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# 1. About this Manual

## 1.1 Introduction

This manual is designed to help acquaint you with the Loans Module of Oracle FLEXCUBE.

It provides an overview of the module and guides you, through the various steps involved in granting loans to the customers of your bank.

In addition to this User Manual, you can find answers to specific features and procedures, in the Online Help. It can be invoked by choosing Help Contents from the Help Menu of the software. You can further obtain information about a particular field by placing the cursor on the relevant field and striking the <F1> key on the keyboard.

## 1.2 Audience

This manual is intended for the following User/User Roles:

Role	Function
Back office data entry clerk	Input functions for contracts
Back office managers/officers	Authorization functions
Product Managers	Product definition and authorization
End of Day operators	Processing during End of Day/ Beginning of Day
Financial Controller / Product Managers	Generation of reports

## 1.3 Organization

This manual is organized into the following chapters:

<b>Chapter 1</b>	<i>About this Manual</i> gives information on the intended audience. It also lists the various chapters covered in this User Manual.
<b>Chapter 2</b>	<i>Loans - An Overview</i> is a snapshot of the features that the module provides.
<b>Chapter 3</b>	<i>Maintaining Details Specific to SLT</i> explains the maintenance you have to carry out for a diary event.
<b>Chapter 4</b>	<i>Defining Attributes Specific to Loan</i> product talks about defining the attributes specific to setting up a loans product.
<b>Chapter 5</b>	<i>Disbursing a Loan</i> deals with the procedure involved in entering the details of a loan.

<b>Chapter 6</b>	<i>Processing Upfront Fee Accruals</i> talks about accruing upfront fee components at the time of booking the contract.
<b>Chapter 7</b>	<i>Reclassification of CUSIP</i> explains the process of moving balances of commitment and loan contracts from old CUSIP to new CUSIP without changing the origination contract reference numbers.
<b>Chapter 8</b>	<i>Defining Discount Accrual Fee Classes</i> explains the process of discount accrual for loans.
<b>Chapter 9</b>	<i>Processing Repayments</i> discusses the setting up of repayment schedules for the loans that are disbursed.
<b>Chapter 10</b>	<i>Rolling over a loan</i> is the procedure of rolling over loans that have matured.
<b>Chapter 11</b>	<i>Making Additional Disbursements and Rate Changes</i> deals with the additional details and changes that you can effect on a loan.
<b>Chapter 12</b>	<i>Automatic Processing</i> explains the processes that automatically run periodic activities.
<b>Chapter 13</b>	<i>Processing a Commitment</i> deals with the setting up of loan commitments and linking of a commitment to a loan.
<b>Chapter 14</b>	<i>Booking the Loans Commitment from the RAPID</i> explains how to book a loan commitment in Oracle FLEXCUBE from the information provided from RAPID.
<b>Chapter 15</b>	<i>Annual Rest Loans</i> deals with the processing of Annual Rest Loans.
<b>Chapter 16</b>	<i>Loans and Deposits Reports</i> explains the various types of reports generated at various stages in the Loans and Deposits module.
<b>Chapter 17</b>	<i>Appendix A - Customer Correspondence</i> explains the types of advices and notices generated at each stage, in the lifecycle of a loan.
<b>Chapter 18</b>	<i>Appendix B - Accounting Entries, Advices and Error Codes</i> contains a list of suggested accounting entries, advices and error codes that could be encountered for the loans module.
<b>Chapter 19</b>	<i>Appendix C – Archival and Purge</i> explains archiving and purging of records from the data tables.
<b>Chapter 20</b>	<i>Appendix D – Unexpected Recovery</i> gives step-by-step instructions that you will need to follow to facilitate the system to recognize unexpected recoveries.



## 1.4 **Related Documents**

You may need to refer to any or all of the User Manuals while working on the Loans module:

- Core Services
- Core Entities
- Deposits
- Procedures
- Settlements
- Interest
- Charges and Fees
- Tax
- User Defined

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## 2. Loans - An Overview

### 2.1 Introduction

The Loans module of Oracle FLEXCUBE focuses on the corporate lending operations of a bank. It handles all types of call, notice, and fixed-tenor loans, loan commitments, prepayments, manual payments, and foreclosure.

