity amount (before and after tax deductions) as shown:

Final Principal = 12x10, 000 = 1,20,000

Interest would be calculated as follows:

| Start Date | End Date | Amount | Days | Rate | Calculated Interest Amount |
|---|---|---|---|---|---|
| 01-Jan-2002 | 01-Feb-2002 | 10,000 | 31 | 10 | $\frac{10,000 \times 31 \times 10}{365 \times 100}$ = 84.93 |
| 01-Feb-2002 | 01-Mar-2002 | 20,000 | 28 | 10 | 153.42 |
| 01-Mar-2002 | 01-Apr-2002 | 30,000 | 31 | 10 | 254.79 |
| 01-Apr-2002 | 01-May-2002 | 40,000 | 30 | 10 | 328.77 |
| 01-May-2002 | 01-Jun-2002 | 50,000 | 31 | 10 | 424.66 |
| 01-Jun-2002 | 01-Jul-2002 | 60,000 | 30 | 10 | 493.15 |
| 01-Jul-2002 | 01-Aug-2002 | 70,000 | 31 | 10 | 594.52 |
| 01-Aug-2002 | 01-Sep-2002 | 80,000 | 31 | 10 | 679.45 |
| 01-Sep-2002 | 01-Oct-2002 | 90,000 | 30 | 10 | 739.73 |
| 01-Oct-2002 | 01-Nov-2002 | 100,000 | 31 | 10 | 849.32 |
| 01-Nov-2002 | 01-Dec-2002 | 11,0000 | 30 | 10 | 904.11 |
| 01-Dec-2002 | 01-Jan-2003 | 12,0000 | 31 | 10 | 1019.18 |

Total Interest = (84.93+153.42+254.79+328.77+424.66+493.15+594.52+679.45+739.73+849.32+ 904.11+1019.18) = 6526.03

Tax calculated on the interest earned = (5/100) x 6526.03 = 326.30

Interest amount after deducting tax = 6526.03 – 326.30 = 6199.73

Therefore, Total Maturity Amount Before tax = Principal + Interest

= 120000 + 6526.03

= 126526.03

Total Maturity Amount After Tax = Principal + Interest – Tax

= 120000 + 6526.03 – 326.30

= 126199.73

**Calculation of Installment Amount given Final Maturity Amount**

Let us assume that a customer of your bank wants to make an installment deposit for USD 126199.73 for a period of 12 months and wants to know the installment amount that he has to pay every month towards the installment deposit.

The details of this installment deposit is as follows:

- Installment Start Date: 01-Jan-2002
- Final Maturity Amount: 126199.73
- Currency: USD
- Contract Tenor: 12 months
- Installment Frequency: 1 month
- Interest Rate: 10%
- Interest Basis: Actual/365
- Withholding Tax rate: 5%

Number of Schedules: 12 (Since the tenor of the installment deposit is 12 months and the installment frequency is monthly)

After you enter the above details in, system will calculate the installment amount.

You have the relation, Maturity Amount, A= P+I-T

Where, P is Principal

I is Interest

T is Tax on interest

Therefore, Principal will be calculated as:

$$P = \frac{A}{[R\,(1-T/100)/100 * (1/\text{Day Count Denominator}) * (d_1 + 2d_2 + 3d_3 + \cdots + Nd_n)] + N}$$

where,

R is Interest Rate

T is withholding tax rate

d is number of days

N is Number of schedules

In the above formula, the value of ($d_1 + 2d_2 + 2d_3 + \cdots + Nd_N$) is calculated as follows:

Number of days in the month of January + 2(No of days in February) + 3 (No of days in March) + 4 (No of days in April) = 5 (No of days in May) + 6 (No of days in June) + 7 (No of days in July) + 8 (No of days in August) + 9 (No of days in September) + 10 (No of days in October) + 11 (No of days in November) + 12 (No of days in December)

=31 + 2(28) + 3 (31) + 4(30) + 5(31) + 6 (30) + 7(31) + 8(31) + 9(30) + 10(31) + 11(30) +12(31)

= 2382

Substituting the values, P =

$$\frac{126199.73}{[10(1-0.05)*(1/365)*2382]+12}$$

Therefore, the monthly installment amount = USD 10000

The Deposit Initiation Advice will print the input details and the calculated amounts.

Example Sample Advice

A) Forward Calculation

DEPOSIT AMOUNT CALCULATION

==========

INPUT DETAILS

==========

Amount : 10,000.00 USD

Installment Start Date : 01/01/2002

Installment Frequency : 1 Month(s)

Contract Tenor : 12 Month(s)

Interest Rate : 10

Withholding Tax Rate: 5

FORWARD CALCULATION DETAILS

==========

Maturity Date : 01/01/2003

Total Principal : 120,000 USD

| | | | |
|---|---|---|---|
| Total Interest Amount | : | 6,526.03 | USD |
| Tax Calculated on Interest Amount | : | 326.30 | USD |
| Interest Amount excluding Tax | : | 6,199.73 | USD |
| Maturity Amount Before Applying Tax | : | 126,526.03 | USD |
| Maturity Amount After Applying Tax | : | 126,199.73 | USD |

# 6. Processing Repayments

## 6.1 Introduction

When you accept a deposit, you also decide on the terms of the repayment of the deposit. You may have your own repayment schemes, for example, you may prefer monthly repayment of interest to quarterly repayments, and so on. Or, you may design repayment schedules to suit the convenience of your customer. Your customer may want to get back his deposit in equated monthly instalments, for example.

In Oracle FLEXCUBE, you can customize your repayment schedules for a deposit product. The same schedules will, by default, apply to all deposits involving the product. However, when processing a specific deposit, you can change the repayment schedule, which it acquires from the product it involves.

## 6.2 Defining Schedules for a Product

You can define schedules for the repayment of various components like the principal, interest, charges and fees.

The attributes of the schedules for a product are defined through the Product Preferences screen. The following are the attributes of a repayment schedule:

- Mode of liquidation - auto or manual. This can be changed at the time of deposit processing
- Recomputation of schedules when a repayment of principal is made before it is due
- Liquidation of back valued schedules upon initiation of a deposit. This can be changed at the time of deposit processing
- The schedule type - amortized, capitalized or normal

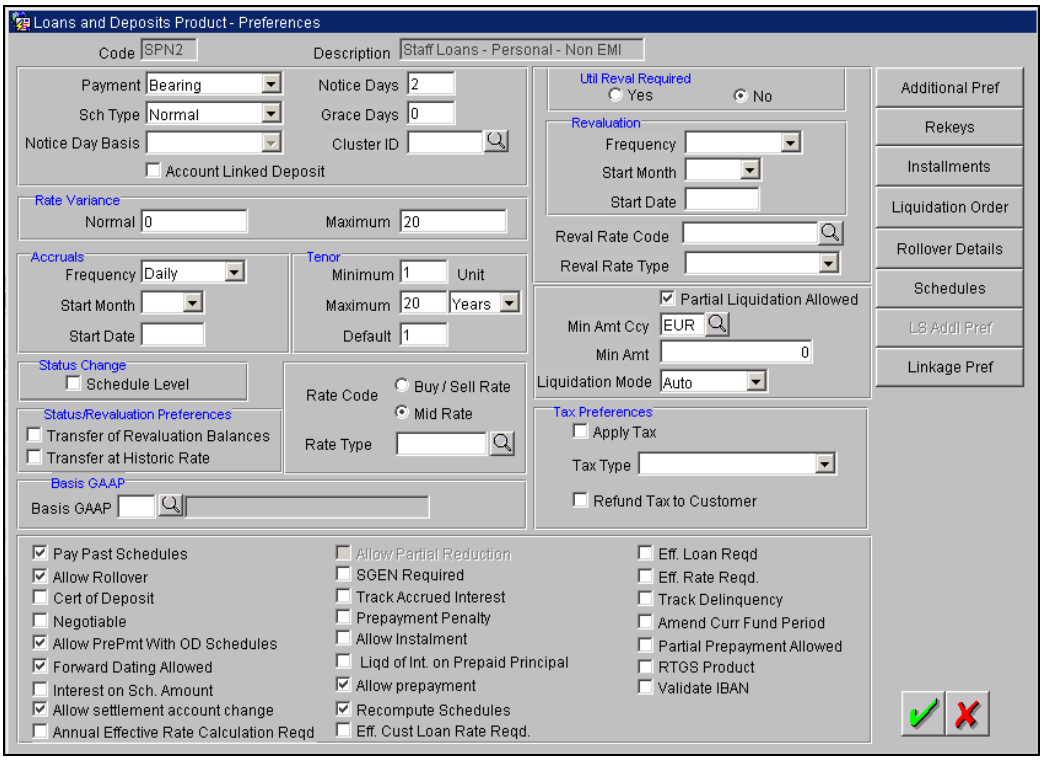
The Automatic Contract Update function automatically liquidates those schedules that you have marked for auto liquidation. If schedules are marked for manual liquidation, you will have to liquidate them through the Contract Schedule Payments function.

Once you specify the attributes of schedules in the Product Preferences screen, you have to define the *frequency* of repayments in the Product Schedules screen. When processing a deposit, you can change the schedule details that it acquires from the product it involves.

If you do not define any schedules for the product, by default, the deposits involving the product will have bullet (or balloon) schedules. That is, all the components will be liquidated on maturity.

## 6.3 Setting Product Schedule Preferences

You should define the attributes of the schedules for a product through the Product Preferences screen. To invoke the Product Preferences Screen, click on  in the Product Definition screen.




### 6.3.1 Auto Liquidation

Components of a deposit can be liquidated automatically or manually. In the Product Preferences screen you have to indicate whether the mode of liquidation of repayment schedules is to be automatic.

Specify **Auto** liquidation if you want the components of a deposit (involving a product) to be liquidated automatically.

In this case, a schedule will be liquidated automatically on the day it falls due, during beginning of day processing (by the Automatic Contract Update function).

Now, consider the following situation:

1. You have indicated automatic liquidation

2. The schedule date falls on a holiday and

3. You have specified (through the Contract Preferences screen) that the holiday be ignored while calculating the schedule date.

In such a situation, a repayment falling on a holiday would be processed according to you specification for holiday handling (in the Deposits Branch Parameters screen). It would be as follows:

- If you specified that processing has to be done on the last working day before the holiday for automatic events right up to the day before the next working day, the schedule falling on the holiday will be liquidated during end of day processing on the last working day before the holiday.
- If you specified that processing has to be done only up to the System Date, then only the events scheduled for today (the last working day before the holiday) will be processed. The events of the holiday will be processed on the next working day after the holiday, during beginning of day processing.

### 6.3.2 Recomputing Schedules after a Repayment In Advance

You have to specify whether the interest on the future schedules of a deposit has to be recalculated in the case of a prepayment on a schedule (that is, when a Principal repayment is made before its due date).

***Example***

You have specified repayment payment schedules for a 300,000 USD deposit of Taggart Iron and Steel Company, at 14% interest, for three months as follows:

- USD 100,000 with interest on 1 January 1998
- USD 100,000 with interest on 1 February 1998
- USD 100,000 with interest on 1 March 1998

Now, Taggart Iron and Steel Company withdraws USD 150,000 on 1 Feb. 1998. This leaves only USD 50,000 principal to be paid back with interest. However, the interest would have been calculated with the expected balance of USD 100,000 on the third schedule and not the present USD 50,000. You can take the option of recomputing schedule amounts for the interest component automatically to be in tune with the principal pre-payment.

If you do not specify that schedules have to be recomputed, the interest recalculation in view of the withdrawal will not be done. Taggart Iron and Steel Company will have to be paid the same interest that it would have been paid if it had kept up with the original schedule.

Only the subsequent interest schedules will be redefined. The subsequent principal schedules will be marked as paid to the extent of the prepayment. In the case of an amortized schedule, the amount of repayment for the schedule immediately after the prepayment will thus be different from the rest of the schedules.

### 6.3.3 Liquidating Back Valued Schedules during Initiation

You have to indicate whether for a back-dated deposit that has schedules prior to today's date, the schedules have to be liquidated when the deposit is initiated. A back dated deposit is one, which has an initiation date, which falls before today's date.

***Example***

Deposits can be initiated

- As of today
- A date in the future, or
- As of a date in the past

If today's date is 15 October 1997, and you initiate a deposit of 15,000 USD with a Value Date (date on which the deposit comes into effect) as 15 September 1997, accounting entries for initiation will be passed as of 15 September.

Suppose that there has been an interest payment schedule for 30 September 1997, for 500 USD. If you specify that back valued schedules should be liquidated, accounting entries will be passed to liquidate this schedule (too), when the deposit is initiated. If you specify that back dated schedules are not to be liquidated, only accrual entries will be passed till today.

The entries associated with each event (initiation and liquidation in this case) will be passed only if they have been defined for the product. Further, the accounts used will be the ones defined for each entry.

## 6.3.4 Specifying the Payment Method

You have to specify whether the payment method for the interest components is to be bearing, discounted, or true discounted. This *cannot* be changed at the time of processing a deposit.

### Bearing

The interest is liquidated on schedule payment date(s).

***Example***

You have accepted a deposit of USD 10,000 from Ms Yvonne Cousteau, under the 'Short Term Deposits from Individuals' scheme, at 10% interest, for a year.

Now, under the bearing type of interest payment method, USD 10,000 is treated as the principal. Here, the deposit of USD 10,000 is collected from Ms Cousteau and the interest on it is paid out over the one year, which is the tenor of the deposit.

### Discounted

In this interest payment method, the interest is deducted at the time of initiating the deposit.

***Example***

Carrying forward the example of Ms Yvonne Cousteau's deposit of USD 10,000, under the scheme 'Short Term Deposits from Individuals', at 10% interest for a year, under the discounted type of interest payment, the total interest (Actual/Actual) calculated for the tenor of the deposit, USD 1,000, is deducted from USD 10,000 and only USD 9,000 is accepted.

This forms the principal of the deposit. At maturity, Ms Cousteau gets back USD 10,000.

**True discounted**

In this interest payment method, the interest is calculated on the principal in a manner differing slightly from the Discounted method. The interest rate is applied on the Principal instead of the Nominal, as is done in the Discounted method.

This concept is explained in the following example:

***Example***

You have accepted a deposit of USD 10,000 from Ms Yvonne Cousteau, under the 'Short Term Deposits from Individuals', at 10% interest, for a year.

Under the true discounted type of interest payment, the interest amount, in absolute terms in not USD 1,000 but less than that. This is because the interest rate of 10% is not applied on USD 10,000 but on the actual amount deposited (derived by the system) which is USD 9090.91. At Maturity Ms. Yvonne Cousteau gets back USD 10,000.

In short, in Discounted method the interest is calculated on Nominal whereas in case of True discounted method, the same is calculated on the Principal.

## 6.3.5 Indicating the Schedule Type

You should indicate the type of repayment schedule that you want to have for the product. It could be one of the following:

**Amortized**

Amortized schedules are also called Equated Installments. If you indicate that the schedules are to be amortized, then the main interest will be calculated for the term of the deposit, added to the principal and distributed into equal installments according to the frequency you specify – daily, weekly, monthly, quarterly, half-yearly or yearly. The frequency is specified in the Product Default Schedules screen.

**Capitalized**

When you indicate capitalization for the schedules, and define schedules for the various components of the deposit (through the schedule definitions screens), the interest is not paid to the customer on the schedule dates but is capitalized (the unpaid interest is added to the unpaid principal and this becomes the principal for the next schedule).

For capitalization, only the interest component defined as Main Interest in the Product ICCF screen will be considered.

**Normal**

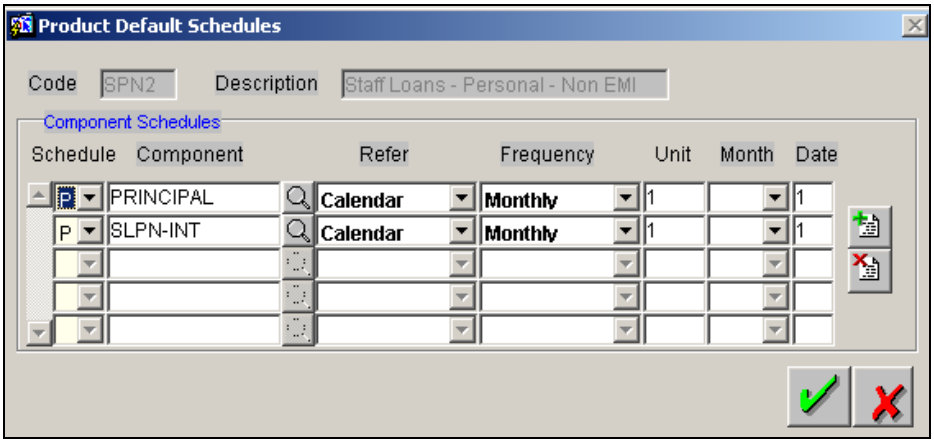
If you indicate Normal as the schedule type, you will be able to define your own schedules through the Product Default Schedules screen.

The schedule type applies to all deposits involving the product and cannot be changed during deposit processing.

## 6.4 The Product Default Schedules Screen

When creating a product (in the Product Default Schedules screen), you can define schedules for all deposit components. This involves specifying the reference date, the frequency, the month and the date for each component. All deposits, involving the product, will acquire these attributes.

You can invoke the Product Default Schedules screen by clicking on the Schedules button in the Product Preferences screen.




### 6.4.1 Specifying the Component

You can define different repayment schedules for the different components according to your needs. First of all, you should specify the component for which you want to define the schedule. All components – the principal and any other component depending upon your ICCF definition for the deposit – are available in the form of a picklist. You will have to define schedules for each of them.

If you have indicated (in the Product Preferences screen) that the Schedule Payment Type is amortized, then, you will have to specify the frequency not for the principal but for the 'amortized' principal (principal + total (main) interest accrued on the deposit, equally spread out across the number of schedules). In the picklist, you will see 'Amortized' displayed and you will have to define the frequency for this.

When defining repayment schedules for specific deposits, the amount of repayment needs to be specified only for the principal. The interest, commission and fee amounts will be calculated by the system automatically, depending on the repayment date and the principal (amount). However, for deposits with special interest, you will also have to provide the interest amount.

## 6.4.2 Setting the Reference Date

You can indicate whether the dates of repayment schedules should be calculated based on the Value Date (date of initiation of the deposit) of the deposit involving the product, or a Calendar Date.

If you specify that the Reference is the Value Date (date of initiation of the deposit), the dates for schedule repayments will be based on this date and the Frequency.

If the Reference is specified as the Calendar Date, the dates for schedule repayments will be based on the Start Date (specified by you), the Month and the Frequency. The following example illustrates this concept:

***Example***

A deposit starts on 15 September 1997 and the frequency of repayment is monthly. If the Reference is specified as Value Date, the monthly schedule dates will fall due on 15 October 1997, 15 November 1997, and so on till the deposit matures.

If the Reference is specified as Calendar Date, and the Start Date will be fixed as 1 October 1997, and the first repayment date will be 1 October 1997. The subsequent repayment dates will be 1 November 1997, 1 December 1997, and so on till the deposit matures. In this case, the interest days for the first repayment will be from 15 September '97 to 30 September '97.

If Reference is set to Value Date (deposit initiation date), you need to specify only the Frequency (monthly, quarterly etc.) and the unit of frequency (if you specify the frequency as monthly and the unit as 1, it means once a month).

The system will set the schedule according to the Frequency and Unit of frequency you have specified, beginning on the Value Date.

***Example***

If the Value Date of a deposit is 10 December 1997 and you indicate the frequency as monthly and unit as 1, then the first schedule will be liquidated on 10 January 1998, the next one on 10 February 1998, and so on.

For the same deposit if you were to define a fortnightly schedule, you indicate the frequency as monthly and unit as 2. The first schedule will, in this case, be liquidated on 25 December 1997, the next one on 10 February 1998, and so on.

## 6.4.3 Specifying the Frequency of Schedules

For a periodic schedule, you can indicate the frequency of repayment for each component. This could be:

- Daily
- Weekly
- Monthly
- Quarterly
- Half-yearly

- Yearly
- Bullet

### 6.4.4 Specifying the Unit

You can specify the number of units for the frequency you have set for a particular component.

***Example***

If you want a payment every 15 days, you will have to specify

- The frequency as Daily and
- The units as 15.

For payments every three weeks, you will have to define

- The frequency as weekly and
- The unit as three.

### 6.4.5 Specifying the Start Date

If you have set the Reference as Calendar Date, and the frequency as weekly, quarterly, half-yearly or annual, indicate the month in which the first schedule falls due.

If you have set the Reference as Calendar Date, you should indicate the date on which the schedule should fall due. Specify 31 to indicate that the schedule should fall due on the last day of the month (that is, 31 for months with 31 days, 30 for months with 30 days and 28 or 29, for February). The schedule repayment dates will be computed using the Frequency, (Start) Month and the (Start) Date.

***Example***

You have defined the frequency as quarterly, specified March as the first month, and given the date as 31.

The repayment schedules will be for 31 March, 30 June, 30 September and 31 December. For a deposit starting any time before 31 March, the first repayment will be on 31 March. The Number of interest days will be calculated from the Value Date to 31 March. From then on, it will follow the quarterly cycle.