The important features of the module are discussed in depth in this chapter.

#### 2.1.1 The Product Definition Facility

##### **Defining services as Products**

A Product is a specific service, or scheme, that you offer your customers. A Loans product is a specific Loan scheme that is offered to customers. For example, a bank may offer short-term corporate loans to software development companies. This scheme can be defined as a product in Oracle FLEXCUBE.

When setting up the module, the bank can define the various loan schemes that it offers as products. For each product, it can also define 'attributes', or in other words, the terms and conditions. When a user at the bank actually processes a loan, it can be associated with a product. The loan acquires the terms defined for the product that it involves. The bank, however, can allow a user to change the inherited attributes of a loan, while processing, to suit a special customer.

##### **The advantage of defining a product**

When defining a scheme as a product, the bank can specify the following details:

- Tenor, rollover, and interest preferences
- The type of interest that is applicable
- The minimum, maximum and standard rates applicable
- Penalty interest and grace days (for loans)
- The standards schedules applicable
- The ledgers to which the accounting entries should be posted (at different events such as booking, amendment, rollover, etc.)
- The advices and reminders that have to be provided to customers at different events

The product is defined only once. Therefore, you need not specify the basic details, every time a loan is entered into Oracle FLEXCUBE. This feature drastically reduces processing time, thus allowing a bank to focus on and take advantage of, the opportunities in the market.

## 2.1.2 Methods of Interest Application

In Oracle FLEXCUBE, it is possible to define multiple interest and charges. That is, you can specify the interest and charge that you would like to levy at the different events in the life cycle of a loan.

Interest can be calculated based on a rate, or a flat amount. Interest rates may be:

- Fixed
- Floating
- Floating with Manual (or Automatic) Rate Revision

You can define tier and slab structures to compute charges. You can also define a minimum and a maximum charge, as well as a penalty for defaulted schedules.

### **Methods of interest calculation and payment**

Oracle FLEXCUBE allows computation of interest, using both Euro and US methods.

The repayment schedules for interests can be defined, for each transaction. Depending on the mode of payment, interest will be liquidated either automatically or manually, according to the schedule defined. The standard interest payment methods that are supported are:

- *Bearing* —Interest is liquidated on schedule payment date(s)
- *Discounted* — In this interest payment method, the interest is deducted at the time of initiating the loan
- *True discounted* —In this method, the bank deducts interest from the principal at the time of loan initiation

### **Accrual of interest**

The frequency of interest accrual, whether daily, monthly, quarterly, half-yearly, or annual, can be specified for a product during set up. This specification will apply, to the accruable components of all loans involving the product.

The Automatic Contract Update function of Oracle FLEXCUBE handles accruals at the specified frequency. In addition, interest will be accrued whenever a back-dated rate change is input. An accrual, to the extent of a repayment, is automatically carried out at the time of repayment.

The module supports amendments and payments for previous accrual periods. Subsequent accruals will correct any adjustments that are to be made due to these actions.

The Loans module allows you to accrue interest at the product level. Rather than accrue interest for each loan involving a product, and then update the ledgers of the accrued interest individually, the bank can accrue interest for each contract involving the product, and pass a consolidated entry to the ledgers.

### **2.1.3 Flexible Repayment Schedule Set Up**

Using the Loans module, you can define flexible schedules for the payment of principle, interest, commission and fees. Schedules for the payment of the various components can be defined individually, or otherwise. The schedules can be based on one of the following types:

- Amortized contracts (Amortization based on Reducing balances and Rule of 78)
- Capitalized contracts (for capitalizing interests)
- Normal contracts (Based on Reducing Balances)

### **2.1.4 Defining Grace Periods**

A bank using this module can define a grace period for the products it offers. This specification would apply to all contracts involving the product. A penalty interest will be applied in case of default in payment, on expiry of the grace period. Penalty will not be applied if the payment is made during the grace period. In case the payment is not made, the penalty will be calculated from the day the payment is outstanding.