Similarly, you have defined the frequency for another product's default schedules as half-yearly; indicated the month as June and given the date as 31.

For a deposit that is initiated anytime before June, the first repayment will take place on 30 June and the next one on 31 December. For a deposit initiated after 30 June, the first repayment will take place on 31 December, and so on. The start month and date indicate the first schedule, so that subsequent schedules can be automatically set from that point on.

A schedule date:

- Should be later than or the same as the Value Date
- Cannot be beyond the Maturity Date.

Further, you can have only one schedule for a component for a date.

**Defining Principal schedules for discounted deposits**

For a discounted deposit, you can define repayment schedules for the principal component.

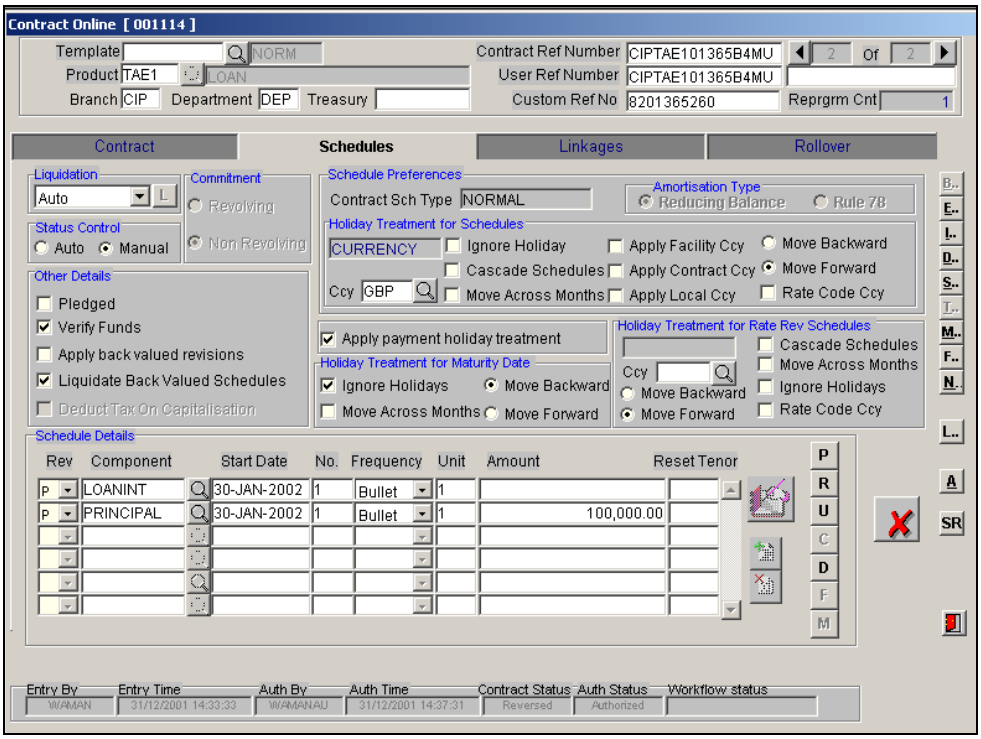
You can specify the default schedules for the principal component in the Product Default Schedules screen when you define the product, and these schedules are defaulted to discounted deposit contracts involving the product.

When you initiate a discounted deposit in the LD Contract Online screen, which uses a product for which principal component schedules have been defined, the principal schedules are applied by default, from the product definition. You can make changes to these schedules for the contract.

After a discounted deposit is authorized, you cannot subsequently amend any repayment schedules for principal component that have been defined for the deposit.

## 6.4.6 Defining Repayment Schedules

The payment schedules defined for a product will apply to all deposits involving the product. When you process a deposit in the Contract Schedules screen, the details defined for the product (which the deposit involves) will be displayed. You can change the schedules that a deposit acquires, when processing it in the Contract Schedules screen.



You can redo the schedules defined for the product, by clicking on  in this screen. The schedules that have not been liquidated and which fall due on the current system date, or later than the current system date, will be erased and you can go on to define the new repayment schedules.

The attributes of the schedules inherited from the product can be changed for a deposit through the Contract Preferences screen. However, the schedule payment type - whether amortized, capitalized, or normal – will be as specified for the product. You cannot change it.

## 6.4.7 Setting Deposit Schedule Preferences

Schedule preferences are the attributes of the repayment schedules defined for the deposit.

All deposits involving the product inherit the attributes that have been defined for the product. Some of these attributes can be changed. They are:

- The liquidation of schedules that fall due before the day on which the deposit is booked
- The liquidation mode (auto to manual)

The following attribute defined for the product and inherited by the contract cannot be changed:

- The schedule type - amortized, capitalized, or normal is inherited from the product and displayed for the deposit

Through a set of fields in the Contract Preferences screen, you can specify an additional set of schedule related attributes for a deposit that you are processing:

- How liquidation dates falling on holidays should be handled
- Whether schedule dates should be cascaded in case you have indicated that they (schedule dates) be moved forward or backward when they fall on a holiday
- The holiday table, of the country of the deposit currency, that has to be checked before setting automatic schedules
- Whether back valued schedules should be liquidated on deposit initiation
- The type of amortization, if amortization has been specified for the product and therefore, the deposit

*Only the attributes that deal with schedules are discussed here.*

Although, schedules are inherited from the product, you can define your own schedules for a deposit through the Contract Preferences screen.

A schedule date:

- Should be later than or the same as the Value Date
- You can have only one schedule for a component for a date, and
- It cannot be beyond the Maturity Date

## 6.4.8 Types of Repayment Schedules

When creating a product, you define the repayment schedules. The repayment schedule can be:

- Amortized
- Capitalized, or
- Normal

The *schedule type* that you define for the product will apply to all deposits involving the product. When you process a deposit, the schedule type will be displayed in the Contract On-line Preferences screen.

For example, if you have specified 'amortized' for the product, this will be applicable to the deposit too. You cannot change it.

### 6.4.8.1 Amortization of Payment Schedules

By specifying that your payment schedules have to be amortized over the period of repayment, you indicate that all the repayments should be in Equated Installments. These repayment schedules will be drawn up taking the Principal and the Main Component (The 'main' component is the one you defined for display in the Contract Details screen).

If you specify amortized schedules, schedules will be set in Equated Installments according to the frequency you have defined.

If a deposit is to be amortized, it should have fixed type of interest and bearing interest payment method.

### 6.4.8.2 Capitalization

You can capitalize the interest payment on a deposit, by:

- Specifying the type of schedule (through the Product preferences screen). The deposit inherits this from the product
- Specifying the frequency for the capitalization through the Product Default Schedules screen. The frequency can be changed for the deposit

The outstanding interest is added to the outstanding principal on the schedule date and this becomes the principal for the next schedule.

***Example***

You have specified that the interest should be capitalized for Ms Yvonne Cousteau's deposit of USD 20,000 and indicated the frequency as quarterly. The first schedule date is 30 June 1998. On this date, the outstanding principal on Ms Cousteau's deposit is USD 20,000 and the outstanding interest at 20% is USD 986 for the first three months.

Since it is to be capitalized, this is added to the principal and USD 20,986 becomes the principal on which the interest is calculated during the next quarter.

Capitalization is done only for the 'main' interest, and only, if it is a fixed interest of the bearing type.

#### 6.4.8.3 Normal

If you have specified normal type of schedules, you will be able to define your own schedules for deposits involving the product.

A schedule date:

- Should be later than, or the same as, the Value Date
- Can have only one schedule for a component for a date; and
- Cannot be beyond the Maturity Date

### 6.4.9 Specifying the Amortization Type

If you have specified that the schedule type is to be "amortized," you should specify the method in which the amortization is to be applied.

### 6.4.10 Liquidating Back Valued Schedules

If you specified, while defining the product, that for a back-dated deposit with repayment schedules prior to today's date, the schedules have to be liquidated when the deposit is initiated, the same will apply to the deposit you are entering.

However, through this screen, you can choose not to liquidate back valued schedules.

***Example***

Deposits can be initiated:

- As of today
- A date in the future, or
- As of a date in the past

Suppose today is 15 October 1997 and you book a deposit of 15,000 USD with the value date (date on which the deposit comes into effect) as 15 September 1997. Accounting entries will be passed with the Initiation Date on 15 September.

But if there had been an interest payment schedule for 30 September 1997 for 500 USD, then if you specify that back valued schedules should be liquidated, the liquidation entries for this schedule will also be passed.

If you specify that back dated schedules are not to be liquidated, only accrual entries will be passed till today.

Please note that the entries associated with each event (initiation and liquidation in this case) will be passed only if they have been defined for the product. Further, the accounts used will be the ones defined for each entry.

## 6.4.11 When the Repayment Schedule is a Holiday

You have specified that repayment schedules should be generated automatically once you indicate the frequency, number and the date of first repayment. When the system computes the repayment dates based on these values, there is a chance that one or more schedules fall due on a holiday. In such a case, you have two choices:

- Ignore the holiday and retain the schedule due date or
- Move it either backward or forward, by specifying so

If you specify that holidays are to be ignored, the schedule dates will be fixed without taking the holidays into account.

If a schedule date falls on a holiday, the processing of such a schedule is determined by your holiday handling specifications for automatic processes, in the Branch Parameters screen:

- If you specified that processing has to be done on the previous working day for automatic events right up to the day before the next working day, the schedule falling on the holiday will be liquidated during end of day processing on the previous working day.
- If you have specified that processing has to be done only up to the System Date, then only the events scheduled for the System Date will be processed. The events of the holiday will be processed on the next working day during beginning of day processing.

***Example***

A monthly interest payment schedule date for Taggart Iron and Steel's deposit of USD 100,000 (for one year at 16% interest) falls on 31 October, a holiday.

If you have said Ignore Holidays by clicking this field, the schedule date will remain on 31 October when the schedules are fixed. The processing of this is determined by your holiday handling specifications in the Branch Parameters screen:

- If you specified that processing has to be done today (on System date) for automatic events up to the day before the next working day, then, on 30 October itself, the schedule of 31 October will be paid during the End of day (EOD) run of the Automatic Contract Update function.
- If you have specified that processing has to be done only up to the System Date, then, on 30 October, only the events scheduled for that date will be processed. This means that since the schedule date is 31 October, which is a holiday, the schedule will be processed on 1 November (the next working day), during the Beginning of day (BOD) run of the Automatic Contract Update function.

## 6.4.12 Moving Schedules Forward or Backward

A schedule date falls on a holiday and you have not specified that holidays are to be ignored at the time of schedule definition. In this case, you should indicate the movement of the schedule date, forward or backward, to the next working day or the previous working day respectively.

Since the schedule date itself is moved to a working day, the payment will be processed on the day it falls due, *as of* that day.

***Example***

For a deposit, you have defined monthly schedules falling due on the following dates:

- 31 March 1999
- 30 April 1999
- 31 May 1999

30 April 1999 is a holiday. You have the following options in fixing the date for that schedule:

- You can ignore the holiday. The schedule date will still be on 30 April 1999, despite the holiday. The liquidation of the schedule will be done as per your specifications in the Branch Parameters screen.
- You can move the schedule date forward to the next working day, which happens to be 1 May 1999. The schedule will be liquidated during Beginning of day (BOD) processes on this date, as it is a working day. The across-the-month movement discussed subsequently comes into the picture here.
- You can move the schedule date *backward. The schedule date will be 29 April 1999, the last working day before the holiday.* The schedule will be liquidated during Beginning of day (BOD) processes on this date, as it is a working day.

## 6.4.13 Moving Schedule Dates across the Month

If you have chosen to move a schedule falling due on a holiday to the next working day, or to the previous working day, and it crosses over into another month, the schedule date will be moved *only* if you so indicate. If not, the schedule date will be kept in the same month.

***Example***

***Scenario 1:***

You have defined a repayment schedule that falls due on 30 April 1998. This happens to be a holiday. You indicated that in case of a holiday, the schedule date is to be moved forward to the next working day.

If you also indicated that the schedule can be moved across the month, then the schedule will be automatically moved to 1 May 1998 (the next working day).

If you disallowed movement across the month, but indicated forward movement for the schedule, the schedule date will remain on the holiday itself.

***Scenario 2:***

You have defined a repayment schedule that falls due on 1 May 1998. This happens to be a holiday. You indicated that in case of a holiday, the schedule date is to be moved backward to the previous working day.

If you also indicated that the schedule can be moved across the month, then the schedule will be automatically moved to 30 April 1998, the previous working day.

If you disallowed movement across the month, but indicated backward movement for this schedule, the schedule date will remain on the holiday itself. The idea being that the schedule is not moved across months.

## 6.4.14 Cascading Schedules

The question of cascading schedules arises only if:

- You have specified that a schedule falling due on a holiday has to be moved forward or backward; and

- The schedule has been defined with a definite frequency

If you have indicated that schedules should be cascaded, the schedule date for the next payable schedule will depend on how the schedule date was moved for a holiday. The following example illustrates how this concept of cascading schedules functions.

***Example***

A monthly schedule has been defined with backward movement and a schedule date falling due on 30 April 1998 was moved to 29 April 1998, 30 April 1998 *being a holiday*.

The schedule date for May depends on whether you have chosen to cascade schedules. If you have, the schedule date for May will be set as 29 May 1998, as the frequency has been specified as monthly. For subsequent schedules also, 29 May 1998 will be considered the last schedule date. That is, the next schedule will be 29 June, the following one 29 July, and so on, until another holiday is encountered.

If you have not specified that schedules have to be cascaded, the date originally specified, will be the date for drawing up the schedules. Even if the April month end schedule has been moved to 29 April 1998, the next schedule will remain 30 May 1998. The following one will be 30 June, and so on.

Even if another holiday is encountered, and the schedule date for that particular schedule is moved suitably, 30 will remain the date for the following schedule, whenever it falls.

When you cascade schedules, the last schedule (at maturity), however, will be liquidated on the original maturity date and will not be changed like the interim schedules. Hence, for this particular schedule, the interest calculation days may vary from those of previous schedules, as the case may be.

### 6.4.15 Specifying the Holiday Currency

You can specify the country of the deposit currency for which the holiday table should be checked before drawing the payment schedules related to the deposit. In case a schedule falls on a holiday and you have specified that the schedule be moved forward or backward, the movement happens according to the holidays in this country.

By default, the currency to be checked is the deposit currency. If a currency other than this is specified, the holiday table will be checked for both the currencies.

### 6.4.16 Specifying the Mode of Liquidation

When creating a product, you specify the mode of liquidation – whether automatic or manual. Your specifications will apply to all the deposits involving the product. Through the Contract Preferences screen, you can change the mode of liquidation for the deposit that you are processing, from automatic to manual, or vice versa.

## 6.5 Invoking the Contract Schedules Screen

When you are in the Contract On-line screens, you will see sections in the screen saying, Schedules and Rollover etc. When you click on either of these, the respective screen will be displayed. To go to the Contract Schedules screen, click on Schedules.

### 6.5.1 Revision and Repayment Schedules

In the Contract Schedules screen, you can define two types of schedules:

- Those for the revision of interest rates for a deposit with periodic interest rates
- Those for the revision of interest rates for a deposit with fixed interest rates, and
- Those for repayment of the various components

### 6.5.2 Interest Rate Revision Schedule

A Floating Rate Table - which contains the market rates for the day – is maintained in the ICCF sub-system so that the latest rates can be applied to contracts.

The market rates vary on a daily basis and are maintained in this table. The rates can be applied either every time they change or at periodic intervals. Usually, for Money Market contracts, floating rates are applied, i.e., the latest market rate is applied (see the section on Specifying Rate Code Usage in the chapter 'Processing Interest, Charge or Fee). But in the case of commercial or corporate deposits, these rates can be applied on a periodic basis so that you are in tune with the market rates. , At the same time you do not have to apply the market rates on a daily basis.

You can specify whether the latest market rates have to be applied every time they change or if they have to be applied periodically, by defining an attribute called the Rate Code Usage through the Product ICCF Details screen for a floating interest type. If you specify 'auto' rate code usage, all the rate changes made during the liquidation or accrual period will be considered.

If you specify 'Periodic' rate code usage, the rates will be periodically refreshed and will be applied according to the frequency you specify.

For a deposit that has been defined with periodic interest, you can specify the following:

- The frequency at which the periodic rate change has to be applied
- The dates on which the periodic rate change has to be applied

### 6.5.3 Specifying the Rate Revision Frequency

In the LD Contract Schedules screen, select the component for which the Rate Revision frequency has to be defined (say INTEREST1). Check the Rev box (Revision Box) to indicate that it is a rate revision schedule. Next, enter your specifications in the frequency (it could be daily, weekly, etc.), the number, and the unit fields. Also give the Start Date on which the first revision has to take place.

For example, if you specify the frequency as weekly, the revision will take place every week beginning on the Start Date that you have specified.

### 6.5.4 Specifying the Rate Revision Dates

In the LD Contract Schedules screen, select the component for which the Rate Revision frequency has to be defined (say INTEREST1). Check the 'Rev box' (Revision box) to indicate that it is a rate revision schedule.

Then, instead of specifying the other schedule details like the frequency, the number and unit, indicate the date in the Start Date field. The rate revision will be done on that date.

***Example***

A deposit of USD 200,000 from Cavillieri and Barrett Finance Corporation has been initiated on December 10, 1997 and is to be repaid at Maturity on 16 December 1997. It has been defined with rate revisions and they are to be performed on the following dates:

- 12 December
- 14 December
- 16 December

Select the component, INT1, indicate rate revision by checking the Rev box and give the date in the Start Date field as 12 December. Then select the same component, INT1 and specify the date as 14 December. Repeat the process for the same component for 16 December.

The rates applicable on the specified dates will be applied on the deposit at the time of calculating interest.

For the component, you can define a repayment schedule too, if it is to have one.

### 6.5.5 Repayment Schedule

For a repayment schedule, the amount of repayment needs to be specified only for the Principal. The interest, charge and fee components will be calculated by the system automatically, depending on the repayment date and the amount of the principal. However, if the interest type is Special, you should specify the interest amount. Similarly, if the deposit has been defined with any other fixed amount component, you will have to enter an amount for this.

The repayment schedules for the components of a deposit will be those defined for the product it involves. You can change the schedules for a deposit when processing it.

### 6.5.6 Interest Repayment Schedules as Different from Rate Revision Schedules

For a deposit on which floating interest has to be applied at periodic intervals, you may have to define:

- An interest rate revision schedule for the interest component, as well as
- A repayment schedule

The following example shows how this is achieved.

***Example***

You have a deposit where for the component interest, you have to define an interest rate revision schedule for revisions every week as well as a monthly repayment schedule. The Start Date of the contract is 1 October '97 and the End Date is 30 November '97.

The contract has been defined with a periodic rate and the rates in the floating rate table change in the following manner:

| Date | Rate |
|---|---|
| 1 October '97 | 12 |
| 12 October '97 | 11.5 |
| 25 October '97 | 11 |
| 15 November '97 | 12 |
| 30 November '97 | 12.5 |

***Defining a frequency based rate revision schedule***

To define a schedule with periodic rate code usage, through the Contract Schedules screen, mark the component as a revision schedule (by checking the Rev box) and specify the component, say INTEREST, from the picklist.

Give the frequency at which the interest rate has to be refreshed weekly. Give the Start Date, as 15 October. The first revision will happen on this day, and every week from then on. Save the inputs.

***Defining a date based rate revision schedule***

If you were to define specific dates - 7 October, 15 October and 23 October - for the rate revisions to happen, then, through the Contract Schedules screen, mark the component as a revision schedule (by checking the Rev box) and specify the component, say INTEREST, from the picklist.

Specify the date on which the rate revision is to be done, in the Start Date field, as 7 October. Similarly, define the other dates, but by picking up the same component INTEREST from the picklist each time.

***Defining a repayment schedule for the same component***

Now to define a repayment schedule for the same component, INTEREST, do not check the Rev box. Choose the same component from the picklist. Now draw up a repayment schedule for this component. Give a value in the Start Date field, say 31 October 1997. The first interest liquidation will be done on this date.

In the frequency field enter 'monthly' and in the unit field specify '1'. This means the interest repayments will be done once a month beginning 31 October.

That is, for a contract defined with frequency-based periodic rates, the rates prevailing on the refresh dates will be used for accruals and liquidation.

In the contract we are discussing, with the refresh frequency defined as weekly and the Start Date as 15 October, the rate applied for the interest liquidation on 31 October will be as shown below.

| From | To | Rate |
|---|---|---|
| 1 October | 15 October | 11.5 |

| From | To | Rate |
|---|---|---|
| 16 October | 31 October | 11 |

For a contract defined with date-based Periodic rates, the rates prevailing on the specific refresh dates will be used for accruals and liquidation. Shown below are the rates applicable on the specified revision dates:

| Revision Date | Rate Applicable |
|---|---|
| 7 October | 12 |
| 15 October | 11.5 |
| 23 October | 11.5 |

In the contract we are discussing, the rates applied for the interest liquidation on 31 October will be as follows:

| From | To | Rate |
|---|---|---|
| 1 October | 7 October | 12 |
| 8 October | 14 October | 12 |
| 15 October | 31 October | 11.5 |

### 6.5.7 Specifying Schedules for a Deposit with a Fixed Interest Rate

You can define a revision schedule for a component of a deposit for which you have defined a fixed rate of interest. The revision schedule can be brought into effect when you change the fixed rate through an amendment.