### **2.1.5 Rolling Over a Loan**

The module efficiently handles automated rollover of loans on maturity. When a loan is rolled over (renewed), it is processed in the following manner:

- The original loan is liquidated
- A new loan is initiated

A rollover can be effected with any of the following options:

- Roll-over with interest
- Roll-over with interest but deducting withholding tax
- Roll-over of the principal alone
- Roll-over into a different principal amount

The rolled-over contract bears the same reference number as the original contract. However, the number of times the contract is rolled over is recorded and always displayed. This feature facilitates tracking. A Rollover advice is automatically generated when a loan is rolled-over.

### **2.1.6 Tracking the Status of a Loan**

The Loans module of Oracle FLEXCUBE, allows you to define the various status, into which overdue loans should move. The module allows a bank to define:

- The number of overdue days from which a loan should be classified under a status
- Whether accruals should be stopped on reaching a status
- Whether accruals should be reversed for a status

- The asset account to which defaulted loans should be transferred (if they are to be reported separately)
- The notices to be generated for the benefit of the customer

Movement of a loan from one status to another can be either automatic, or manual. Loans, both regular and past due, can be *tracked*, automatically, across several user-defined status.

### **2.1.7 The Tax Types that are Supported**

Oracle FLEXCUBE supports the processing of a Withholding and an Expense type of tax.

Tax can be computed based on either the liquidation amount or the schedule amount. The bank can define tax rates as slabs or tiers and define a minimum and maximum tax amount that could apply. The bank could bear the tax (Expense) or charge the customer for it (withholding).

### **2.1.8 Automatic Processing of Different 'Events'**

A loan contract goes through different stages in its lifecycle. These stages are referred to as events in Oracle FLEXCUBE. Events can be defined as Booking, Amendment, Rollover, Liquidation, etc.

Once a loan contract is initiated, Oracle FLEXCUBE automatically processes all the events defined for it. Starting from initiation upto liquidation, or rollover, it processes the following automatically:

- Passes the appropriate accounting entries
- Generates the advices and messages specified for the event (including billing notices and delinquency notices to defaulters)
- Liquidates due schedules
- Accrues interest
- Rolls over a loan into a new one
- Applies penalty interest on default

In addition, you can automatically track overdue loans and classify them into various statuses. For each status, you can specify preferences like whether accruals should be stopped, reversed, or, if the loan should be transferred to a different asset account.

### **2.1.9 Linking Loans to Deposits**

Oracle FLEXCUBE offers the facility to set up lien on deposits from a customer, as security for a loan.

Loans can also be booked against commitments, deposit, and accounts. Full or partial amounts can be blocked and taken as the security for a loan.

### **2.1.10 Penalties on Pre-Payment**

You can levy a penalty on premature loan payments. This penalty can be specified both in terms of a percentage and as a flat amount.

### **2.1.11 Value Dated Amendments**

Amendments (changes to the Maturity Date, the Principal amount, the Interest Rate, interest spreads, etc.) are possible on any loan contract, product, or group of contracts. These amendments can take effect as of back-value or future dates.

The zero-based interest accrual methodology ensures that interest accruals are recalculated and adjusted for back-valued amendments.

### **2.1.12 Retrieving Information**

During the day or at the end of the day, a user with the required authority can retrieve information on the various operations, related to loans. This information can be generated in the form of reports. The chapter Retrieval of information of this User manual details the various reports that can be generated.

The bank can also opt for the Report Writer utility that comes with Oracle FLEXCUBE. With this utility, the bank can custom-define the reports that it would like to generate.

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## 3. Maintaining Details Specific to SLT

### 3.1 Introduction

A diary event signifies occurrences (other than accounting entries being passed) in the life cycle of a contract, at which appropriate messages would need to be generated.

The following sections explain the maintenance you have to carry out for a diary event.

### 3.1 Maintaining User Groups

You can identify the different types of user groups involved in loan contracts, in the system, in the 'User Group Maintenance' screen.

To invoke this screen, click on **LS Maintenance** in the Application Browser, and then click on the option **Detailed** under **Diary User Group**.

User ID	User Name
KAVITHA	REVA
KAVITHAA	REVA
PRASANNA	REVA
PRASANNAA	REVA

In the User Group section, specify the following details:

#### **User Group**

Specify a name for the user group, by which you will be able to identify the same easily.

#### **Description**

Give the user group a description.



In the User IDs section, specify the following details:

**User ID**

Select the ID of the user that you want to include in the group.