You can specify the revision schedule for the interest component in the Contract Schedules screen. You must select 'R' in the "Rev" field to indicate that the schedule being defined is a revision schedule for the component.

The schedules defined for each component at the time of product definition apply to the deposit. However, you can change the frequency, number, unit and the start date to suit the specific requirements of the deposit that you are processing. You will have to specify the amount only if the schedule being defined involves the principal component or a special interest.

The amount for interest, commission and fee components (if they are rates) will be calculated by the system automatically, depending on the start date, number of schedules, frequency and repayment amount of the principal. However, an amount can be entered here for interest only if the Interest Calculation Method has been defined as Special. The fee amount can be input only if it is a flat fee.

For a deposit, you can define repayment schedules that:

- Fall due at regular intervals, or
- At irregular intervals

Now, if you want to define schedules that fall due at regular intervals, all you have to do is, for a component specify the start date, the frequency, the unit and the principal amount. Since you would have already registered the Maturity Date of the deposit (for a fixed maturity type), in the Contract Details screen, the schedules would automatically be spread out into equal intervals.

Based on this information, the system calculates the dates on which the repayments or interest revisions fall due.

***Example***

Consider the following details for a deposit:

A deposit of USD 100,000 comes into effect on 1 January 1998 and matures on 31 October 1998. Suppose you want to have 10 monthly schedules for principal repayment, you have to specify the Start Date as 31 January 1998, the frequency as monthly, the unit as 1, and the principal amount as 10,000. The schedules would be spread out over 10 months and would fall due every month-end.

Now, you have a 15-month deposit beginning 1 January 1998 and ending 31 March 1999. Say, you want to define four quarterly schedules and three monthly schedules for principal repayment of this deposit. These are irregular schedules and the '**Number'** field assumes importance here.

Here, for the component principal, you have to give the Start Date as 31 March 1998, the frequency as quarterly and the unit as 1. The number of such schedules will be four. Hence your quarterly schedule dates will be calculated as:

- 31 March 1998 (Start Date)
- 30 June 1998
- 30 September 1998
- 31 December 1998

You have to specify for the same component - the principal – the Start date as 31 January 1999, the frequency as monthly, the unit as 1, and the number as '3', if you want to fix three monthly repayment schedules after 31 December 1998. They will be calculated as falling due on:

- 31 January 1999
- 28 February 1999
- 31 March 1999

## 6.5.8 Redefining Schedules

Repayments that are scheduled for a date later than today can be redefined. This redefinition can be done even after the deposit has come into effect and a few schedules have been liquidated.

However, schedules with a date earlier than today's date that are yet to be liquidated cannot be rescheduled. You have to liquidate them through the Manual Liquidation function. Aging analysis and penalty processing will be done on such overdue schedules.

The redefinition of schedules will be done automatically on the following occasions:

- For deposits with fixed interest, charge or fee rates, the schedule amounts for these components will be automatically changed when there is a change in the rate.

- For a deposit with amortized schedules, the schedule amounts will be recalculated when there is a change in the main interest rate.
- When the Maturity Date is changed — a change in the Maturity Date will be handled in the following manner:
  - Extension of the Maturity Date: The principal repayment schedule that was defined for the earlier Maturity Date will be moved to the new Maturity Date. Other components (interest, charge or fee) that are dependent on the tenor of the deposit will be recalculated and spread equally over the rest of the repayment schedules for these components.
  - Advancement of the Maturity Date: All the schedules that are beyond the new Maturity Date will be advanced to the new Maturity Date. The amount of other components (interest, charge or fee) that are dependent on the tenor of the deposit will be recalculated and spread equally over the rest of the repayment schedules for these components.
- When the Principal is increased: the increased amount is added on to the last principal schedule. Other components (interest, commission or fee) that are dependent on the principal of the deposit will be recalculated and spread equally over the rest of the repayment schedules.
- When there is a prepayment of interest and you have defined recalculation of schedules on repayment

There may be some situations wherein you would want to redefine the schedules, i.e., you may want to change the payment dates or amounts. In such cases, you can change the schedules by invoking the Contract Input screen and going to the Schedule Redefinition screen by clicking  . If you click this redefinition all the schedules with today's date or a date in the future will be erased and you will be allowed to enter a new set of schedules. To redefine a schedule for only one component, highlight the schedule make the changes and click on  . If the schedules have already been authorized then you will have to make the changes through the Modify function.

After making the changes, you can save the redefined schedules by clicking  . To delete a schedule (before authorization), click  .

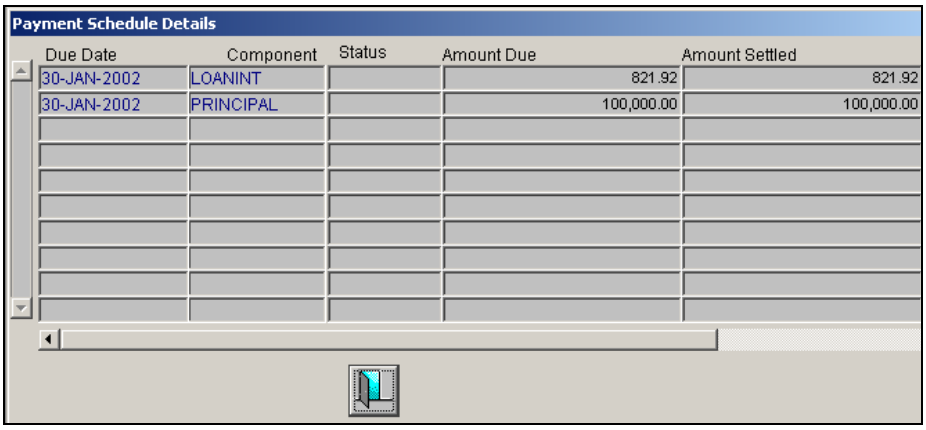
## 6.5.9 Authorizing a Redefined Schedule

The redefinition of schedules for a deposit amounts to a modification of the contract. The contract should be authorized before you can begin the end of day processing.

## 6.5.10 Viewing Schedule Details

When you click on 

in the Contract On-line Schedule Definition screen, you will see the Payment Schedule Details screen. Here you can view the details of the schedules for a particular contract.

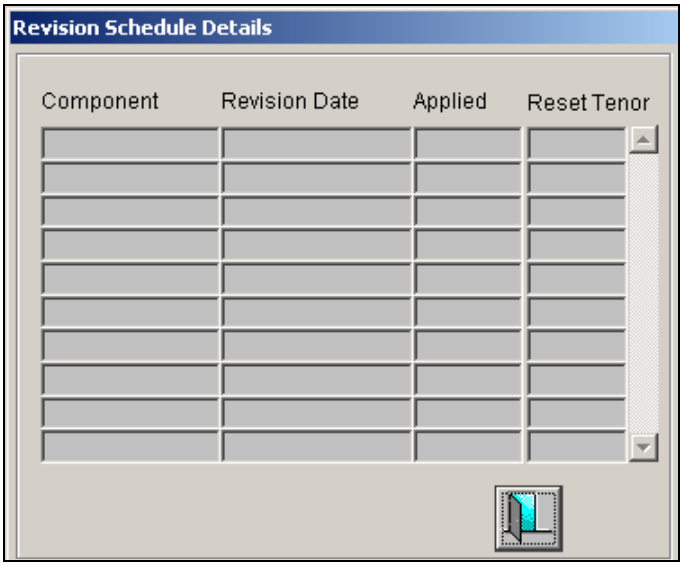



In this screen you can see the following details for the component:

- The Due date of the Schedule
- The Amount Due as of the due date
- The amount liquidated against the schedule
- The status of the component.

## 6.5.11 Viewing Revision Schedule Details

When you click on R in the Contract On-line Schedule Definition screen, you will see the Revision Schedule Details screen. Here you can view the details of the revision schedules for a particular contract.

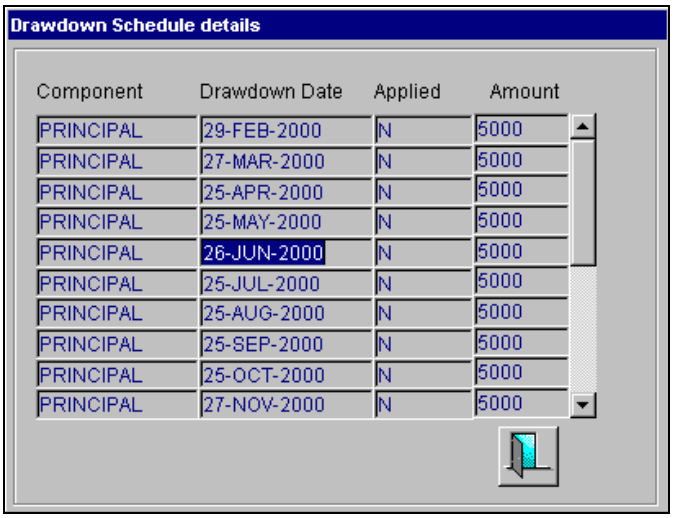



In this screen, you can see the following details for the component:

- The revision date and
- Whether it has been applied
- The reset tenor

## 6.5.12 Viewing the Draw Down Schedule Details

If you are processing an installment type of deposit contract, when you click on  in the Schedules tab of the Contract On-line screen, the Draw Down Schedule Details screen is invoked. In this screen you can view the details of draw down details for an installation deposit type of contract.




In this screen, the following details about the draw down component will be displayed:

- The draw down schedule date
- Whether the revision date has been applied; and
- The draw down amount

To go back to the schedule definition screen click  .

## 6.5.13 Defining Installment Schedules for Deposits

Your bank may need to define a flexible repayment schedule for some customers who make deposits. The bank may need to repay fixed amounts on certain schedules, which you must adjust towards both interest and principal.

For such deposits with payment method as bearing, and normal schedules, you can define installment schedules. The amount repaid on the due date of an installment schedule is considered as inclusive of interest computed on the main component.

It is possible to have more than one installment schedule for a contract.

To define installment schedules, you must:

- Specify installment schedules as allowable, for the product, in the Product Preferences screen. Select the 'Allow Installment Schedule' box. When you do this, for any deposit contract involving the product, you can define installment schedules.
- When you enter a deposit contract using the product for which installment schedules are allowable, in the Contract Schedules screen, select "Installment" as the component, and specify the fixed amount being repaid. The interest payable on the main component will be computed and deducted from the fixed amount, and the remaining portion is appropriated towards repayment of principal.

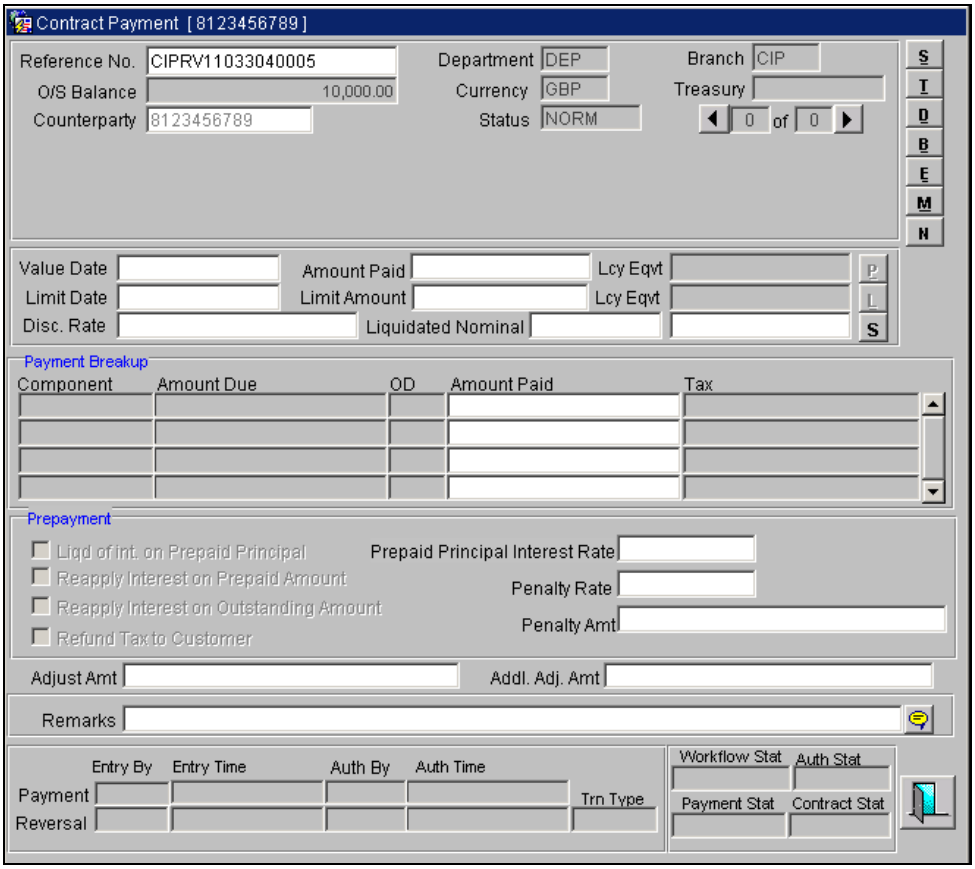
## 6.6 Making Manual Payments

The various components in a contract can be liquidated either automatically or manually. The mode of liquidation of each component is specified at the time of defining a product and then again, at the time of deposit processing. An **automatic** liquidation is done on schedule payment days by the Automatic Contract Update program.

Even if you have defined a contract with automatic liquidation, you can liquidate it manually, a day before the schedule date.

### 6.6.1 Invoking the Contract Schedule Payments screen

In the Application Browser, click on Loans & Deposits, select Payments Input and the Detailed option under it. The Contract Payment screen will be displayed.



## 6.6.2 Features of the Contract Schedule Payments Screen

The following operations can be performed on a payment through the Contract Schedule Payments screen:

- Input of Manual payments
- Deletion manual payments, and
- Reversal manual payments

The manual payments made through this function can be:

- Scheduled payments, which are due
- Payments, which are made prior to a scheduled payment date. (These are called **Prepayments** and they can be made even if the deposit has been defined for automatic liquidation of components).
- Back valued date payments. The value date for such payments cannot be earlier than the most recent schedule that was paid. If there is more than one schedule outstanding and you want to assign the value date of each schedule payment, you should enter the liquidation of each schedule separately.

The value date you have entered will be used for all the entries generated by the system.

## 6.6.3 Input of Manual Payments

Once you enter the deposit reference number in the Contract Schedule Payments you will see the following details displayed on the screen:

- The counterparty (customer) code
- The currency of the deposit
- The total outstanding amount as of the value date (the date on which the payment is being made) and the deposit version

The Value Date here is the date on which the liquidation entries will be passed. When you enter a Value Date in this screen, if there are any payments due on that date, they will be displayed and you can liquidate them.

If there are no schedules due on that date, the schedule becomes a prepayment. But this is only if the Value Date is not a back valued date. You can have a back valued date but it cannot be earlier than the last schedule that was paid. (You can also liquidate back valued schedules by entering a Limit amount)

If the Value Date is today or a date in the future, the prepayment is processed.

The Payment Limit Date or Amount of the payment should be given at the time of payment. If you have given a payment limit date, the system shows all the components, which are due till the limit date. If you have given the amount limit in the Amount field, it shows all the schedules for the limit amount.

***Example***

Say for a particular contract, there are two interest schedules to be paid on Ms Yvonne Cousteau's Domestic term Deposit — one on 1 October 1997 and the other on 15 October 1997. The third schedule is due on 30 October 1997.

If you give the Limit date as 25 October, (today's date) the system will show you the amounts due for the interest component on the schedule dates of 1 October, and 15 October.

If you give the limit date as 1 November 1997, the system will show you the schedules falling on 1 October, 15 October and 30 October, and you can liquidate them accordingly.

Since today's date is October 25, if you pay the schedule due on 30 October, it amounts to a pre-payment. You can charge a prepayment penalty rate or an amount, which you enter in this screen.

While the Prepayment Limit Date is used to pick up the schedules pending as of that date, the Value Date is taken into account by the system for passing accounting entries.

Alternatively, the system picks up a schedule according to the amount being paid. You will see the next schedule, which is due, within the limit of this amount. If the amount being paid is more than the total amount payable for the next schedule, the next schedule will be considered. The total amount due for these schedules is displayed.

***Example***

System date: 01 June:

Payment schedules for a contract are as follows:

| **Sch Date** | **30 June** | **31 July** | **30 August** |
|---|---|---|---|
| Principal | 1000 | 1000 | 1000 |
| Interest | 100 | 100 | 100 |
| Commission | 50 | 50 | 50 |
| Fee | 20 | 20 | 20 |

For the above schedule, if a prepayment is made as of an amount, the system validates it in the following manner:

- Suppose the amount paid is USD 1000. The next available schedule is as of 30 June and the total amount due is USD 1170. This schedule will be picked up for processing and you can make the payments.
- If the amount paid is USD 1170, which is equal to the schedule amount of 30 June, again only the schedule for 30 June will be picked up for processing.
- If the amount paid is USD 1,270, which is more than the amount due for the schedule of 30 June, the schedule of 31 July will be picked up by the system for processing. After completely liquidating the schedule of 30 June, you can liquidate the interest schedule as of 31 July, which is the next schedule.
- If the amount paid is USD 1300, the schedule for 31 July will be picked up for processing. The complete schedule of 30 June can be liquidated along with the interest component of 31 July. The remaining USD 30 can be used to partially liquidate the commission component for 31 July.

The Disc. Rate and the Liquidated Nominal fields are used for processing T-Bills. Liquidated Nominal is the amount that you would receive when you redeem a T-Bill on the maturity date. This is also known as the face value of the T-Bill. The discount rate is used to calculate the Net Present Value (NPV) of a T-Bill when it is liquidated before the liquidation date i.e. the actual value obtained on the T-Bill when you redeem it prior to the maturity date.

The following formula may be used to arrive at the NPV:

**Error! Bookmark not defined.** $\left(\frac{P}{1+(rn)}\right)$

Where,

- P is the Face Value of the T-Bill
- R is the discount rate applicable
- N is the period for which NPV is calculated

You have to enter in the Amount Paid field the actual amount being paid. This amount can either be allocated to the various components manually by entering the break up of the amount against the various components or automatically by clicking the **Allocate** button - L....

Alternatively, you can also enter the amounts against the individual components. Click on the S... button to sum up the individual amounts to be displayed in the 'Amount Paid' field. In addition, you can use the P... button to indicate the pending amounts.

The automatic allocation is done based on the Liquidation order you have defined for the product. If you have not specified the order of liquidation for the principal and the interest type of components, the amount will be allocated for liquidation in the following order:

- Interest
- Principal

STOP If a payment that covers both past and future schedules is made, the system will force you to pay out the past schedules before the future schedules are paid.

If an ICCF component is based on the outstanding principal you will not be able to make a payment where the amount is more than what is due for the component as of the system date.

### 6.6.4 Refunding of tax to Customer

When the customer withdraws a deposit prematurely, the interest on the principal amount is liquidated. Subsequently tax is deducted on the interest that is liquidated. In case the effective interest for premature withdrawal is at a rate lower than the interest rate of the contract, it will result in excess interest being collected from the customer and tax will be deducted on this interest. In such cases, you need to refund the customer the excess tax amount that is collected.

Check the 'Refund Tax to customer' box to indicate that you wish to refund the excess tax amount collected from the customer. The system generates the amount tags for reimbursing the excess tax deducted.