**User Name**

The name of the user you select will be displayed.

## 3.2 **Maintaining Diary Events**

You can define the diary events to be associated with each of the loan modules in the 'Diary Event Maintenance' screen. A diary event signifies occurrences (other than accounting entries being passed) in the life cycle of a contract, at which appropriate messages would need to be generated.

To invoke this screen, click on **L&D Maintenance** in the Application Browser, and then click on the option **Detailed** under **Diary Events**.

After you have identified the diary events in the Diary Event Maintenance screen, you must also:

- Define the message types and message formats to be available for the module
- For each module, associate the appropriate message type to be generated at the occurrence of each diary event. You can do this in the Diary Event Messages screen, discussed later in this chapter.

In the Diary Event Maintenance screen, you must first specify the module to which the diary events you are defining, will apply.

**Diary Event Maintenance**

Module:   Loans and Deposits

Events | Message Fields

**Events**

Event	Event Description	Occurrence	User Group	Internal Event
LDPT	Loans External Payment Tracking	Once	ACCOUNTS	<input type="checkbox"/>
LDIN	Loans Internal Account Tracking	Once	TREASURY	<input checked="" type="checkbox"/>
LDDC	Loans Internal Document Tracking	Multiple		<input checked="" type="checkbox"/>
LDFT	Loans External Fee Tracking	Multiple		<input type="checkbox"/>
LDIM	Loans External Multiple Tracking	Multiple		<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

**Messages**

Message Type	Description
LDAMDADV	Contract Amendment Advice
LD_CONT_ADV	Contract Advice
ADHOC_FEE_ADV	Adhoc Fee Advice

Maker Id: SURAJ Maker Dt Stamp: 31/03/2006 11:48:16 Checker Id: SURAJA Checker Dt Stamp: 31/03/2006 11:48:46 Mod No: 2 Status: ☒ Open ☒ Authorised

In the Events section of this screen, specify the following:

### Event

Define the diary event that is to be applicable for contracts in the selected module.

### Event Description

Give the event a description.

### Occurrence

Specify whether the event occurs once or multiple times in the life cycle of a contract.

### User Group

Select the user group to which the message should be sent out, from the option list provided. The option list includes all user groups you have maintained in the User Group Maintenance screen.

### Internal Event

Check this box to indicate the event is an internal one.

In the Messages section of this screen, specify the following:

### Message Type

Specify the type of message to be generated for the module.

### Description

Give the message type a description.

## 3.3 Maintaining Message Types for a Module

You can maintain the message types that are to be available for generation at the occurrence of a diary event, for each loan syndication module, in the Diary Event Maintenance screen.

The screenshot displays the 'Diary Event Maintenance' window. At the top, the 'Module' is set to 'LD' (Loans and Deposits). The 'Events' tab is selected, and the 'Message Fields' sub-tab is active. The 'Field Tags' section shows a list of 30 field tags, each with a corresponding description. The 'User Defined Fields' section at the bottom allows for custom field definitions, including Field No, Tag Name, Tag Datatype, and Tag Date Format. The bottom status bar shows the user 'SURAJ', the date '31/03/2006 11:48:16', and the status 'Open' and 'Authorised'.

Field Tag	Description
Field tag 1	Borrower Name
Field tag 2	Address
Field tag 3	City
Field tag 4	Country
Field tag 5	Phone
Field tag 6	Document
Field tag 7	
Field tag 8	
Field tag 9	
Field tag 10	
Field tag 11	
Field tag 12	
Field tag 13	
Field tag 14	
Field tag 15	
Field tag 16	Document Date
Field tag 17	Applicaion
Field tag 18	Application Date
Field tag 19	Event Generation
Field tag 20	Event Diary Advice
Field tag 21	Event Date
Field tag 22	
Field tag 23	
Field tag 24	
Field tag 25	
Field tag 26	
Field tag 27	
Field tag 28	
Field tag 29	
Field tag 30	

Field No	Tag Name	Tag Datatype	Tag Date Format
1	Book Date	Date	DD/MM/YYYY
2	Value Date	Date	DD/MM/YYYY
3	Remarks	Character	

Maker Id: SURAJ, Maker Dt Stamp: 31/03/2006 11:48:16, Checker Id: SURAJA, Checker Dt Stamp: 31/03/2006 11:48:46, Mod No: 2, Status: Open, Authorised

When you make the appropriate message types available for each module in this manner, you can associate the available message type with the appropriate diary event applicable to a contract using the module, in the Diary Event Messages screen, discussed later in this chapter.

In the Messages section in the Events tab of the Diary Event Maintenance screen, you can specify the type of message that is to be available, along with a description of the message type.

You can also maintain the desired format for each of the message types that are available for a module, by specifying the appropriate field tags. Click on the Message Fields tab in the Diary Event Maintenance screen. You can specify up to 30 field tags.

### 3.3.1 Maintaining User-Defined Field Tags

You can maintain field tags for user-defined information, to be available for each loans module, in the Diary Event Maintenance screen. Up to 10 different such tags can be maintained in the User Defined Fields section in the Message Fields tab in the Diary Event Maintenance screen.

For each field tag, you must specify:

- A serial field number and tag name, which forms the identification for the user-defined field
- The type of data that can be entered in the user-defined field, as well as the date format, if it is a date type field

### 3.4 Associating Message Types to Events for a Module

After you have defined the diary events to be applicable for a module, and also made available the requisite message types (in the Diary Event Maintenance) you can associate the type message to be used to generate messages for each diary event, in the 'Diary Event Messages' screen.


To an event code, you can only associate a message type that has not been already mapped. The option list against the field 'Event' will include the external events that you have defined and maintained details for, in the Diary Event Maintenance screen.

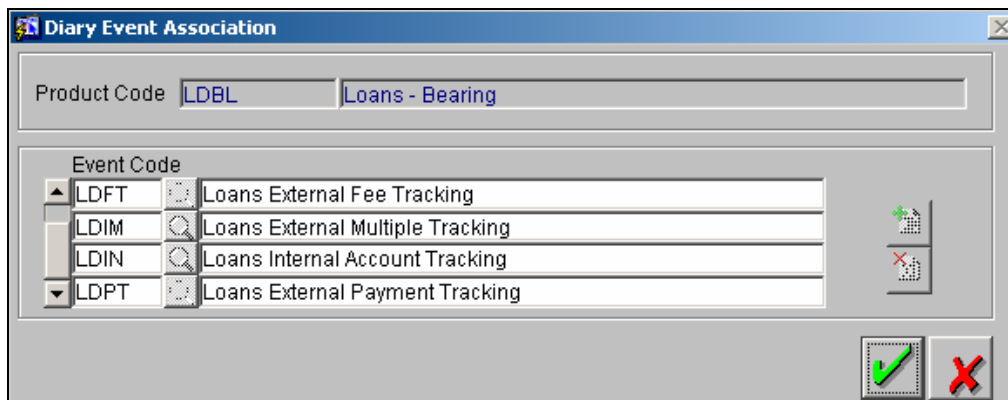
To invoke this screen, click on **L&D Maintenance** in the Application Browser, and then click on the option **Detailed** under **Diary Event Messages**.

The screenshot shows the 'Diary Event Messages' window. It has three input fields with dropdown menus: 'Module' set to 'LD' (Loans and Deposits), 'Event' set to 'LDPT' (Loans External Payment Tracking), and 'Message Type' set to 'LDAMDADV' (Contract Amendment Advice). Below these fields is a table with columns: 'Input By', 'DateTime', 'Auth By', 'DateTime', and 'Mod No'. The table contains one row of data: 'SURAJ', '31/03/2006 11:49:52', 'SURAJA', '31/03/2006 11:50:51', and '2'. To the right of the table are two checkboxes, 'Open' and 'Authorised', both of which are checked. There is also a small icon button to the right of the checkboxes.

Input By	DateTime	Auth By	DateTime	Mod No
SURAJ	31/03/2006 11:49:52	SURAJA	31/03/2006 11:50:51	2

### 3.4.1 Associating Diary Events

In the Diary Event Association screen, you can also specify the different diary events that would need to be processed for loan contracts using a product. Click  in the Loans/Deposits Product Definition screen to invoke the Diary Event Association screen.