The following are the amount tags available for mapping the accounting entries:

| Accounting Role | Description |
|---|---|
| Tax_component_CADJ | Tax on Interest that is due for collection from customer due to Capitalization. Applicable only for Capitalized contracts. The tax computed during year-end processing would not be recomputed. |
| Tax_component_LPIA | Proportion of Tax paid to on year-end (for the principal being repaid) to be collected from the customer. |
| Tax_component_LIQD | Tax on the difference between Interest for the Principal being repaid and the proportion of Interest accrued at year end for the principal being repaid. |
| Tax_component_RFND | If the Interest for the Principal being repaid is less than the proportion of Interest accrued at year end for the principal being repaid, excess tax collected has to be reimbursed to the customer. This tag would be used only if the reimburse option is chosen at Product / Payment level. |

| Accounting Role | Description |
|---|---|
| Tax_component_ADJ | Tax that needs to be reimbursed back to the customer on the excess interest that is being deducted from the customer on account of repayment of principal). This tag would be populated only if the reimburse flag at Product / Payment level is set to YES. |
| Tax_component_CPIA | Proportion of Tax paid to on year-end (for the principal being repaid) to be Capitalized. |
| Tax_component_CAP | Tax on the difference between 'Interest for the Principal being repaid' and the proportion of Interest accrued at year end for the principal being repaid, to be Capitalized. |

| Accounting Role | Description |
|---|---|
| Tax_component_RPIA | Proportion of Tax paid to on year-end (for the principal being repaid) to be Rolled-over. |
| Tax_component_ROLL | Tax on the difference between 'Interest for the Principal being repaid' and the proportion of Interest accrued at year end for the principal being repaid, to be Rolled-over. |

The total tax deducted from the customer can be expressed through the following equation:

Tax_component_TCOL + Tax_component_YTAX + Tax_component_LTAX – Tax_component_REIM – Tax_component_ADJ

The following accounting entries are maintained for processing tax refund:

| Event | DR / CR Indicator | Accounting Role | Amount Tag |
|---|---|---|---|
| LIQD | DR | CUSTOMER | Tax_component_CADJ |
| LIQD | CR | LIAB GL | Tax_component_CADJ |
| LIQD | DR | CUSTOMER | Tax_component_LPIA |
| LIQD | CR | Tax_component_PIA | Tax_component_LPIA |
| LIQD | DR | CUSTOMER | Tax_component_LIQD |
| LIQD | CR | Tax_component_PAY | Tax_component_LIQD |
| LIQD | DR | Tax_component_PAY | Tax_component_RFND |
| LIQD | CR | CUSTOMER | Tax_component_RFND |
| LIQD | DR | Tax_component_PAY | Tax_component_ADJ |
| LIQD | CR | CUSTOMER | Tax_component_ADJ |
| LIQD | DR | LIAB GL | Tax_component_CPIA |
| LIQD | CR | Tax_component_PIA | Tax_component_CPIA |
| LIQD | DR | LIAB GL | Tax_component_CAP |
| LIQD | CR | Tax_component_PAY | Tax_component_CAP |
| ROLL | DR | LIAB GL | Tax_component_RPIA |

| Event | DR / CR Indicator | Accounting Role | Amount Tag |
|---|---|---|---|

| Event | DR / CR Indicator | Accounting Role | Amount Tag |
|---|---|---|---|
| ROLL | CR | Tax_component_PIA | Tax_component_RPIA |
| ROLL | DR | LIAB GL | Tax_component_ROLL |
| ROLL | CR | Tax_component_PAY | Tax_component_ROLL |

In case you leave this box unchecked, the system does not refund the amount to the customer.

### 6.6.5 Handling Prepayments

When a prepayment is made for the principal, it constitutes a schedule violation of the contract. In such cases, a penalty (penalty amount or penalty rae, as the case may be) in the form of an increased interest for deposits is charged.

The penalty amount/rate that is entered by you will be deducted from the liquidation amount in case of deposits.

The penalty amount (or rate) will also be reversed in case of a reversal of prepayment with penalty.

You will be allowed to enter a prepayment penalty, only if the principal is prepaid. The other components will be automatically liquidated. If prepayment of a component is done, then the schedules of the components for which this component is the basis will be recomputed automatically.

This is illustrated in the table below.

| Component | Basis Amount | Category |
|---|---|---|
| Interest | Principal | Expected |

If principal, which is the basis for interest (which is calculated on the Expected amount of the basis component) is prepaid, then the interest (which is a component based on principal) for the future schedules will be recomputed automatically.

The prepayment penalty amount /rate will not affect any schedules of the contract.

### 6.6.6 Navigating to other screens

From the Contract Schedule payment screen, you can navigate to the following screens:

- The Settlement Message Details screen
- The Tax details screen
- The Advices screen (you can suppress advices using this screen)

- The Schedule Breakup screen
- The Events screen

### 6.6.7 Paying Tax

When there are taxes charged on the interest, principal etc., the payment of the component will always include the corresponding tax amount. If the payment does not include the full amount due, the proportional tax amount must be liquidated. You should input the total amount to be applied to the component. The system then calculates the corresponding tax amount (based on the tax rate) and distributes the amount paid between the component and the tax.

***Example***

If you have to pay a customer USD.1000 in interest, and the tax rate is 10%, the payment of USD 1000 is automatically distributed into USD.909.09 (interest) and USD.90.91 (the tax component.). The tax component is withheld (debited from the customer) and credited to a Tax Payable account to be paid to the Government.

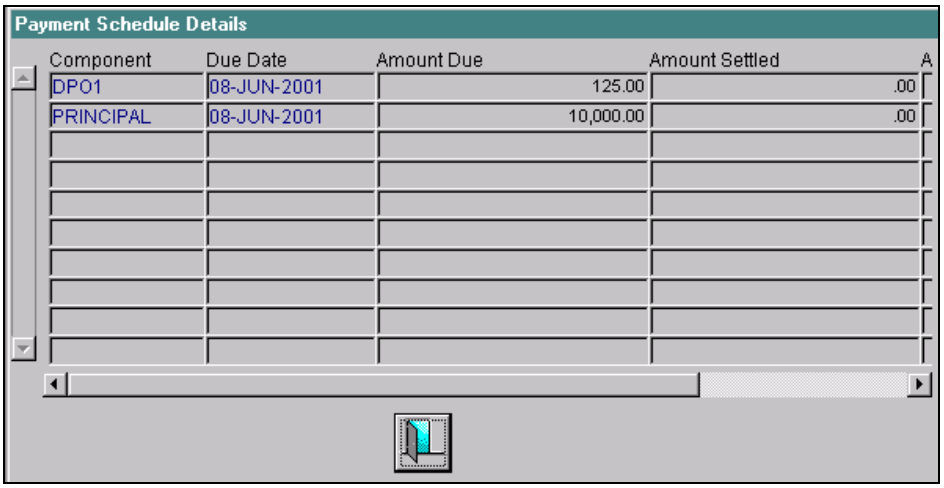
Total tax is always calculated on the full schedule. Therefore, if there is a rounding difference, it will be adjusted in the last liquidation.

***Example***

In the above instance, the tax component has come to USD.90.91for that schedule. Suppose the total tax component is USD 273. If this is to be debited from the customer in three schedules the total will come to USD 272.73 (90.91+90.91+90.91=272.73). During the last liquidation, the system will round off the total of such schedules for tax to the nearest decimal point, i.e., USD 273.

## 6.6.8 Viewing the Schedule Breakup Details

In the Schedule Payments screen, you can view the Schedule Breakup details




You will see the following in this screen:

### 6.6.8.1 Schedule Payment Component

In this screen you can see the schedules being paid on account of this particular payment for which you are doing manual liquidation. The component getting paid is displayed.

### 6.6.8.2 Schedule Payment Due Date

The due date of the component being liquidated is displayed.

***Example***

Consider Ms Yvonne Cousteau's deposit. For the component Interest a payment of USD 100 was due on 1 October 1997. Another payment of USD 150 was due on 15 October 1997.

Now, Ms Cousteau is paid USD 125 on 20 October 1997. Since there was no schedule due on this date, you decide to do a manual payment.

Now, since you have indicated the amount paid as USD 125 in an earlier field in this screen, the system will display against the 1 October schedule as USD 100 in the Amount Paid column. Against the 15 October schedule, you the system will display the amount as USD 25 in this column. You can also see the Amounts, which are due on a particular date.

| Component | Due Date | Basis Amount | Amount Paid |
|---|---|---|---|
| Interest | 1 October | 100 | 100 |
| | 15 October | 150 | 25 |

### 6.6.9 Deleting Manual Payments

Payments made using the Manual payments function can be deleted before the payment is authorized.

All the entries passed during the payment will also be deleted. All the schedules will be restored to the original status. In short, the pre-payment status of the contract will be restored.

From the Actions Menu, choose Delete or click on  in the toolbar. You will be prompted to confirm the deletion. Once you confirm it, all the entries that have been saved, *but not authorized,* will be deleted.

### 6.6.10 Reversing Manual Payments

You can reverse authorized manual payments. The system makes the following validations before reversing a payment:

- A principal payment can be reversed only if the payment date is equal to, or later than, the last interest and commission schedule due date
- An interest payment can be reversed only in the chronological order of its payment

In the Contract view screen, to reverse a payment, you have to invoke the manual payments function and specify the Contract Reference Number. You have to enter the 'Amount Paid'. You have to click on Reverse in the Processing sub-menu of the Actions Menu.

If the payment involves accounts in different currencies, the conversion rates to be used for reversal will be picked up from the contract as specified during Contract Input.

If a new payment account was specified for a component during the input of the payment, the reversal will be done to the new account. If the new account is in a currency different from that of the contract and a conversion rate was specified, the rate from the payments function will be used for the reversal. The reversal of a payment may sometimes entail a change in the status of a contract. If the contract is set for automatic status change, this change will be made by the system automatically. Automatic payments made by the Automatic Contract Update program can also be reversed through the manual payments function.

# 7. Rolling over a Deposit

## 7.1 Introduction

A rollover is a renewal of a deposit. Instead of liquidating a deposit on maturity, you can roll it over into a new deposit. The outstanding principal of the old deposit is rolled over with or without the interest outstanding on it. When a deposit is rolled over (renewed), it is processed in the following manner:

- the original deposit is liquidated, and
- a new deposit is initiated

You can rollover a deposit that you are processing provided it is allowed for the product the deposit involves.

For a product with rollover defined, you can specify if deposits involving the product should inherit:

- the attributes defined for the ICCF components (interest, charges and fees) from the product, or
- those defined for the initial contract. This gains significance if these attributes were changed when the deposit was made

In addition, you have to specify the following for a product defined with rollover:

- Update utilization with interest amount rolled over
- Whether it is to be rolled over along with outstanding interest
- Whether tax has to be applied on the rolled over deposit
- Whether the principal of the rolled over interest should be taxed

However, when processing a deposit, you can change the attributes that the deposit acquires from the product. At the time of contract processing, you can indicate if a rollover is to be automatic or manual, the maturity type (fixed, call or notice), the maturity date for a fixed maturity deposit, and the notice days for a deposit with a notice type of maturity.

You should also indicate if:

- only the outstanding principal is to be rolled over
- the outstanding principal is to be rolled over with interest, or
- a special amount is to be rolled over. (If a part of the principal and interest from the old deposit has been liquidated and only the outstanding principal - with or without interest – is rolled over, it is called a special amount).

When a deposit is rolled over, the new contract continues to have the reference number of the old deposit.

## 7.2 Features of the Product Roll-over Details screen

When defining a product you have to specify whether deposits involving the product can be rolled over. If rollover has been allowed for a product, all the deposits involving the product can, by default, be rolled over.

However, a deposit involving such a product will be rolled over only if it is not liquidated on its Maturity Date. You can choose not to have the rollover feature for a deposit involving a product for which rollover is allowed. This can be indicated when the deposit disbursement is processed.

### 7.2.1 Mode of rollover (manual or automatic)

For a deposit involving a product for which rollover is allowed, you should specify the mode of rollover – automatic or manual, during processing. The mode of rollover also depends on whether the mode of liquidation of the deposit is automatic or manual.

#### 7.2.1.1 Impact of liquidation mode on rollover

The mode of liquidation of the principal of a deposit (automatic or manual) has an impact on when the rollover is carried out, as follows:

**Auto liquidation and auto rollover**

The old deposit will be liquidated and a new one initiated on the Maturity Date of the deposit during the BOD (Beginning Of Day) run of the Automatic Contract Update function. If the Maturity Date falls on a holiday then the liquidation and the rollover will be processed as per your holiday handling specifications in the Bank/Branch Parameters – MM/LD Parameters – Detailed screen.

- If you specified that processing has to be done today (the last working day before the holiday) for automatic events right up to the day before the next working day the schedule falling on the holiday will be liquidated during end-of-day processing on the last working day before the holiday.
- If you specified that processing has to be done only up to the System Date (today), then only the events scheduled for today (the last working day before the holiday) will be processed. The events falling on the holiday will be processed on the immediate working day after the holiday, during beginning of day processing.

**Auto liquidation (of principal) and manual rollover**

The old deposit will be liquidated automatically on the Maturity Date. If the deposit has to be rolled over, the rollover instructions should be specified for the deposit before the Maturity Date. If the contract has not been liquidated you can give rollover instructions even after the maturity date saying that the contract has to be rolled over as of the maturity date.

**Manual liquidation (of principal)**

Rollover has to be manual. The deposit will not be liquidated by the Auto Liquidation function. You can either liquidate it or specify that it has to be rolled over. This can be specified at any time – before or after the Maturity Date of the deposit, if the contract has not yet been liquidated.

If you have defined that the deposit be liquidated manually, you cannot roll it over automatically.

When a deposit is rolled over or renewed for the interest, charge or fee components, it can assume the following attributes:

- those of the product involving the deposit being rolled over or
- those of the old deposit itself

### 7.2.2 Rollover of Interest, Charge and Fee Components

The interest, charge and fee components of the new (rolled over) deposit can be picked up either from the old deposit or from the product involving the old deposit.

The following example illustrates this point:

***Example***

When defining a product you specified that all deposits involving it will have interest payment schedules every month and an annual deposit processing fee.

Assume you have processed a deposit, involving this product, with the following attributes:

- Interest payment only on Maturity Date
- No fees

When rolling over this deposit, you have two options:

- You can indicate that the interest and fee details specified for the product are to be applied to the new (rolled over deposit). In such a case, the new deposit will have interest payment schedules every month and the deposit processing annual fee.
- You can specify that the interest and fee details defined for the deposit being rolled over (old deposit), be made applicable to the new one. In this case, the new deposit will have only one interest payment schedule on Maturity Date and will have no deposit processing fee.

In addition, you have to specify the following details for a product for which rollovers are permitted:

### 7.2.3 Applying Tax on Rollover

For tax to be applicable on a *rolled over* deposit:

- it should be applicable to the product involving the deposit
- it should not have been waived for the old deposit

You have to indicate whether tax has to be applied on the rolled over deposit also.

### 7.2.4 Rolling over with Interest

You have to specify whether the deposit that you are rolling over should be rolled over along with the outstanding interest. If you so specify, the principal of the new deposit will be the sum of the outstanding principal and the outstanding interest on the old deposit. This applies only for deposits with a bearing (add-on) method of interest liquidation.

If all the outstanding interest is paid out, then the deposit can be renewed without the interest. If not, it will be rolled over with the interest that is still outstanding on it.

A deposit is rolled over with only the main interest that is outstanding. The main interest is that interest component which you specify as the 'main interest' in the ICCF Product Details screen (this will be displayed in the Contract Main screen).

***Example***

To carry forward the example of Ms Cousteau who has placed a deposit of USD 10,000 under the 'Domestic Short Term Deposits' scheme

- On 1 June 1997
- At 20% interest
- To be liquidated at Maturity on 31 December 1997

In November 1997, however, Ms Cousteau requests you to renew the deposit. that is, (roll it over into a new deposit). She has two options:

- She can have it rolled over without the outstanding interest, or
- She can have it rolled over along with the outstanding interest

If it is to be a rollover without interest, the new principal will be USD 10,000. The accrued interest on this deposit will be paid out to Ms Cousteau. If it is to be a rollover of the old deposit (renewal) along with the unpaid interest, the principal of this renewed deposit will be USD 1,1167 (USD 10,000 + USD 1,167 as of 31 December 1997. The interest on the new deposit will be applied on a principal of USD 11,167.

Deduct tax on rollover When a deposit is initiated, tax is applied on the principal of the deposit. Now, when this deposit is rolled over or renewed, you have two choices (depending on the tax laws of your Government):

- Levy tax on the principal, (outstanding principal + outstanding interest or only the outstanding principal depending on your specifications), of the new deposit, or,
- Since the principal of the old deposit would have already been taxed once, you can choose to waive the tax on the principal of the rolled over deposit. However, if this principal has the outstanding interest from the old deposit incorporated then only this portion will be taxed.

This option applies only to tax on principal and not to tax on interest.

This field assumes importance, only if:

- tax (for principal as well as interest) has not been waived on the old deposit
- tax, has not been waived on the rolled over deposit

If this tax is not waived for the old deposit, it will be applied on the new deposit; if it is waived on the old deposit it will not be applied on the renewed deposit.

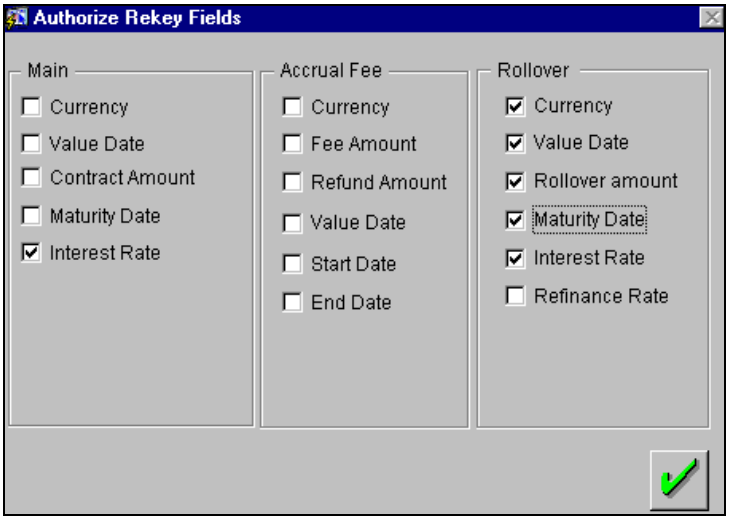
Click Deduct Tax on Rollover, if tax on the old deposit has to be liquidated before it is rolled over.

### 7.2.5 Capturing Reset Tenor Days for Rollover

During rollover process, you can specify the reset tenor days for the contract. If you donot specify the number of days here, the system will pick up the date specified for the original contract.

### 7.2.6 Indicating the Values to be Rekeyed during Authorization of Rolled over Contracts

You can specify the fields whose values have to be rekeyed at the time of authorizing rollover contracts. The re-key option serves as a means of ensuring the accuracy of inputs. The fields that have to be rekeyed during the authorization of rollover contracts are specified in the Authorize Rekey Fields screen. Click on Rekeys in the 'Preferences' screen to invoke this screen.




In this screen, you can specify any or all of the following re-key fields:

- Currency
- Value Date
- Rollover amount
- Maturity Date

- Interest Rate
- Refinance Rate

## 7.3 Specifying Contract Rollover Details

Instead of liquidating a deposit on maturity date, you can renew it into a new contract. As part of rolling over a contract, the original contract should be liquidated and a new contract should be initiated. In Oracle FLEXCUBE, these two processes are done in a single step.

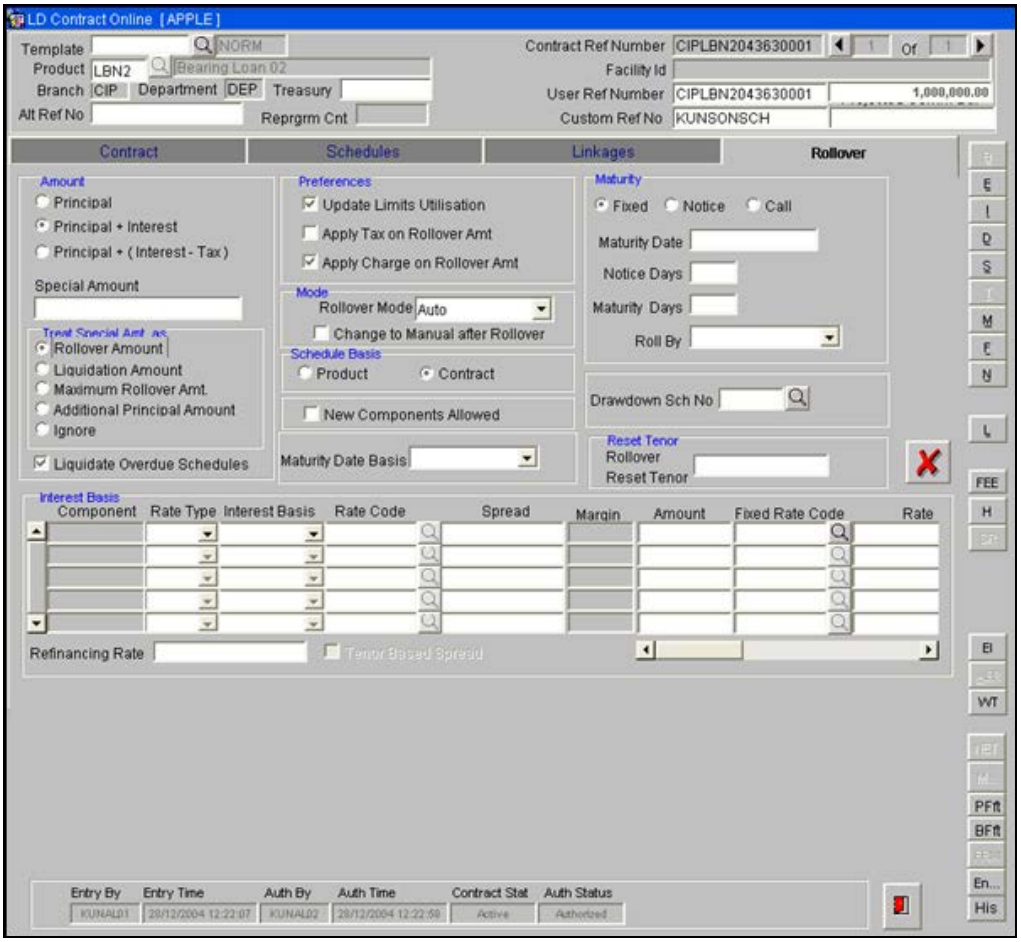
You can rollover a loan from the 'Contract Online' screen. In the 'Contract Online' screen, click on  to rollover a contract. Subsequently, you can change the rollover instructions. When you click the  button the 

tab is shown in the edit mode. You can specify the rollover instructions (including interest rate of the main component and the refinance rate) for the rolled over contract. You can also amend the settlement details of the contract. Consequently, Oracle FLEXCUBE will create a new version of the contract for the event RAMD (Rollover Amendment).

After specifying the rollover details, you need to save the contract. When you save the contract, the system will complete the rollover process with the specified rollover instructions and a new version will be created for the event ROLL. To authorize the rolled over contract, both the versions created during rollover have to be authorized simultaneously.

By default, a contract that is marked for rollover will be rolled over with all the terms of the original contract. However, you can change certain terms by specifying them in the Rollover Details screen.

In the Contract Details Screen, click on the tab titled ‘Rollover’ to go to the Rollover Details Screen.




## 7.3.1 Features of the Contract Roll-Over Screen

The following are the features of the contract rollover screen:

## 7.3.2 Mode of Roll-Over of a Contract

You can rollover a deposit automatically or manually.

### 7.3.2.1 Automatic Rollover

The Automatic Contract Update function automatically rolls over a deposit on its maturity date if you have:

- allowed rollover for the deposit at the time of defining the product which involves the deposit
- specified “auto” in the contract details screen

If you have marked a deposit for auto liquidation and auto rollover, the system liquidates the original deposit and creates a new rolled over deposit on the maturity date of the original deposit. This is done by the Automatic Contract Update function during it Beginning of Day run.

If the Maturity Date falls on a holiday then the liquidation and the rollover will be processed as per your holiday handling specifications in the Bank/Branch Parameters – MM/LD Parameters – Detailed screen.

- If you have specified that processing has to be done today (the last working day before the holiday) for automatic events right up to the day before the next working day, the schedule falling on the holiday will be liquidated during end of day processing on the last working day before the holiday.
- If you have specified that processing has to be done only up to the System Date (today), then only the events scheduled for today (the last working day before the holiday) will be processed. The events falling on the holiday will be processed on the immediate working day after the holiday, during beginning of day processing.

If the holiday is a month-end, then the liquidation and rollover will not cross the month. It will be done in the same month, irrespective of the specifications in the Branch Parameters screen.

Note the following:

- Since a rolled over contract is initiated automatically, it will also be authorized automatically. The Maker and Authorizer fields of the new contract will show Auto.
- Auto Rollover is allowed only for the contracts for which the Liquidation mode is ‘Auto’.

***Example***

| **Today’s date** | **14 November ‘97** |
|---|---|
| Next working date | 16 November ‘97 (which means 15 November ‘97 is a holiday) |

During its BOD run the Automatic Contract Update function rolls over deposits with a maturity date of 14 November ‘97.

Now, the processing of the rollover which falls due on a holiday, depends on your holiday handling specifications in the Bank/Branch Parameters – MM/LD Parameters – Detailed screen:

- If you have specified that automatic processes scheduled for the holiday(s) are to be carried out on the last working day before the holiday(s), the old deposit will be liquidated and the new one will be initiated during the EOD processing of the Automatic Contract Update function, on 14 November 97. This function rolls over deposits with an End Date of 15 November 97.
- If you have not specified this, the liquidation and rollover will take place during the BOD processing of the Automatic Contract Update function. This function rolls over contracts with an End Date of 15 November ’97, during its BOD run on the next working day that is 16 November ‘97.

The Activity Journal for the day will report the details of deposits that were rolled over automatically during the day. If a deposit that had to be rolled over (with a Maturity Date that came under the purview of either the BOD or EOD run of the function) was not rolled over for some reason, it will be reported in the Exception Report for the day. The reason for the contract not being rolled over will also be reported in the Exception Report. This report is generated every day by the Automatic Contract Update function during its EOD run.

### 7.3.3 Rolling Over a Contract Manually

You can roll over a deposit manually through the Rollover Details screen. If a deposit has to be rolled over:

- the latest activity on the deposit has to be authorized
- it should be past its Maturity Date; and
- it should *not* have been liquidated

Choose Rollover from the Processing sub-menu of the Actions Menu when the deposit you want to rollover is highlighted in the Contract Summary screen or the Contract Detailed screen. By default, the deposit will be rolled over with the same terms as the original deposit.

However, you can change certain terms through the Rollover Details Screen.

- You can apply – on the renewed deposit – the interest, charge and fee applicable to the product of the old deposit, or, if these have been changed for the old deposit you have the choice of applying the changed terms (for ICCF components only) of the old deposit to the rolled over deposit.
- You can change the Maturity Type (fixed, call or notice); the Maturity Date; and in case of a notice type of maturity, you can change the notice days.

Two activities take place when a contract is rolled over:

- the original contract is liquidated and
- a new contract is initiated

However, the Reference Number of the renewed or rolled over deposit will be the same as that of the old deposit.

### 7.3.4 Special Rollover Amount

When you roll over a deposit you can roll over:

- the outstanding principal of the deposit
- the outstanding principal and the outstanding interest together, or
- an amount that is different from the total of the outstanding principal and the outstanding interest. This is a “special” amount

The ‘special’ amount is:

- less than the outstanding principal + interest. This is because the amount by which it is less is liquidated against the interest and principal of the old deposit, and the rest is rolled over.
- the special amount can never be more than the outstanding principal + interest of the old deposit. If it is, then you will have to initiate a new deposit.

**Treat Special Amt. as**

Select the type of special amount that you are maintaining. You can select one of the following options:

- Rollover Amount
- Liquidation Amount
- Maximum Rollover Amount
- Additional Principal Amount
- Ignore

Additional Principal Amount option can be selected only if the rollover is by special amount.

### 7.3.5 Specifying Rollover Details of Interest, Charge and Fee

While specifying the rollover details for the product, you may have indicated one of the following:

- that the rollover details should be picked up from the product, for the deposit being renewed, or
- that they should be picked up from the old contract

If, by default, according to your specifications, they are to be picked up from the product details and applied to the new deposit (rolled over deposit), you can indicate here that they are to be taken from the old deposit itself, and not the product, and vice versa.

***Example***

Assume, that while defining a product, you specified that all deposits involving it will have interest schedules every month and an annual deposit processing fee. You have processed a deposit involving this product and that deposit has been defined with interest payment only on Maturity Date. No fee has been specified.

Now at the time of rollover of this specific deposit, you have two options:

- You can say that the interest, charge and fee details specified for the product be made applicable to the new (rolled over deposit). In this case the new deposit will have interest payment schedules every month and an annual fee.
- You can specify interest, charges and fee details defined for the deposit being rolled over (old deposit), be made applicable to the new one. In this case, the new deposit will have only one interest payment schedule on Maturity and will have no fee.

### 7.3.6 Applying Tax

When you define a product, you can specify if tax has to be applied on rolled over deposits (involving the product). For tax to be applicable on a rolled over deposit:

- it should be applicable to the product involving the deposit
- it should not have been waived for the old deposit

If you have said it is to be applicable to the rolled over deposit, through this screen, you can waive it for the rolled over contract.

### 7.3.7 Rolling Over a Deposit with Interest or Without Interest

If you have indicated for the product that a deposit is to be rolled over with interest, at the time of deposit processing, you can specify that only the outstanding principal has to be rolled over.

However, only when all the outstanding interest is paid out (liquidated manually or automatically), can the deposit be renewed without the interest. Hence, if you have specified for the product that only the outstanding principal should be rolled over, and you find that the outstanding interest has not been liquidated on this particular deposit under process, you can specify through this screen that the rollover be made along with the outstanding interest.

The following example illustrated this concept:

***Example***

Take the case of Ms Yvonne Cousteau, who has placed a deposit of USD 10,000 under 'Domestic Short Term Deposits' scheme

- on 1 June 1997,
- at 20% interest, and
- to be liquidated, at Maturity, on 31 December 1997.

In November 1997, however, Ms Cousteau requests you to renew the deposit, (that is, roll it over into a new deposit). She has two options:

- She can have it rolled over without the outstanding interest, or
- She can have it rolled over along with the outstanding interest

If it is to be a rollover without interest, the principal of the new deposit will be USD 10,000. The accrued interest on this deposit will be paid out to Ms Cousteau. If it is to be a rollover of the old deposit (renewal) along with the unpaid interest, the principal of this renewed deposit will be USD 1,1167 (USD 10,000 + USD 1,167) as of 31 December 1997. The interest on the new deposit will be applied on a principal of USD 11,167.

Ms Cousteau decides to claim USD 1,000 on 31 December 1997, the Maturity Date of the old deposit. Now, a part of the interest will be liquidated. The outstanding interest now (USD 167), will be rolled over with the outstanding principal USD 10,000 and the principal of the rolled over deposit will be USD 10,167. This is what is termed a “Special” amount. Interest will be calculated on this principal for the renewed deposit.

### 7.3.8 Deduct tax on Rollover

When creating a product, you can specify that tax on the principal of the rolled over deposits (involving the product) should be liquidated.

However, through this screen, you can specify that tax (on the entire principal) should not be liquidated for a rolled over deposit. In this case, if the principal of the rolled over deposit consists of the outstanding principal as well as the outstanding interest from the old deposit, tax will be liquidated only on the portion that forms the outstanding interest.

For a product, if you specified that tax on the principal of a rolled over deposit should be not liquidated, it would apply to all deposits involving the product. However, when rolling over a deposit, you can choose to apply tax on the principal of the rolled over deposit. You can perform this operation in this screen.

### 7.3.9 Specifying the Schedule Basis for the Rolled Over Contract

If you have defined repayment schedules for a product, they will be applied to the deposit involving the product, automatically. However, you can change the schedules while processing the deposit under the product.

When the deposit for which the repayment schedules were changed is rolled over, you can choose to apply the repayment schedules defined for the product or retain the schedules defined for the contract.

### 7.3.10 Specifying whether New Components have to be Included

You may have added new components to a product after initiating a deposit under it. These components that were originally not available for the old deposit may be included for the rolled over contract. To do this, select the ‘New Components Allowed’ option for the rolled over contract.

### 7.3.11 Specifying whether Overdue Schedules should be Liquidated

At the time of rolling over a contract with overdue schedules, you may either liquidate the overdue schedules prior to rollover or include the overdue amount (for the schedules not liquidated) as part of the rolled over amount.

Select the 'Liquidate Overdue Schedules' option to liquidate the overdue schedules before rolling over a contract.

## 7.3.12 Specifying the Maturity Type

The Maturity Type which you have specified for the old deposit will apply to the deposit being rolled over, by default. However, you can change the Maturity Type through this screen.

If it is to be changed, you have to specify the new Maturity Type for the rolled over or renewed deposit. It could be:

| | |
|---|---|
| Fixed | This type of deposit has a fixed Maturity Date. For a deposit with a fixed maturity date, you enter the changed date on which the deposit should be liquidated. |
| Call | The Maturity Date is not fixed. The deposit can be liquidated anytime. |
| Notice | The deposit will be liquidated at a certain period of notice. The number of days of notice should be specified in this screen. This is only for information purposes. Whenever a report is generated on a notice type of deposit, the notice days will be mentioned on it. For a deposit with notice type of maturity, you have to enter the Maturity Date once the notice is issued to the counterparty (customer). |

For a deposit maturing at notice, enter the notice period (in days) in this field. This is only for information purposes. Whenever a report is generated on a notice type of deposit, the notice days will be mentioned on it. For a deposit with notice type of maturity, you have to enter the Maturity Date once the notice is issued to the counterparty (customer).

## 7.3.13 Capturing Reset Tenor Days for Rollover

During rollover process, you can specify the reset tenor days for the contract. If you donot specify the number of days here, the system will pick up the date specified for the original contract.

## 7.3.14 Specifying the Refinancing Rate for the rolled over contract

When a loan that is funded by a pool, is rolled over, you should specify the rate that will be used to arrive at the refinance income on the new contract.

**Tenor Based Spread**

Based on the 'Tenor Based Spread' option selected at the product level, the system checks this option. However, you can modify this value at contract level.

## 7.3.15 Advices for a Rolled over Deposit

In the Product Events Definition screen, you define the events for which advices are to be generated, for deposits involving a product. An advice will be generated when a deposit is rolled over, if so specified for the product the deposit involves.

Generation of advices upon rollover, if specified, will be as follows:

- When the deposit is rolled over with interest (that is, the entire outstanding amount in the original deposit is rolled over without any component of the original deposit being liquidated) the liquidation advice for the original deposit will not be generated. Instead, a rollover advice, with the details of the liquidation of the original deposit and its subsequent rollover into a new deposit, will be generated.
- When the deposit is rolled with an amount that is not the entire outstanding amount in the original deposit, the liquidation advice(s) for the original deposit will be generated along with the rollover advice.

### 7.3.16 Authorizing a Manual Rollover

The operations on a deposit like input, modification, manual liquidation and manual rollover have to be authorized by a user other than the one who performed the operation. All the deposits should be authorized before you can begin the end-of-day operations.

When a deposit has been rolled over manually, you have to do two authorizations:

- One, for the liquidation of the original deposit
- Two, for the initiation of the new deposit

When you call such a deposit for authorization, the details of the liquidation of the original deposit will be displayed.

At the time of authorizing rolled over contracts, you need to enter the values for the re-key fields (specified at the product level).

# 8. Automatic Events in the Life-Cycle of a Deposit

## 8.1 Introduction

The following are the various events in the life cycle of a deposit that could be carried out automatically:

- The initiation of a deposit with a Value Date in the future
- The application of the appropriate interest rates for deposits with Floating Interest
- The generation of a Billing Notice as a reminder of a payment
- The liquidation of a scheduled repayment
- The rollover of a deposit
- The periodic accrual of ICCF components
- The application of rate changes with a Value Date in the future

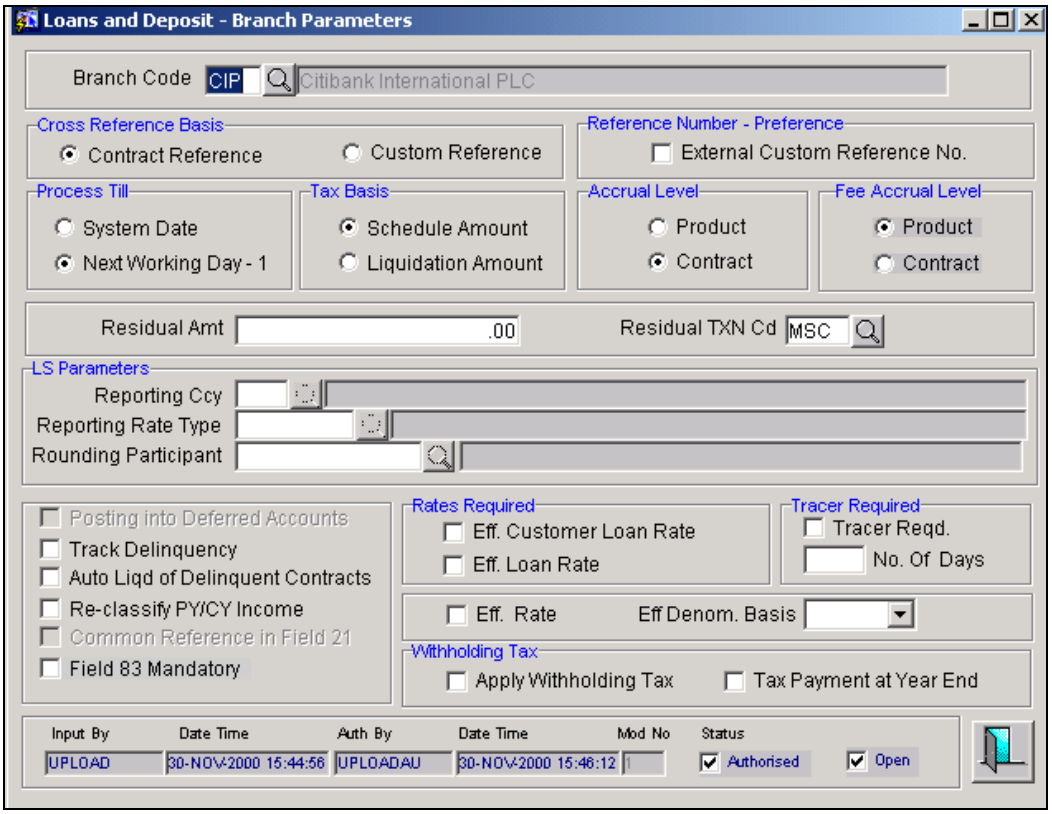
You would have noticed that some activities that can be carried out automatically will be done so only on a specific instruction from you. The following are such activities:

- The liquidation of a scheduled repayment
- Rollover of a deposit

The Automatic Daily Function should be executed at least twice during the day: once before you begin transaction related activities for the day (that is, as a part of the beginning of day activities); and once after you have finished all the transaction related activities for the day. If any transaction related activity is carried out after the function has been run, as part of end of day (EOD) activities, you have to execute it again so that the processing that may be necessitated by the transaction related activity is carried out.

## 8.2 Specifying Branch Parameters

A set of rules that govern deposits disbursed through the Deposits module in a particular branch are defined through the Branch Parameters screen. Click on Branch Parameters in the Application Browser and select MM/LD parameters- to access the screen.




### 8.2.1 Processing for Holidays (Automatic Events)

Automatic processing like accruals, scheduled repayment, generation of billing advices or delinquency notices, etc., falling due on a holiday will be processed either on the last working day before the holiday, or on the first working day after it. The definition for this should be as follows:

#### 8.2.1.1 Process till System Date

If you specify that processing of automatic events should be done up to the System Date, automatic events scheduled *till* (inclusive of) today will be processed.

***Example***

Assume today is 20 October 1997, and 21 October 1997 and 22 October 1997 are holidays. If you click this field, during the Automatic Batch Update function run, only the events scheduled for 20 October 1997 will be processed.

The events scheduled for the holidays, i.e., 21 October 1997 and 22 October 1997 will be processed during the Automatic Batch Update function run during beginning of day operations on 23 October 1997.

#### 8.2.1.2 Process till Next Working Day - 1

This specification means that events scheduled for a holiday should be processed on the last working day before the holiday. If you indicate this, all the events that fall on a day between the current system date and the next working date will be processed.

***Example***

Assume that today is 20 October 1997, and 21 October 1997 and 22 October 1997 are holidays. If you click this field, when you run the Automatic Batch Update function during end of day processing on 20 October 1997, all the events scheduled for 21 October 1997 and 22 October 1997 will be processed.

### 8.2.2 Specifying the Tax Basis

On a deposit you may have to pay tax to the Government on the interest your customer earns. The tax can be paid on the basis of the following:

- On the liquidated amount
- On the schedule amount

For your branch, you can specify the amount on which tax has to be applied, in Branch Parameters Screen.

This is how it works:

You have the following tax slab for levying tax on interest earned:

| | |
|---|---|
| 0 to 5000 | 3% |
| >5000 to 20000 | 4% |
| >20000 and above | 5% |

Now you have a deposit, which starts on 1 January 1998 and ends on 31 March 1998. It has a fortnightly interest payment schedule and at each schedule, USD 200 is paid.

#### 8.2.2.1 Tax on Schedule Amount

If you indicate that the tax basis is to be the schedule amount, every time the schedule is liquidated, you will have to withhold 3% tax on USD 200, the schedule amount (USD 200 falls into the first slab). USD 6 will have to be withheld every time an interest schedule of USD 200 is liquidated.

#### 8.2.2.2 Tax on Liquidated Amount

If you indicate that the tax basis is to be the liquidated amount, then the tax will be calculated on USD 1,200, the total interest that will be liquidated for the loan at Maturity. This falls into the second slab and hence 4% is applied on USD 1,200. This works out to USD 48, and is spread out over the six schedules. That is, you will have to withhold USD 8, as tax, every time an interest schedule of USD 200 is paid to the customer.

### 8.2.3 Setting the Accrual Level

To recall, at the time of creating a product, you specify:

- Whether accrual of interest is allowed for the product
- The accounting entries that should be passed for the accrual event
- The frequency at which the accrual entries should be passed

A deposit will inherit the accrual frequency defined for the product associated with it.

Since the accounts (the accrual account and the income account) are defined for a product, the accrual entries for all deposits involving the product will be passed to the same accounts.

These entries can be passed in two ways:

- An entry for each deposit. The same accrual and income account will be involved for each entry, with the Reference Number of the deposit indicated for each deposit.
- A single consolidated entry for all deposits involving a product. Since the same accrual and income account will be involved in all accrual entries, a single consolidated entry will be passed, with a unique reference number generated for each product.

The idea of generating a single entry for all deposits involving a product is to reduce the number of entries and thus, the processing time. The details of entries passed for each deposit will be available in the Accrual Control Journal, a report that should be generated after the accruals have been made.

Whether interest accrual entries are passed as a single consolidated entry for a product, or as an individual entry for each deposit, should be specified for a branch.

This specification is applicable only for automatic periodic accrual entries. When there is an accrual necessitated by a payment or a change in the terms of a deposit, the entries will be for the specific deposit affected by the change.

### 8.2.4 Setting the Residual Amount for Force Liquidation

The value that you specify indicates the limit for the residual balance when a deposit with zero principal balance, but with other outstanding components can be automatically liquidated.

The residual amount (interest, commission, or fees) will be checked against the amount that you specify in this field. The deposit will be liquidated only if the pending components are individually less than, or equal to, the amount specified in this field.