Event Code	
LDFT	Loans External Fee Tracking
LDIM	Loans External Multiple Tracking
LDIN	Loans Internal Account Tracking
LDPT	Loans External Payment Tracking

In this screen, select the code of the diary event that you wish to associate with the product, in the Event Code field.

### 3.4.2 Specifying Diary Events for a Contract

For a loan contract, you can specify diary events to be processed. A diary event signifies occurrences (other than accounting entries being passed) in the life cycle of a contract, at which appropriate messages would need to be generated.


The details for processing diary events are defined in the Diary Event Maintenance, where the appropriate message types, formats, tags and user-defined fields are maintained. When you maintain products for borrower contracts, you also associate the diary events to be applicable to contracts using the products.

To specify the details of processing diary events for a borrower contract, you can use the Contract Diary Event screen. To invoke this screen, click on L&D Operations, and then click on the option Detailed under Contract Diary Events.


In this screen, you must select the reference number of the contract for which you want to define events. The details of the selected contract appear on the screen. You must also indicate the code of the event which you wish to be processed for the contract, in the Event Code field. The option list in this field consists of diary events defined for the product that the selected contract uses. If you select an internal event, the box 'Internal Event' will be checked.

### 3.4.2.1 If the Event is an Internal Event

If the event you select is an Internal Event (if you have checked the box 'Internal Event' in the Diary Event Maintenance screen):

- Only the tab 'Main' will be enabled. The tabs 'Field Tags', 'UDFs' and 'Receiver', will be disabled
- The button  will not appear in the screen

The Contract Diary Event screen will appear as follows:



You define the following details for each internal diary event that you associate for a contract in this screen. In the 'Main' tab, specify the following details:

#### Frequency

You must define the frequency at which the specified diary event must be processed for the selected contract - Daily, Monthly, Quarterly, Half-yearly, Yearly and Bullet.

If the selected event can only occur once, as specified in the Event Maintenance, the frequency is defaulted to 'Bullet' and cannot be changed.

#### Frequency Unit

You can specify the units in which the specified frequency will be reckoned, that is, the factor by which the frequency must be multiplied to arrive at the final diary event frequency.

If the event can only occur once, as specified in the Event Maintenance, the frequency is defaulted to 'Bullet' and cannot be changed, and the frequency unit can only be specified as '1'.

### **Start and end dates**

The start date is the date on which the specified diary event would be processed for the first time in the life cycle of the selected contract. For events with multiple occurrences (as specified in the Event Maintenance), based on the frequency, the event would be repeated as many times as possible, till the end date that you define in this screen.

Note: If you select the Frequency Unit as 'Bullet', the field End Date will be disabled.

The end date is the date beyond which the selected diary event will not be processed again for the selected contract. For events with multiple occurrences, as specified in the Event Maintenance, you can specify an appropriate end date which is later than the start date.

If the event can only occur once, as specified in the Event Maintenance, the end date is the same as the start date and cannot be changed.

### **Number of events**

You can specify the number of times the specified diary event must be repeated, for the selected contract. For events with multiple occurrences (as specified in the Event Maintenance), based on the frequency, the event would be repeated as many times as specified in this field, before the end date that you define in this screen.

If the event can only occur once, as specified in the Event Maintenance, this field will be blank and disabled.

### **Message**

If you have marked the event for which you are entering details here as an internal event by checking the box 'Internal Event' in the Diary Event Maintenance screen, you will be able to enter a message here in the space provided. This message will serve as an internal reminder.



### 3.4.2.2 If the Event is not an Internal Event

If the event you have selected is not an internal event, the Contract Diary Event screen will appear as follows:

**STOP** All the tabs will be enabled in this screen. The section 'Message' in the 'Main' tab will be disabled.

#### Main tab

In the tab 'Main', all fields will be enabled and are as explained in the previous section.

To enter a message which is to be sent to multiple borrowers, click the **Borrower FFT MSG** button. The Free Format Messages – Multiple Borrowers screen is invoked.

**STOP** When you click the **Borrower FFT MSG** to enter a message which is to be sent to borrowers, **ProRata TAG Values** button in the Free Format Message – Multiple Borrowers screen will not be enabled.