Note that the amount that you specify as the residual amount is expressed in the local currency. For deposits in foreign currencies, the standard exchange rate will be picked up from the Exchange Rate Table. The exchange rate that is used for conversion is defined for the product the deposit involves.

While automatically liquidating the deposit, the amounts outstanding are reversed to the accounts to which the accruals have been booked. These amounts are however retained in the corresponding fields for information purposes.

The following are the maximum limits accepted:

For an amount with two decimals - 99.99

For an amount with three decimals - 9.999

For an amount with no decimals - 99,999

Enter “0” if you do not wish to allow residual amounts. This means that all the components should have zero balances for the deposit to be liquidated.

When this amount is increased or decreased, all deposits meeting the conditions will be liquidated during the next Automatic Batch Update.

## 8.2.5 Specifying Preferences for Withholding Tax

**Apply Withholding Tax**

At the product level, you have specified whether withholding tax has to be applied on a deposit.

If you have opted to apply withholding tax on the deposit for the product, you can waive it for the contract through this screen, if required. Uncheck the box to indicate this.

If you check this box, the system computes the tax amount for the customer. This amount is deducted from the customer.

**Tax Payment at Year End**

As a year end process, you can deduct the tax from all the open deposits based on the interest accrued till date. Choose this option to specify that the tax has to be deducted at the year end for the customer. An unchecked box indicates that the tax will not be deducted from the customer.

Tax is computed on the total interest paid to the customer. This amount is recomputed if the outstanding principal changes for the deposit/interest rate for the deposit/tenor for the deposit. On last working day of the year, the system processes the payment of tax.

The basis for computation of tax is the interest accrued till date that needs to be paid to the Regulatory Authority. If the frequency of interest accruals is not daily, an interest accrual is triggered to determine the interest accrued till date. As a result, the system passes the following entries in addition to the Tax accrual entries, on the day the payment is done the regulatory authorities.

To capture the account against which payments are made to the regulatory authorities, the following accounting role, amount tag and events are provided in Oracle FLEXCUBE:

- **Event**: TPMT – Tax Payment
- **Accounting Role**: Tax_component_PIA – Tax Paid in Advance to the regulatory authority
- **Amount Tag**: Tax_component_TBPD – Tax to be paid to regulatory authority

| Event | DR / CR | Accounting Role | Amount Tag |
|---|---|---|---|
| TPIA | DR | Tax_component_PAY | Tax_component_TBPD |
| TPIA | CR | Tax_component_PIA | Tax_component_TBPD |

During BOD, the system computes the tax on the amount of interest liquidated as part of the scheduled interest liquidation. As a result the following tax related entries passed:

| Event | DR / CR | Accounting Role | Amount Tag |
|---|---|---|---|
| LIQD | DR | Interest_component_PAY | Tax_component_LIQD |
| LIQD | CR | CUSTOMER | Tax_component_LIQD |

| Event | DR/CR | Accounting Role | Amount Tag |
|---|---|---|---|
| LIQD | DR | CUSTOMER | Tax_component_AMT |
| LIQD | CR | Tax_component_PAY | Tax_component_AMT |

#### 8.2.5.1 Transaction Code for Force Liquidation

This is the transaction code for the accounting entries to be passed when the residual amount is liquidated.

### 8.2.6 Indicating your Specifications for the Different 'Rates'

You may need to print details of the Effective Rate of interest in advices sent to the customer. For the system to compute these rates and print them on advices and reports you will need to enable this option as a branch level preference.

If you enable any of these options you will also need to specify the denominator basis, which is to be used in the computation formula. The options available are:

- 360
- 365
- Actuals
- Currency

Ensure that you enable these options in the Deposits Product Preferences screen as well.

For details examples on how the rates are calculated you can refer to the *Defining attributes specific to a Deposits product* chapter of this manual.

## 8.3 Initiating the Automatic Daily Function

You can invoke the Automatic Daily Function from the Application Browser. Click on LD. Select Batch and then click on Automatic Daily.

For any event involving accounts in a foreign currency, this function will use the conversion rate in the Currency table for converting an amount to local currency.

Ensure that you update the conversion rates in the Currency table with rates for the day before you execute the Automatic Daily Function.

As part of pre-EOTI programs executed during TI (Transaction Input), before marking EOTI (End of Transaction Input) for the day, the following processing will be done during Pre-EOTI:

- Interest Accrual
- Floating Rate Revision
- Holiday Upload

### 8.3.1 Processing during Beginning of Day

All the automatic events scheduled for the day, except the accrual of ICCF components, will be carried out when the function is executed during the beginning of day operations. In addition, all the activities scheduled for the holidays will be carried out if today follows a holiday(s) and you have specified that such activities should be processed on the immediate working day that succeeds a holiday.

### 8.3.2 Processing During End of Day

When the function is executed during end of day activities, the processing will be for:

- The accrual of ICCF components scheduled for the day
- Any Value Dated change (change in interest rates, etc.) that were done during the day with a Value Date as the current system date; and

- Activities scheduled for holidays (if the current system date is preceded by holiday(s) and you have specified that activities falling on holidays should be processed on the last working day preceding a holiday).

If an event scheduled to be automatically carried out is not executed for some reason, it will be reported in the Exception Report generated by the function. The details of an event that could not be initiated, along with the reason will be reported in the Exception Report.

### 8.3.3 Processing for Holidays

Any automatic event that is scheduled for a holiday will be processed as per your specifications in the Branch Parameters table:

- If you have specified that processing has to be done on the last working day (before the holiday) for automatic events that fall due on holidays, the events falling on the holiday will be processed during end of day on the last working day before the holiday.
- If you have specified that processing has to be done *only* up to the System Date (today), then only the events scheduled for the system date (the last working day before the holiday) will be processed. The events that fall due on the holiday will be processed on the next working day after the holiday, during beginning of day processing.

***Example***

The current system date is 30 October 1997. A repayment schedule for a deposit falls due on 31 October 1997. This is a holiday.

If you specified that processing has to be done today (the last working day before the holiday) for automatic events right up to the day before the next working day, the schedule liquidation will be done on 31 October during end of day processing.

If you have specified that processing has to be done only up to the System Date (today), then only the events scheduled for 30 October, will be processed on that day. The liquidation scheduled for the holiday (31 October), will be done during beginning of day processing on 1 November.

### 8.3.4 Initiating a Future Value Dated Contract

A “future dated” deposit is one that has a Value Date that is later than the date on which it is booked. The Automatic Daily Function will initiate the deposit on the Value Date of the deposit.

If there were holiday(s) proceeding today, future dated deposits that were dated for the holiday(s) will also be initiated if you have specified that events falling on a holiday should be processed on the next working day.

All the initiation related entries specified for the product involved in the deposit will be passed automatically. If currency conversions are involved, the conversion rates as of today will be picked up from the Currency Table.

For a future dated contract falling due today, if there is also a rate change today, the interest amounts are also recalculated for the schedules.

### 8.3.5 Processing an Automatic Repayment

For deposits that have been defined with automatic liquidation of repayments, the liquidation will be carried out by the Automatic Daily Function.

The schedule will be automatically liquidated on the day it falls due, during beginning of day processing.

Now, if you have indicated automatic liquidation, the schedule date falls on a holiday, and you have specified that the holiday be ignored (through the Contract Preferences screen), the liquidation falling due on the holiday, depends on your holiday handling specifications in the Bank/Branch Parameters- LD/MM Branch Parameters screen:

- If you have specified that processing has to be done today (the last working day before the holiday) for automatic events right up to the day before the next working day the schedule falling on the holiday will be liquidated during end of day processing on the last working day before the holiday.
- If you have specified that processing has to be done only up to the System Date (today), then only the events scheduled for today (the last working day before the holiday) will be processed. The events of the holiday are processed on the next working day after the holiday, during beginning of day processing.

### 8.3.6 Advices Generated for a Repayment

Advices are generated by the Automatic Daily Function during beginning of day processing. While defining a product may have specified that an advice is to be generated to intimate the customer every time a payment has been liquidated. This will be applicable to all deposits involving the product. (Refer chapter on product definition). However, for a particular deposit, you can suppress this advice.

If a repayment advice has been specified for a deposit, it will be generated by the Automatic Daily Function when you run it at the beginning of day.

#### 8.3.6.1 Generation of Billing Advices and Delinquency Notices

A *billing notice* or advice can be generated, for the benefit of a customer, as a reminder that a payment is due. When defining a product, you can specify the number of working days before the repayment date when a billing notice is to be generated.

The notice is generated as part of the Automatic Daily Function when you run it at the beginning of day. The billing advice is generated for the mail medium. This notice will be generated for repayment of all components.

If you have specified that a notice has to be generated on a certain day and it happens to be a holiday, then the notice is generated depending on your holiday handling specifications in the Bank/ Branch Parameters – LD/MM Branch Parameters screen:

- If you have specified that automatic processes are to be carried out up to the next working day, the notices slated for generation on the holiday will be generated during end of day processing on the last working day before the holiday.

- If you have specified that the automatic processes are to be carried out only till System Date (today's date), notices slated for generation on the holiday will be generated on the next working day immediately after the holiday during beginning of day processing.

***Example***

To carry forward the example of Ms Yvonne Cousteau, you have specified 10 days here. If today is 20 June 1997 and 21 June 1997 is a holiday, the notices will be generated for payments due on 30 June 1997, during BOD on 20 June 1997.

The notices meant for 1 July 1997 will be generated during end of day processing, on 20 June 1997, if you have specified that all automatic processes falling due right up to the next working date are to be processed on System Date (today's date).

If not, the notices meant for 1 July, will be generated during beginning of day processing, on the working day immediately after the holiday, that is, 22 June.

If the number of days are increased, the system checks for deposit with a payment date between the old and the new number of days and will send a billing notice.

If the number of days are decreased, the system will check to see if a notice has been sent already, to avoid duplication. If not, it will send the notice.

## 8.4 Automatic Renewal of a Deposit

A 'Rollover' is renewal of a deposit. For a deposit to be rolled over it:

- Should be past it Maturity Date, and
- Should not have been liquidated

If you have specified automatic liquidation and automatic rollover for a deposit, the old deposit will be liquidated and a new one initiated on the Maturity Date of the deposit during the BOD (Beginning Of Day) run of the Automatic Daily Function.

If the Maturity Date falls on a holiday, the liquidation and the rollover will be processed as per your holiday handling specifications in the Bank/Branch Parameters – LD/MM Branch Parameters screen.

- If you have specified that processing has to be done today (the last working day before the holiday) for automatic events right up to the day before the next working day, the schedule falling on the holiday will be liquidated during end of day processing on the last working day before the holiday.
- If you have specified that processing has to be done only up to the System Date (today), then only the events scheduled for today (the last working day before the holiday) will be processed. The events of the holiday will be processed on the next working day after the holiday, during beginning of day processing.

If you have defined that the deposit be liquidated manually, you cannot roll it over automatically.

When a deposit is rolled over or renewed for the interest, charge or fee components, it can assume the following attributes:

- Those of the product involving the deposit being rolled over, or
- Those of the original deposit itself

You can specify this at the time of processing the old deposit

### 8.4.1 Advices for Renewal

When creating a product, you can opt to generate an advice that would intimate your customer that a deposit (the customer's) is rolled over. This will apply to all deposits involving the product. (Refer chapter on product definition).

The Automatic Daily Function generates the advices, if you have specified them for the renewal of the deposit, during its Beginning of day run.

### 8.4.2 Accrual of ICCF Components

When you are defining the interest, commission, charge or fee components (ICCF components) for a deposit product, you should also specify whether accruals have to be done for the accruable ICCF components. You can specify this through the Product- ICCF details screen.

If accruals should be done, the frequency of accrual should also be specified for a product (through the Product Preferences screen, at the time of product definition).

For all deposits for which accruals fall due today, the Automatic Daily Function will pass the accrual entries. Accrual of interest, commission, charge or fee is done during the end of day processing of the Automatic Contract Update function.

In some cases, if an event occurs in between two scheduled accruals, accrual entries are passed for that event, immediately.

***Example***

The last accrual date for Ms Yvonne Cousteau's deposit was 31 March 1998 and the next one is due on 30 April 1998. Now, if a manual liquidation is done on 15 April 1998, the accrual entries are passed immediately by the system.

If a schedules accrual falls on a holiday, the accruals are done as per your holiday handling specifications for automatic processes, in the Bank/Branch Parameters-LD/MM Branch Parameters screen.

- If you have specified that processing has to be done today (the last working day before the holiday) for automatic events right up to the day before the next working day, the events falling on the holiday will be processed during end of day on the last working day before the holiday.
- If you have specified that processing has to be done only up to the System Date (today), then only the events scheduled for today (the last working day before the holiday) will be processed. The events of the holiday will be processed on the next working day after the holiday, during beginning of day processing.

The accrual and income accounts will be picked up based on your definition in the Chart of Accounts.

An Accrual Control Journal is generated by the Automatic Daily Function, reporting the details of the accruals performed.

**Processing of interest based on interest period basis**

During periodic accruals for a contract, interest accruals also depend on the interest period basis defined for the contract. The interest period basis determines whether the interest calculation for schedules takes into account the schedule start dates or the end dates, or both, or whether it excludes both.

The following considerations would be applicable:

- For contracts booked with the interest period basis as 'Include To Date' or 'Include From and To Date', in case a prepayment is made for the entire contract amount, the maturity date is not considered in the interest calculations.
- For contracts booked with the interest period basis as 'Include To Date' and 'Include To and From Date', the final periodic accrual process accrues interest for the maturity date too.
- Refinance calculations are made along the same lines as interest calculations. For the options 'Include To Date' and 'Exclude From and To Date', no refinance income/expense is reported for the value date. For the options 'Include To Date' and 'Include From and To Date', refinance income/expense is reported for the maturity date too.
- During rollover of a contract that has been booked with the 'Include From and To Date' interest period basis, interest for the rollover date is applied twice.

*For details about the interest period basis, refer the chapters Defining a Product and Disbursing a Loan in this user manual.*

### 8.4.3 Contents of the Accrual Control Journal

The memo accrual function will give you the latest accrual amounts for all components of a live contract ***without*** actually passing the accrual entries. The memo accrual function generates the Memo Accrual Control Journal that reports the accrued amounts for the various components of the contract, (like interest, commission, charge or fee) that are due on each deposit as of the current system date.

## 8.5 Interest Rate Revision on a Deposit

The type of interest that is applicable on a deposit depends on the definition of the product that it involves. If floating interest rates are applicable for a product, the frequency at which the changing interest rates should be applied on contracts involving it will also be defined for the product.

The Interest Rate Type of a product can be one of the following: fixed, floating, zero or special.

The floating interest rates are defined through this screen. A Rate Code identifies a set of rates defined for a combination of Currency, Amount Limit (optional) and Effective Date. When processing a deposit, you should link it to the floating rate table by indicating the Rate Code. The rates defined for the Rate Code will be applied to the loan (or in other words, the contract).

The rates will be applied to a contract depending on whether it has been defined with Auto Refresh or Periodic Refresh.

The changes in floating rate can be applied on a contract in two ways. In one method called the Auto Refresh method, all the rate changes during the liquidation or accrual period will be considered. In the other method called the Periodic Refresh method, the rates as of a specific frequency or date will be applied.

***Example***

Tenor: The Start Date of the contract is 1 October 1997 and the End Date 30 November 1997.

The contract has floating rate and the rates in the floating rate table change in the following manner:

| Date | Rate |
|---|---|
| 1 October 1997 | 11% |
| 12 October 1997 | 11.5% |
| 25 October 1997 | 11% |
| 15 November 1997 | 12% |
| 30 November 1997 | 12.5% |

Liquidation Frequency: MonthlyIf the contract is defined with Auto Refresh, the liquidation on 30 October will consider all the rate changes that were done between 1 October and 30 October. The rates will be applied for the number of days for which they remained unchanged in the rate table, as follows:

| From | To | Rate |
|---|---|---|
| 1 October | 11 October | 12% |
| 12 October | 24 October | 11.5% |
| 25 October | 30 October | 11% |

For a contract with Periodic Refresh, the rates prevailing on the refresh dates will be used for accruals and liquidation. If the contract we are discussing is defined with Periodic Refresh and the refresh dates are defined as the 15 October, 1 November, 15 November and 30 November, the rate applied for the liquidation on 30 October will be as follows:

| From | To | Rate |
|---|---|---|
| 1 October | 14 October | 12 |
| 15 October | 30 October | 11.5 |

The Automatic Daily Function does the interest accruals for those deposits for which a rate revision becomes due today, whatever the way they have to be applied - every time the rate changes or periodically.

## 8.6 Value Dated Changes

Value Dated Changes are changes to a contract that come into effect on a specific date called the Value Date. Changes in the interest applied, collection of additional fees, etc., are examples of value dated changes that can be made to a contract.

Such changes indicated for a deposit (through the Value Dated Changes Screen), falling due today (i.e., the Value Date is today's date), are executed by the Automatic Daily Function during beginning of day. All the necessary accounting entries will be passed and advices specified for the event are generated.

If the Value Dated change is in the rate or amount of any accruable component, the accruals will be done for the deposit with the old rate or amount as of the previous day (yesterday).

If the Maturity Date of a deposit has been changed so that the contract matures today, the deposit will be liquidated provided all the prerequisites for such liquidation are met.

## 8.7 Advices Generated for Value Dated Changes

When creating a product, you can specify the advices that are to be generated when a value dated change is made on contracts involving the product. For a deposit involving the product, you can suppress these advices, if you do not want them generated.

For example, if you have so specified:

- A future dated contract with a value date of today will be initiated and a contract advice will be generated for the benefit of the customer. If any component (like discounted interest, tax on principal, etc.) is liquidated on takedown, an advice will be generated for each of them.
- In case a change entered through the value dated changes function is due today and is executed, an advice, notifying the customer about the new terms of the contract will be generated.
- In case a floating/periodic rate that affects a contract has changed, an advice notifying the customer of the new rate applicable for the contract will be generated.

The Automatic Contract Update function generates the advices you have specified for the deposit, during the beginning of day processes. If the value dated change falls on a holiday then its processing and the generation of the advice will be done as per your holiday handling specifications in the Bank/Branch Parameters – LD/MM Branch Parameters screen.

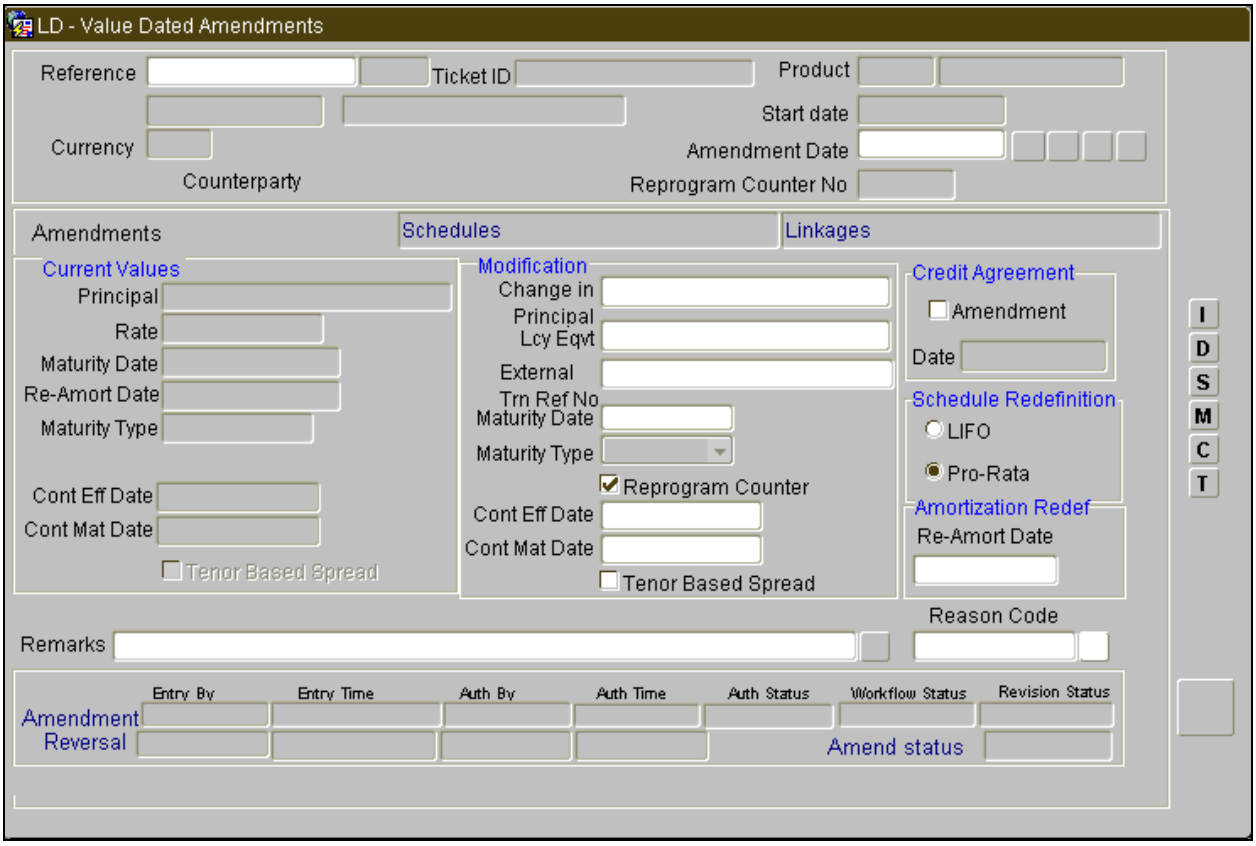
# 9. Making Value Dated Changes

## 9.1 Introduction

Any change to the terms of a deposit which affects its financial details and the accounting entries, can be made through the Value Dated Changes function of Oracle FLEXCUBE. Through this function you can make changes to authorized deposits on any day before the Maturity Date of the deposit.