For further information on the Free Format Messages – Multiple Borrowers screen, refer to the section 'Free Format Messages for Loan Syndication Contracts' in this chapter.

## Field Tags tab

**Contract Diary Event [ 0000000 ]**

Contract Ref No: CL2LDB1060900007 User Ref No: LOANS-003 User Seq No: Diary Seq. No: 128

Template: Diary Event: LDPT Loans External Payment Tracking ☐ Internal Event

Main | **Field Tags** | UDFs | Receiver

**Field Tags**

Borrower Name	0000000	Document Date	31-MAR-2006
Address	North Lane	Applicaion	LOANS-003
City	Texas	Application Date	31-MAR-2006
Country	United States	Event Generation	ZDAD
Phone	001-00-7738488585	Event Diary Advice	LDPT
Document	LDPT/LOANS-003/128	Event Date	31-MAR-2006

Input By: SURAJ DateTime: 31/03/2006 15:15:32 Auth By: SURAJA DateTime: 31/03/2006 15:16:26 Mod No: ☐ Open ☒ Authorised

The field tags maintained in the Diary Event Maintenance for the module are displayed in the Details tab and you can specify appropriate values for these tags, up to a maximum of 35 alphanumeric characters.

## UDFs tab

**Contract Diary Event [ 0000000 ]**

Contract Ref No: CL2LDB1060900007 User Ref No: LOANS-003 User Seq No: Diary Seq. No: 128

Template: Diary Event: LDPT Loans External Payment Tracking ☐ Internal Event

Main | Field Tags | **UDFs** | Receiver

**Narrative**

Narrative 1	Loans External Payment Tracking
Narrative 2	LDPT - External Diary Event
Narrative 3	Loans-003/128
Narrative 4	
Narrative 5	

**User Defined Fields**

1.Book Date	
2.Value Date	
3.Remarks	

Input By: SURAJ DateTime: 31/03/2006 15:15:32 Auth By: SURAJA DateTime: 31/03/2006 15:16:26 Mod No: ☐ Open ☒ Authorised

You can also specify appropriate narratives, if required, for the selected diary event that you have specified for the selected contract. You can also enter information in the UDFs displayed here.

## Receiver tab

You must specify the customer who would be the recipient of the messages, as well as the entities for the recipient customer (with one primary entity). You can specify the recipient customer details in the Receiver tab. These details will be defaulted in the 'Receiver' tab of the Customer Diary Status screen.

### 3.4.3 Generating Messages for Diary Events

After you have identified the diary events to be processed for a syndication contract, you can generate messages for diary events in the Contract Diary Status screen. To invoke this screen, click on L&D Operations in the Application Browser, and then click on the option 'Detailed' under Diary Event Status.

In this screen, enter the following details:

- Contract Reference Number
- Event
- Effective Date on which the changes will come into effect for the contract

The system will display the User Reference Number, Sequence Number and Sub-Sequence Number. The system will also display the status of the event; whether or not it has been processed for the contract as until the application date.



If the status of an event is 'Unprocessed' and you want to process the same, you will have to first 'Unlock' the record, and then change the status to 'Processed'. Once you have changed the status, check the box 'Gen Msg' and save the record. When the record is authorized, the event will be processed and a message generated.

Note: If the event you select is an Internal Event (if you have checked the box 'Internal Event' in the Diary Event Maintenance screen):

- The box 'Internal Event' will be checked
- Only the tab 'Message' will be enabled. The tabs 'Field Tags', 'UDFs' and 'Receiver', will be disabled
- When you click the **Message Preview** button, no screen will be invoked.

### 3.4.3.1 If the Event is an Internal Event

If the event you have selected is an internal event, the Contract Diary Status screen will appear as follows:

The screenshot shows the 'Contract Diary Status' window with the following details:

- Contract Ref No:** CL2LDB1060900007
- User Ref No:** LOANS-003
- Diary Seq. No.:** 135
- Event:** LDIN (Loans Internal Account Tracking)
- Effective Date:** 31-MAR-2006
- Status:** Unprocessed
- Internal Event:** ☒ (checked)
- Generate Message?:** ☐ (unchecked)
- Diary Sub Seq. No.:** 1
- Message Preview:** Button
- Tabs:** Field Tags, UDFs, Receiver, **Message** (active)
- Message Content:** No part of this work may be reproduced, stored in a retrieval system, adopted or transmitted in any form or by any means electronic, mechanical, photographic, graphic, optic recording, or otherwise, translated in any language or computer language.
- Footer Table:**