### 9.1.1 Specifying the Amendment Details

Amendment details of Deposits can be specified in the 'Loans and Deposits – Value Dated Amendments' screen.




The changes to the terms of a deposit notified through this function take effect on a particular date called as the "**Value Date**". That is why the changes brought about by this function are called Value Dated Changes.

A Value Date could be:

- Today

- A date in the future
- A date in the past

Using the Value Dated Changes function, you can make changes to the various components of a deposit like increasing the principal of the deposit, changing the interest rate or amount, charges or fees. You can also change the Maturity Date of the deposit. In addition to changing the values in certain fields, you can enter a value into a field, which was not used when you captured the disbursement details. For example, you may have not specified a fee at the time of contract input. You can do it using the Value Dated Changes function so that the fee entries are passed on the Value Date.

When you make a value dated change, only the accrual entries are passed by the Value Dated Changes function. All the other accounting entries are passed by the Automatic Contract Update function.

The Value Date is the date on which the changes that are going to be defined will take effect. This can be a date earlier than today, today or a date in the future.

If the value date is a date in the past, it should not be beyond the date of the last paid schedule.

You should ensure that a contract on which you plan to do back dated changes, does not have amortized schedules.

Also, a value date in the future cannot be beyond the Maturity Date of the deposit. If it has to be beyond the Maturity Date of the deposit, then you have to first postpone the Maturity Date of the deposit so that your proposed future value date falls within the new maturity date. Only after this change is authorized can you fix a value date in the future for the deposit.

The system defaults to today's date.

In the Application Browser, click on LD, under this you will see Value Dated Changes. Click on this and the Value Dated Amendments screen is displayed. Enter the reference number of the deposit to which you want to make amendments. The main details of the deposit are displayed in the screen.

**Tenor Based Spread**

Check this box to indicate that tenor based spread should be applied on the value date for a deposit contract.

Note: You can select this option only if VAMI value date is equal to the value date of the deposit.

**Re-Amort Date**

Specify the date for re-amortization.

Note the following;

- The 'Re-Amort Date'field will be enabled only if the 'Allow Re-Amortization' check-box is checked at product level.
- System defaults the 'Re-Amort Date' to the contract maturity date and you can chang it to any date greater than the maturity date; however it cannot be less than the maturity date.
- You cannot amend Re-amortization with other existing fields in single operation.
- Back value dated re-amortization is allowed however the Value date of the re-amortization should not be earlier than the last liquidation date; and also it should not be earlier then last re-amortization date.
- Future value dated re-amortization is not allowed.
- Re-amortization can be done even if the contract has un-paid (overdue) schedules. For such cases, only future outstanding principal schedules will be considered for Re-amortization processing.
- Re-amortization request placed in the middle of the cycle will also consider the current schedule for re-amortization calculation.

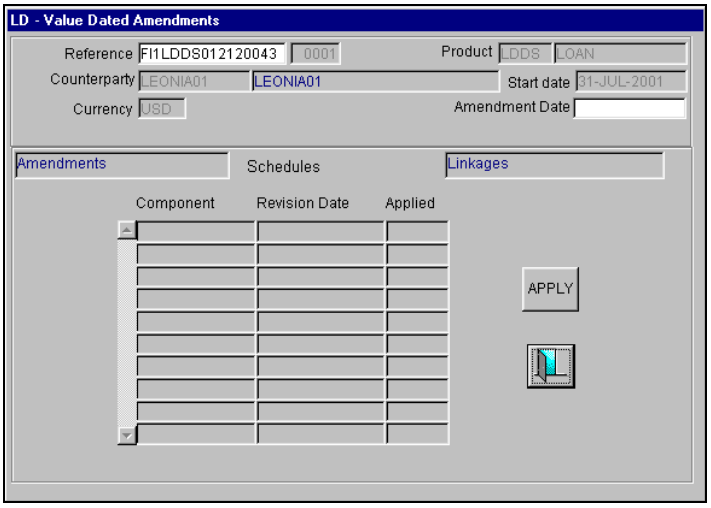
### 9.1.2 Navigating to the Schedule Definition screen

The schedule changes, which have come about as a result of value dated changes, can be done through the Value Dated Amendments screen. For example, if the schedule change has come about following a change in the maturity date, you have to do this through this screen. Click on “Schedules” in this screen.

#### 9.1.2.1 Applying Rate Revision Schedules for Fixed Rate Deposits

For fixed rate contracts, you can change the rate applied by specifying a new rate through a value dated amendment, in the LD Value Dated Amendments screen.

When you change the rate applied on a fixed rate contract through the Value Dated Amendments screen, you can also apply the rate revision schedules that you defined in the Contract Schedules screen, to the contract. In the Schedules tab of the LD Value Dated Amendments screen, any interest rate revision schedules defined for the contract are displayed. You can make these schedules effective by clicking on the “Apply” button.




## 9.1.3 Changing the Maturity Date

Enter the new Maturity Date in the screen.

When you change the Maturity Date or the Principal of a deposit:

- If you have advanced the Maturity Date, the schedules falling due after the new Maturity Date are redefined to the Maturity Date
- If you have post-poned the Maturity Date, the schedules which have not been liquidated and are falling due before the new maturity Date are redefined to the new Maturity Date.

You have to authorize the change in Maturity Date before you redefine the schedules as per your new requirements through the Contract Schedules screen.

When you extend the Maturity Date of a deposit, the time code of the credit line to which the contract is linked should be beyond the new Maturity Date. If not, the system will seek an override.

The new Maturity Date will be applicable to the deposit from the Value Date of the contract.

## 9.1.4 Making Changes in Interest

Through the Value Dated Changes function, you can make changes to the maturity date, the principal and specify a new value date for the deposit.

However, if you want to change the interest rate, the rate code, the spread or the interest amount you have to invoke the Contract Interest, Charge and Fee screen of the ICCF module through the Value Dated Changes screen.

STOP You cannot change the charge or fee for a deposit.

You can make value dated changes only to the following components in the Contract Interest Charge or Fee screen:

**Interest Rate**

Enter the new interest rate. However, you will not be able to:

- Change the interest rate if you have defined zero interest for the deposit
- Change the interest type

**Rate code**

If a floating type of interest has been defined, enter the new rate code.

**Spread**

Enter the new spread here.

**Interest amount**

Enter the new interest amount.

**Acquired interest**

If the deposit was already initiated when it was input, the interest amount that has been accrued should be entered here. The amount will be taken into account by the system during the next liquidation cycle. You can make changes to the acquired interest through this screen.

**Waiver**

The attributes of an interest component that have been defined for a product will be applied on a contract involving the product. If, for some reason you do not want to apply the interest component for the contract you are processing, you can do so by checking this field. The interest will be calculated but it will not be applied on the contract.

For back valued changes in interest rate, the system takes corrective action. Accruals will be redone till the last accrual date. Also, in case of a back valued change, the value date should not be beyond the last liquidation date.

## 9.1.5 Amortization After a Value Dated Change

You can make a value dated change in the interest rate for a deposit with amortized schedules. The change can be with a value date of today or a date in the future. Back dated changes cannot be done for a deposit with amortized schedules.

If the change affects the schedule, the schedules will be amortized again with the changed terms.

Only the Principal and Interest schedules will be redefined. The Charge or Fee schedules will not be redefined.

The schedule that falls due immediately after the value dated change will have a slightly different amount (i.e., not the Equated Installment). This is because an adjustment has to be made if the period for which the interest is calculated has two different rates. The subsequent schedules will be amortized at the new rates.

### 9.1.6 Making Changes in Charges Or Fees

The charge or fee rate can also be changed in case of a future dated deposit that is yet to be initiated and the Value Date has to be the same as the Initiation Date of the deposit.

For example, for a deposit the new drawdown fees will be applicable only if the deposit is a future valued deposit that is yet to be initiated.

### 9.1.7 Settlement instructions

If you want to make changes to the Settlement Accounts and the currency conversion rates you will have to invoke the Contract Input screen and go to the Settlements screen by clicking the Settlements button.

### 9.1.8 Deleting Value Dated Changes

You can delete the value-dated changes that you have made on a loan provided:

- The change is yet to be authorized; and
- (In case of a future value dated change) the change has not yet been effected

All the value-dated changes have to be authorized before the End of Day operations begin.

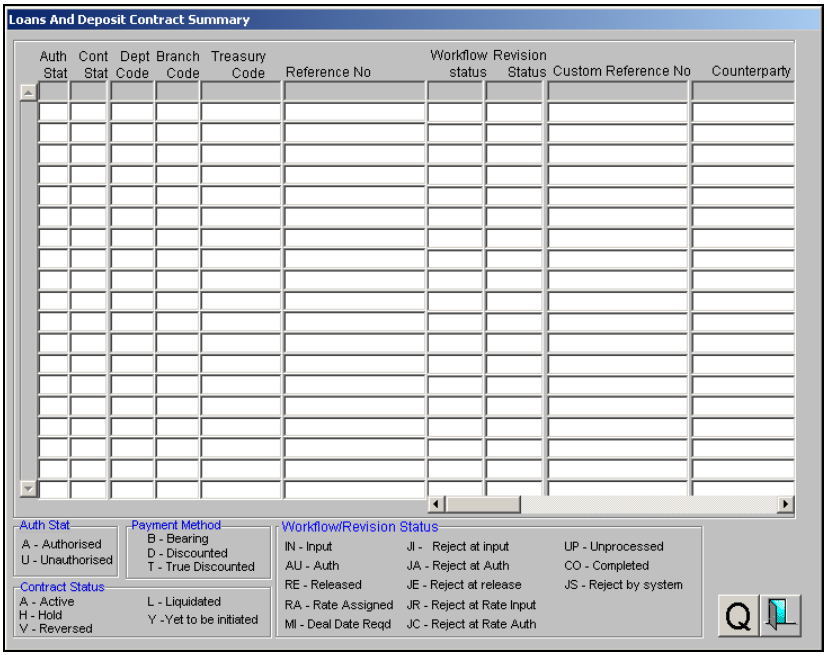
All the future valued dated changes are applied by the Automatic Daily program when the changes become due. If the value date of the change is earlier than or the same as today's date, the changes are applied immediately.

To delete value dated changes, call the contract on which you have made value dated changes (that are *still to be authorized*) through t he value dated changes screen by entering the reference number. The details of the contract will be displayed. Choose delete from the Actions Menu or click on  the toolbar. The value-dated changes will be deleted.

### 9.1.9 Authorizing the Value Dated Amendments

In ORACLE FLEXCUBE, you can authorize the value-dated amendments made on Deposits contracts through the 'Loans and Deposit Contract Summary' screen.

Invoke the 'Loans and Deposit Contract Summary' screen from the Application Browser under LD Operations and then Contract Input.




The authorization status of all unauthorized contracts are marked as ‘U’.

The following stages of the contracts might be unauthorized:

- Contract Input
- Value dated amendments
- Payments made towards the contracts

To authorize the unauthorized contracts, double click on the contract in the ‘Loans and Deposits Contract Summary’ screen. The screen that is displayed depends on the stage of the contract that is unauthorized.

- If booking or initiation is unauthorized, the ‘Contract Online’ screen will be displayed
- If a value dated amendment is unauthorized, the ‘LD-Value Dated Amendments’ screen will be displayed
- If the payment of a contract is unauthorized, the ‘LD Schedule Payment’ screen is displayed

In the screen that is displayed (based on the unauthorized stage), click on  to authorize the contract. If you double click on a contract for which the authorization status is marked as ‘A’, the Contract Online screen is displayed.

# 10. Cluster Deposits

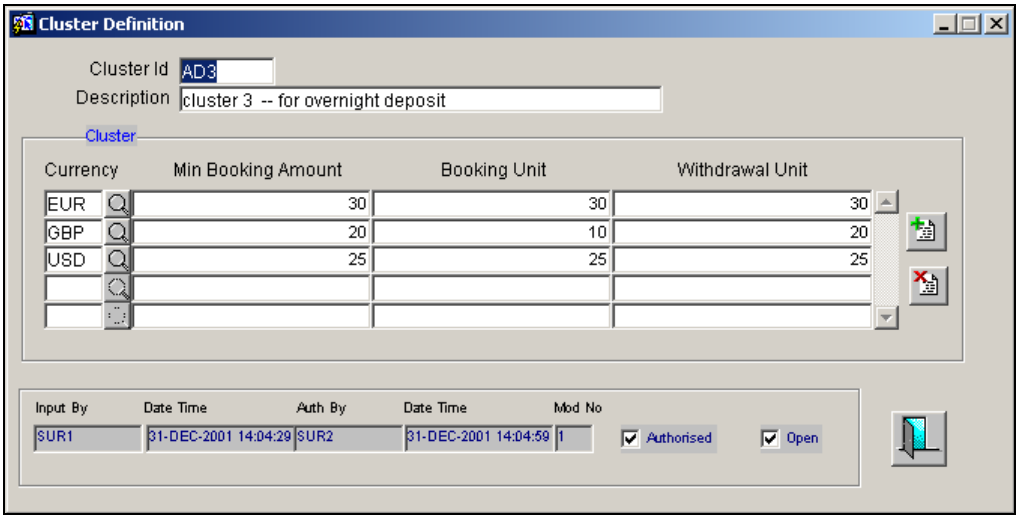
## 10.1 Introduction

A “cluster” deposit involves the input of a deposit as a multiple of specific units of a certain currency. All operations concerning the principal, like drawing up payment schedules for the principal, change in principal, etc., have to be in multiples of the cluster size specified for the deposit.

For example, you want to make a deposit in clusters of USD 10. In such a case you cannot make a deposit of say, USD 1234. It has to be either USD 1230 or USD 1240, since it has to be a multiple of the cluster USD 10.

## 10.2 Maintaining Clusters

You can define and maintain clusters through the Cluster Definition screen. To invoke this screen, in the Application Browser, click on L& D Maintenance and then Cluster.




In this screen you can define the following details:

**Specifying a Cluster ID**

You should specify a Cluster ID to uniquely identify a cluster. This ID is used to associate a cluster with a product or a specific deposit.

**Specifying a description**

You should enter a description for each cluster that you define. This will be displayed when you specify the cluster while defining a product or a contract.

**Minimum Booking Amount**

Specify the minimum amount for which an overnight deposit can be booked in the cluster. Therefore, an overnight deposit will be booked whenever the balance in the customer's account becomes equal to or greater than the minimum-booking amount.

**Booking Unit**

You should specify the size of the cluster. It should be:

- A positive number
- A whole number (without decimal points)

For example, 1000 USD can be a cluster where the booking unit is 1000 in USD.

**Withdrawal Unit**

You can indicate the unit for premature withdrawal from an overnight deposit in case the customer's account balance falls short for processing a trasaction request. The withdrawal amount before maturity would be a multiple of the withdrawal unit maintained here.

Once you specify the size of the booking unit, the following should be in multiples of this unit for a cluster overnight deposit specified with this cluster:

- The contract principal
- Principal schedules of the contract
- Any increase in principal after the contract has been initiated
- The principal payment amount

Please note that cluster overnight deposits cannot be amortized.

# 11. Appendix A - Customer Correspondence

## 11.1 Introduction

This chapter explains the various types of advices and notices generated at each stage for the type of contract that the Deposits module handles.

Once the event is authorized you can generate various types of advises and notices at any time of the day. You can also specify the media through which these advises can be sent. For all the advices and notices discussed here the samples are given below.

To generate the advice, click on Outgoing Message Browser, under Messages in the Application Browser.

The format and contents of the advices can be configured for your requirements. However, the default advice formats are available when Oracle FLEXCUBE is shipped to you.

Advices are generated to intimate the customer of the following:

### 11.1.1 Initiation of the deposit

You can generate an advice on the initiation of a deposit to inform the customer about the details of the initiated deposit. Along with details of contract initiation you can also generate details about interest payment in the advice.

#### 11.1.1.1 Changes to the Terms of The Deposit During its Tenor

You can generate this advice to notify the customer about amendments made to the terms of the deposit.

#### 11.1.1.2 Rollover of the Deposit

You can generate this advice to notify the customer about the rollover of the deposit.

#### 11.1.1.3 Unclaimed Deposit Notice

When a deposit is not liquidated even after the maturity date, it acquires an unclaimed status. You can generate an advice to inform the customer that the deposit is unclaimed.

Sample advice generated for deposit Initiation

```
INITIATION ADVICE FOR A DEPOSIT

    Demand Deposits Bearing
```

Transaction Date: 29-DEC-97

Our Reference No : 000DDDB973630007

User Reference No : ldbl.03 dddb.2

US1005

250 - 20th Street

Washington

D C 20036

WE CONFIRM HAVING TAKEN FROM YOU

Principal Amount

---

| | |
|---|---|
| Principal Amount | USD 1,500,000.00 |
| Value Date | 29-DEC-97 |
| Maturity Date | 31-JAN-98 |
| Tenor | 33 DAYS |

INTEREST/FEE DETAILS

| Description | Amount | CCY | Rate | Interest Basis |
|---|---|---|---|---|
| INTEREST - USD | 10 | | 30[Euro]/360 | |

Transaction on Initiation

| Component | Value Date | Account | Amount | CCY |
|---|---|---|---|---|

```
------------------------------------------------------------

Component Description              Account Branch

------------------------------------------------------------

LDTAX3_AMT      29-DEC-97 CORCUL-US1005-011 100.00 USD

Tax amount Tag LDTAX3_AMT             000

PRINCIPAL       29-DEC-97 CORCUL-US1005-011               1,500,000.00
USD

Principal Amount   000

------------------------------------------------------------

OUR PAYMENT SCHEDULE WILL BE AS GIVEN BELOW

Component               Amount        CCY

------------------------------------------------------------

Schedule Date: 29-JAN-98

PRINCIPAL               750,000.00 USD



Schedule Date: 31-JAN-98

INTEREST                 12,708.25 USD

PRINCIPAL               750,000.00 USD

------------------------------------------------------------

SETTLEMENT DETAILS

------------------------------------------------------------

Component          Dr/Cr    Br        Account         CCY

------------------------------------------------------------
```

```
INTEREST          P        000        CORCUL-US1005-01USD
                 11
INTEREST          P        000        CORCUL-US1005-01USD
                 11
LDTAX3_AMT        R        000        CORCUL-US1005-01USD
                 11
LDTAX5_AMT        R        000        CORCUL-US1005-01USD
                 11
PRINCIPAL         R        000        CORCUL-US1005-01USD
                 11
PRINCIPAL_INCR    R        000        CORCUL-US1005-01USD
                 11
PRINCIPAL_LIQD    P        000        CORCUL-US1005-01USD
                 11
-------------------------------------------------------------
```

### 11.1.2 Advice generated for Roll-over of the Deposit

```
ROLLOVER ADVICE FOR A DEPOSIT
Demand Deposits Bearing
          Transaction Date: 31-JAN-98
Our Reference No         : 000DDDB983630003
User Reference No        : dddb'ldbl. 03
US1005
```

250 - 20th Street

Washington

D C 20036

THE CONTRACT HAS BEEN ROLLED OVER WITH FOLLOWING DETAILS:

Principal Amount

---

Old Principal Amount USD 1,500,000.00

Principal Amount USD 765,250.00

Value Date 31-JAN-98

Maturity Date 04-MAR-98

Tenor 33 DAYS

INTEREST/FEE DETAILS

| Description | Amount | CCY | Rate | Interest Basis |
|---|---|---|---|---|
| INTEREST - USD | 12 | | 30[Euro]/360 | |
| ROLLFEES | 20,000.00 | USD | - | |

---

Transaction on Initiation

---

| Component | Value Date | Account | Amount | CCY |
|---|---|---|---|---|

---

Component Description Account Branch

```
------------------------------------------------------------

PRINCIPAL_LIQD 31-JAN-98 CORCUL-US1005-011                 750,000.00
USD

Principal Amount Liquidated           000

ROLLFEES       31-JAN-98 CORCUL-US1005-011                  20,000.00
USD

Rollover Fees      000

------------------------------------------------------------

OUR PAYMENT SCHEDULE WILL BE AS GIVEN BELOW

Component               Amount        CCY

------------------------------------------------------------

Schedule Date: 02-MAR-98

PRINCIPAL               382,625.00 USD

Schedule Date: 04-MAR-98

INTEREST                  8,417.50 USD

PRINCIPAL               382,625.00 USD

------------------------------------------------------------

SETTLEMENT DETAILS

------------------------------------------------------------

Component          Dr/Cr    Br        Account    CCY

------------------------------------------------------------

INTEREST        P       000       CORCUL-US1005-011     USD

INTEREST        P       000       CORCUL-US1005-011     USD

LDTAX3_AMT      R       000       CORCUL-US1005-011     USD
```

```
LDTAX5_AMT      R       000       CORCUL-US1005-011     USD

PRINCIPAL       R       000       CORCUL-US1005-011     USD

PRINCIPAL_INCR  R       000       CORCUL-US1005-011     USD

PRINCIPAL_LIQD  P       000       CORCUL-US1005-011     USD

ROLLFEES        P       000       CORCUL-US1005-011     USD

-------------------------------------------------------------
```

### 11.1.3 Advice Generated for Amendments on a Deposit

```
AMENDMENT ADVICE                Date: 31-JAN-98

Reference No.          : 000DDDB980310001

Related Reference      :

US1007

7000 Construction Court

San Diego

CA 92121

The Contract has been Amended. The new details are as follows:

~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~~

Value Date of Amendment:  10-FEB-98

=============================================================
```

COMPONENT OLD RATE NEW RATE

==========

INTEREST 5 8

==========

THIS IS A COMPUTER GENERATED ADVICE

NO AUTHORIZED SIGNATURE IS REQUIRED

### 11.1.4 Unclaimed Deposit Notice

UNCLAIMED DEPOSIT NOTICE

---

Demand Deposits Bearing

Transaction Date: 28-FEB-98

American Bank, Los Angeles

#51 Woods North Bend Drive

Los Angeles

USA

Our Reference No : 002DDDB980590002

User Reference No : 002DDDB000590002

Value Date : 01-JAN-98

Maturity Date : 15-JAN-98

Contract Currency : USD

Principal Amount : 5,000.00

Outstanding Principal : 5,000.00

DOW Corporation

Address:

2091 East Atlantic Blvd

Pompano Beach

FL 33060

This is to inform you that the deposit has matured and remains unclaimed.

COMPONENT-WISE UNCLAIMED SUMMARY

---

Component Ccy Total Unclaimed Amount

Component Description

---

INTEREST USD 19.25

Interest

PRINCIPAL USD 5,000.00

---

THIS IS A COMPUTER GENERATED ADVICE.

NO AUTHORIZED SIGNATURE IS REQUIRED.

# 12. Appendix B – Accounting Entries and Advices for Deposits Module

## 12.1 Accounting Entries for Deposits

This section contains details of the suggested accounting entries that can be set up, for the DEPOSIT module of Oracle FLEXCUBE. The details of the suggested accounting entries are listed event wise.

## 12.2 Deposits Events

The following is an exhaustive list of events that can take place during the lifecycle of a deposit contract. In the subsequent paragraphs we shall examine the accounting entries and advices for each of the events listed below.

| Sl No | Event Code | Event Description | Remarks |
|---|---|---|---|
| 1 | BOOK | Contingent entries are passed at the time of Booking a future valued contract. This corresponds to Event - Booking. If a contract with value date as the system date or with a back value date is input these entries are not passed. | All Types |
| 2 | INIT | The actual take down entries passed on the value date of the contract correspond to Initiation. | All Types |
| 3 | LIQD | Liquidation of contract/schedules. | All Types |
| 4 | ACCR | Accrual of various components for a contract | All Types |
| 5 | ROLL | Rollover of Contract | All Types |
| 6 | STCH | Status Change | All Types |
| 7 | NOTC | Billing of Notice | All Types |
| 8 | CAMD | Contract Amendment | All Types |
| 9 | VAMB | Value Dated Amendment Booking | All Types |
| 10 | VAMI | Value Dated Amendment Initiation | All Types |
| 11 | REVN | Rate Revision | |
| 12 | REAS | Reassign User | |
| 13 | RESD | Reversal of Residual Accrual<br>In case the status of a contract changes to Non Accrual basis, all | |

| Sl No | Event Code | Event Description | Remarks |
|---|---|---|---|
| | | the accrued amounts are reversed using this Event Code. | |
| 14 | REVC | Contract Reversal | |
| 15 | REVP | Reversal of Payment | |
| 16 | SPRO | Provisioning | |
| 17 | SPWB | Write Back | |

## 12.3 Amount Tags

The amount tags listed below are hard-coded in Oracle FLEXCUBE.

In addition to these you can define amount tags as per your requirements for interest and charges that will be attached to the product.

| Sl No | Amount Tag | Description |
|---|---|---|
| 1 | COMMUTIL_DECR | Commitment Amount Reinstated |
| 2 | COMMUTIL_INCR | Commitment amount Utilized |
| 3 | INT_DISC_ADJ | Discounted Interest Adjusted |
| 4 | PRINCIPAL | Principal Amount |
| 5 | PRINCIPAL_ADDL | Additional Principal |
| 6 | PRINCIPAL_DECR | Decrease in principal on amendment |
| 7 | PRINCIPAL_FWD | Forward takedown amount |
| 8 | PRINCIPAL_INCR | Increase in principal on amendment |
| 9 | PRINCIPAL_LIQD | Principal Amount Liquidated |
| 10 | PRINCIPAL_ROLL | Principal amount rolled over |
| 11 | PRINCIPAL_XFWD | Principal Amount Reclassified |
| 12 | PRINCIPAL_XREV | Principal Amount Unclassified |

| Sl No | Amount Tag | Description |
|---|---|---|
| 13 | PRO_AMT | Provision Amount |

| Sl No | Amount Tag | Description |
|---|---|---|
| 14 | ROLLOVER_AMT | Rollover Amount |
| 15 | WB_AMT | Write Back Amount |

## 12.4 Accounting Roles

In this section we have provided a list of sample accounting roles.

| Sl No | Accounting Role | Description | Role Type |
|---|---|---|---|
| 1 | LIABGL | Liability GL for Deposits | Liability |
| 2 | INTEXP | Interest | Expense |
| 3 | RFEEINC | Roll Fees | Income |
| 4 | FWDLIABGL | GL for future dated deposits | Contingent Asset |
| 5 | FWDLIABOFF | Offset for Future dated deposits | Contingent Asset |
| 6 | PENPRCLSINC | Penalty on Preclosure | Contingent Asset |
| 7 | INTERESTPAY | Interest Payable | Contingent Liability |
| 8 | INTERESTEXP | Interest on Deposits | Expense |
| 9 | INTERESTAQP | Acquired Interest Payable | Liability |
| 10 | EXDPAY | | Contingent Liability |
| 11 | CHGINC | Charges on Income | Income |
| 12 | FATAX1_EXP | Tax expense role for FATAX1 | Expense |
| 13 | FRTAXS_PAY | Tax payable role for FRTAXS | Liability |
| 14 | INTPIA | Fixed rate Interest | Asset |
| 15 | VAMBFEESINC | Value dated Amendment Booking Fees | Income |
| 16 | BFEEEXP | Book Fees | Income |

In the accounting roles listed above the prefixes INT (Interest), PEN (Penalty), CHG (Charge) is ICCF components. The suffixes stand for:

| Suffix | Description |
|---|---|

| Suffix | Description |
|---|---|
| AQP | Acquired interest payable |
| EXP | Expense |
| INC | Income |
| PIA | Payable in advance |
| PAY | Payable |

## 12.5 Event-wise Accounting Entries and Advices

In the subsequent sections we have defined suggested accounting entries and advices for each of the events in the life-cycle of deposit. Samples of accounting entries, advices, and events have been given for four different types of interest schedules for deposits:

- Deposit, bearing, normal
- Deposit, bearing, amortized
- Deposit, bearing, capitalized
- Clustered deposit

 Also note that some of the Amount Tag's linked to Accounting roles are user defined.

**Product Type-Deposit, bearing, normal**

The preferences set for this product are as follows:

- The payment type for this product is of Bearing type
- The type of repayment schedule is Normal type
- Forward dating is allowed for the product

#### 12.5.1.1 BOOK: Booking

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| FWDLIABOFF | PRINCIPAL_FWD | Debit |
| FWDLIABGL | PRINCIPAL_FWD | Credit |
| CUSTOMER | CHG1 | Debit |
| CHGINC | CHG1 | Credit |

**Advices**

| Advice Name | Description |
|---|---|
| PAYMENT_MESSAGE | Payment Message |
| DEAL_SLIP | Contract Advice |

### 12.5.1.2 INIT: Initiation

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| CUSTOMER | PRINCIPAL | Debit |
| LIABGL | PRINCIPAL | Credit |
| FWDLIABGL | PRINCIPAL_FWD | Debit |
| FWDLIABOFF | PRINCIPAL_FWD | Credit |
| CHGINC | CHG1 | Credit |
| CUSTOMER | CHG1 | Debit |

**Advices**

| Advice Name | Description |
|---|---|
| CONT_ADV | Contract Advice |
| PAYMENT_MESSAGE | Payment Message |
| COD | Certificate Of Deposit |

### 12.5.1.3 LIQD: Liquidation

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| CUSTOMER | PRINCIPAL_LIQD | Credit |
| LIABGL | PRINCIPAL_LIQD | Debit |
| CUSTOMER | EXD_LIQD | Credit |

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| EXDPAY | EXD_LIQD | Debit |
| INTERESTPAY | INT_LIQD | Debit |
| CUSTOMER | INT_LIQD | Credit |

**Advices**

| Advice Name | Description |
|---|---|
| PAYMENT_MESSAGE | Payment Message |
| BILNOTC | Billing Notice |

### 12.5.1.4 ACCR: Accrual

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| EXDEXP | EXD_ACCR | Debit |
| EXDPAY | EXD_ACCR | Credit |
| INTEXP | INT_ACCR | Debit |
| INTERESTPAY | INT_ACCR | Credit |

**Advices**

No advices allowed for this event. LIQD: Liquidation

### 12.5.1.5 Accounting Entries

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| CUSTOMER | PRINCIPAL_LIQD | Credit |
| LIABGL | PRINCIPAL_LIQD | Debit |
| CHGINC | CHG3 | Credit |
| CUSTOMER | CHG3 | Debit |
| EXDPAY | EXD_LIQD | Debit |
| CUSTOMER | EXD_LIQD | Credit |

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| LIABGL | EXD_ROLL | Credit |
| EXDPAY | EXD_ROLL | Debit |
| CUSTOMER | INT_LIQD | Credit |
| INTERESTPAY | INT_LIQD | Debit |
| INTERESTPAY | INT_ROLL | Debit |
| LIABGL | INT_ROLL | Credit |

**Advices**

| Advice Name | Description |
|---|---|
| ROLL_ADV | Rollover Advice |

#### 12.5.1.6 CAMD: Contract Amendment

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| CHGINC | CHG2 | Credit |
| CUSTOMER | CHG2 | Debit |

**Advices**

| Advice Name | Description |
|---|---|
| AMDADV | Amendment Notice |

### 12.5.2 Product type-Deposit, bearing, amortized

The preferences set for this product are as follows:

- The payment type for this product is of Bearing type
- The type of repayment schedule is Amortized type.
- Forward dating is allowed for the product.

#### 12.5.2.1 BOOK: Booking

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| FWDLIABGL | PRINCIPAL_FWD | Credit |
| FWDLIABOFF | PRINCIPAL_FWD | Debit |

**Advices**

| Advice Name | Description |
|---|---|
| PAYMENT_MESSAGE | Payment Message |

#### 12.5.2.2 INIT: Initiation

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| CUSTOMER | PRINCIPAL | Debit |
| LIABGL | PRINCIPAL | Credit |
| FWDLIABGL | PRINCIPAL_FWD | Debit |
| FWDLIABOFF | PRINCIPAL_FWD | Credit |

**Advices**

| Advice Name | Description |
|---|---|
| CONT_ADV | Contract Advice |
| PAYMENT_MESSAGE | Payment Message |
| COD | Certificate Of Deposit |

#### 12.5.2.3 LIQD: Liquidation

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| INTERESTPAY | INT_LIQD | Debit |
| CUSTOMER | INT_LIQD | Credit |

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| FATAX1_PAY | FATAX1_AMT | Credit |
| CUSTOMER | FATAX1_AMT | Debit |
| CUSTOMER | PRINCIPAL_LIQD | Credit |
| LIABGL | PRINCIPAL_LIQD | Debit |

**Advices**

| Advice Name | Description |
|---|---|
| PAYMENT_MESSAGE | Payment Message |
| BILNOTC | Billing Notice |

### 12.5.2.4 ACCR: Accrual

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| INTEXP | INT_ACCR | Debit |
| INTERESTPAY | INT_ACCR | Credit |

**Advices**

No advices allowed for this event

### 12.5.2.5 STCH: Status Change

**Accounting Entries**

Nil

**Advices**

Nil

### 12.5.2.6 ROLL: ROLLOVER

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| CUSTOMER | INT_LIQD | Credit |
| INTERESTPAY | INT_LIQD | Debit |
| INTERESTPAY | INT_ROLL | Debit |
| LIABGL | INT_ROLL | Credit |
| CUSTOMER | PRINCIPAL_LIQD | Credit |
| LIABGL | PRINCIPAL_LIQD | Debit |

**Advices**

| Advice Name | Description |
|---|---|
| ROLL_ADV | Rollover Advice |

### 12.5.3 Product type-Deposit, Bearing, Capitalized

The preferences set for this product are as follows:

- The payment type for this product is of Bearing type
- The type of repayment schedule is Capitalized type
- Forward dating is allowed for the product

#### 12.5.3.1 BOOK: Booking

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| BFEEEXP | LIQD | Debit |
| CUSTOMER | LIQD | Credit |
| FWDLIABGL | PRINCIPAL_FWD | Credit |
| FWDLIABOFF | PRINCIPAL_FWD | Debit |

**Advices**

| Advice Name | Description |
|---|---|
| CONT_ADV | Contract Advice |

| Advice Name | Description |
|---|---|
| DEAL_SLIP | Contract Advice |
| PAYMENT_MESSAGE | Payment Message |

#### 12.5.3.2 INIT: Initiation

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| INTERESTAQP | INTEREST_ACQD | Debit |
| INTERESTPAY | INTEREST_ACQD | Credit |
| CUSTOMER | PRINCIPAL | Debit |
| LIABGL | PRINCIPAL | Credit |
| FWDLIABGL | PRINCIPAL_FWD | Debit |
| FWDLIABOFF | PRINCIPAL_FWD | Credit |

**Advices**

| Advice Name | Description |
|---|---|
| DEAL_SLIP | Contract Advice |
| CONT_ADV | Contract Advice |
| PAYMENT_MESSAGE | Payment Message |

#### 12.5.3.3 LIQD: Liquidation

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| FRTAXC_PAY | FRTAXC_AMT | Credit |
| CUSTOMER | FRTAXC_AMT | Debit |
| INTERESTPAY | INT_ADJ | Credit |
| CUSTOMER | INT_ADJ | Debit |
| LIABGL | INT_CAP | Credit |

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| INTERESTPAY | INT_CAP | Debit |
| INTERESTPAY | INT_LIQD | Debit |
| CUSTOMER | INT_LIQD | Credit |
| CUSTOMER | PENPRCLS | Debit |
| PENPRCLSINC | PENPRCLS | Credit |
| CUSTOMER | PRINCIPAL_LIQD | Credit |
| LIABGL | PRINCIPAL_LIQD | Debit |

**Advices**

| Advice Name | Description |
|---|---|
| CAP | Capitalization Advice |
| PAYMENT_MESSAGE | Payment Message |

### 12.5.3.4 ACCR: Accrual

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| INTEXP | INT_ACCR | Debit |
| INTERESTPAY | INT_ACCR | Credit |

**Advices**

No advices allowed for this event

### 12.5.3.5 ROLL: Rollover

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| INTERESTPAY | INT_CAP | Debit |
| LIABGL | INT_CAP | Credit |

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| INTERESTPAY | INT_LIQD | Debit |
| CUSTOMER | INT_LIQD | Credit |
| INTERESTPAY | INT_ROLL | Debit |
| LIABGL | INT_ROLL | Credit |
| RFEEINC | RFEE | Credit |
| CUSTOMER | RFEE | Debit |
| CUSTOMER | PRINCIPAL_ADDL | Credit |
| LIABGL | PRINCIPAL_ADDL | Debit |
| LIABGL | PRINCIPAL_LIQD | Debit |
| CUSTOMER | PRINCIPAL_LIQD | Credit |

**Advices**

| Advice Name | Description |
|---|---|
| ROLL_ADV | Rollover Advice |
| PAYMENT_MESSAGE | Payment Message |
| CAP | Capitalization Advice |

### 12.5.3.6 STCH: Status Change

**Accounting Entries**

Nil

**Advices**

Nil

### 12.5.3.7 VAMI: Value Dated Amendment Initiation

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| LIABGL | PRINCIPAL_INCR | Credit |

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| CUSTOMER | PRINCIPAL_INCR | Debit |
| FWDLIABGL | PRINCIPAL_INCR | Debit |
| FWDLIABOFF | PRINCIPAL_INCR | Credit |

**Advices**

| Advice Name | Description |
|---|---|
| AMDADV | Amendment Advice |
| PAYMENT_MESSAGE | Payment Message |

### 12.5.3.8 VAMB: Value Dated Amendment Booking

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| FWDLIABGL | PRINCIPAL_INCR | Credit |
| FWDLIABOFF | PRINCIPAL_INCR | Debit |

**Advices**

| Advice Name | Description |
|---|---|
| AMDADV | Amendment Advice |

### 12.5.3.9 CAMD: Contract Amendment

**Accounting Entries**

Nil

**Advices**

| Advice Name | Description |
|---|---|
| AMDADV | Amendment Advice |

#### 12.5.3.10 NOTC: Billing Notice Generation

**Accounting Entries**

No Accounting Entries allowed for this event.

**Advices**

| Advice Name | Description |
|---|---|
| BILNOTC | Billing Notice |
| UNCDEPADV | Unclaimed Deposit Notice |

### 12.5.4 Clustered deposit

The preferences set for this product are as follows:

- The payment type for this product is of Bearing type
- The type of repayment schedule is normal type.
- Forward dating is allowed for the product.

#### 12.5.4.1 BOOK: Booking

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| FWDLIABGL | PRINCIPAL_FWD | Credit |
| FWDLIABOFF | PRINCIPAL_FWD | Debit |

**Advices**

Nil

#### 12.5.4.2 INIT: Initiation

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| FATAX1_PAY | FATAX1_AMT | Credit |
| CUSTOMER | FATAX1_AMT | Debit |
| INTERESTAQP | INTEREST_ ACQD | Debit |

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| INTERESTPAY | INTEREST_ACQD | Credit |
| CUSTOMER | PRINCIPAL | Debit |
| LIABGL | PRINCIPAL | Credit |
| FWDLIABGL | PRINCIPAL_FWD | Debit |
| FWDLIABOFF | PRINCIPAL_FWD | Credit |

**Advices**

| Advice Name | Description |
|---|---|
| DEAL_SLIP | Contract Advice |
| PAYMENT_MESSAGE | Payment Message |

### 12.5.4.3 LIQD: Liquidation

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| FRTAX1_PAY | FRTAX1_AMT | Credit |
| CUSTOMER | FRTAX1_AMT | Debit |
| INTERESTPAY | INTEREST_ADJ | Debit |
| CUSTOMER | INTEREST_ADJ | Credit |
| INTERESTPAY | INT_LIQD | Debit |
| CUSTOMER | INT_LIQD | Credit |
| CUSTOMER | PRINCIPAL_LIQD | Credit |
| LIABGL | PRINCIPAL_LIQD | Debit |

**Advices**

| Advice Name | Description |
|---|---|
| PAYMENT_MESSAGE | Payment Message |

#### 12.5.4.4 ACCR: Accrual

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| INTERESTPAY | INT_ACCR | Credit |
| INTEXP | INT_ACCR | Debit |

**Advices**

No Advices are allowed for this event.

#### 12.5.4.5 STCH: Status Change

**Accounting Entries**

Nil

**Advices**

Nil

#### 12.5.4.6 VAMB: Value Dated Amendment Booking

**Accounting Entries**

Nil

**Advices**

| Advice Name | Description |
|---|---|
| AMDADV | Amendment Advice |

#### 12.5.4.7 VAMI: Value Dated Amendment Initiation

**Accounting Entries**

| Accounting Role | Amount Tag | Dr./Cr. |
|---|---|---|
| CUSTOMER | PRINCIPAL_INCR | Debit |
| LIABGL | PRINCIPAL_INCR | Credit |

**Advices**

| Advice Name | Description |
|---|---|
| PAYMENT_MESSAGE | Payment Message |

### 12.5.4.8 NOTC: Billing Notice Generation

**Accounting Entries**

No Accounting Entries allowed for this event.

**Advices**

| Advice Name | Description |
|---|---|
| UNCDEPADV | Unclaimed Deposit Notice |

## 12.6 SWIFT Confirmation Messages Relating to Deposits

| Message Type | Swift Message Type | Event | Description |
|---|---|---|---|
| LD_CONFIRM_NEWT | 320/330 | BOOK | Confirmation Message |
| LD_CONFIRM_AMND | 320/330 | CAMD, VAMB, VAMI | Confirmation Message |
| LD_CONFIRM_CANC | 320/330 | REVC | Confirmation Message |
| LD_CONFIRM_ROLL | 320/330 | ROLL | Confirmation Message |
| LDCONDEP | 320/330/350 | BOOK,CAMD,VAMB,VAMI, REVC, ROLL, LIQD | Confirmation Message |