Input By	DateTime	Auth By	DateTime	Mod No	Open	Authorised
SURAJ	31/03/2006 18:45:43	SURAJA	31/03/2006 00:00:00		<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

#### Messages tab

This tab is enabled only if the event is an internal one (if, for the event, you have checked the box 'Internal Event' in the 'Diary Event Maintenance' screen).

You will be able to view the message you have entered in the Contract Diary Event screen. This message will be treated as an internal reminder. You will not be able to make changes to the message.

### 3.4.3.2 If the Event is not an Internal Event

If the event you have selected is not an internal event, the Contract Diary Status screen will appear as follows:

The screenshot shows the 'Contract Diary Status' window for contract 0000000. The 'Event' is 'LDPT - Loans External Payment Tracking', which is not an internal event. The 'Effective Date' is 31-MAR-2006, and the 'Status' is 'Processed'. The 'Generate Message?' checkbox is checked. The 'Message' tab is selected, showing a 'Borrower FFT MSG' and a 'Message Preview' button. The 'Field Tags' tab is also visible, showing borrower details like name, address, city, country, phone, and document ID. The 'UDFs' and 'Receiver' tabs are also visible but disabled. The bottom status bar shows the user 'SURAJ' and the date/time '31/03/2006 17:00:06'.

Contract Ref No	User Ref No	Diary Seq. No.
CL2LDB1060900007	LOANS-003	128

Event	Diary Sub Seq. No.
LDPT - Loans External Payment Tracking	1

Effective Date	Status	Generate Message?
31-MAR-2006	Processed	<input checked="" type="checkbox"/>

Field Tags	UDFs	Receiver	Message
<div><div>Borrower Name</div><div>Address</div><div>City</div><div>Country</div><div>Phone</div><div>Document</div></div> <div><div>0000000</div><div>North Lane</div><div>Texas</div><div>United States</div><div>001-00-7738489585</div><div>LDPT/LOANS-003/128</div></div>			<div><div>Borrower FFT MSG</div><div>Message Preview</div></div>

Document Date	Application	Application Date	Event Generation	Event Diary Advice	Event Date
31-MAR-2006	LOANS-003	31-MAR-2006	ZDAD	LDPT	31-MAR-2006

Input By	Date/Time	Auth By	Date/Time	Mod No	Open	Authorised
SURAJ	31/03/2006 17:00:06	SURAJA	31/03/2006 17:15:00	1	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

**STOP** The tabs 'Field Tags', 'UDFs' and 'Receiver' will be enabled. The tab 'Message' will be disabled.

#### Field Tags tab

The field tags that you have entered through the Contract Diary Event screen will be displayed here. You will not be able to make any changes to the same.

## UDFs tab

Contract Diary Status [ 0000000 ]																									
Contract Ref No		CL2LDB1060900007		User Ref No		LOANS-003		Diary Seq. No.		128															
Event		LDPT		Loans External Payment Tracking		Diary Sub Seq. No.		1																	
Effective Date		31-MAR-2006		<input type="checkbox"/> Internal Event						<div style="border: 1px solid black; padding: 5px; text-align: center;">           Borrower FFT MSG            Message Preview         </div>															
Status		Processed		<input checked="" type="checkbox"/> Generate Message?																					
<div style="border: 1px solid black; padding: 5px;"> <div style="display: flex; justify-content: space-between; border-bottom: 1px solid black; margin-bottom: 5px;"> <span>Field Tags</span> <span>UDFs</span> <span>Receiver</span> <span>Message</span> </div> <div style="display: flex;"> <div style="width: 15%; color: #4F81BD; font-weight: bold; margin-bottom: 5px;">Narrative</div> <div style="width: 85%;"> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 15%;">Narrative 1</td><td>Loans External Payment Tracking</td></tr> <tr><td>Narrative 2</td><td>LDPT - External Diary Event</td></tr> <tr><td>Narrative 3</td><td>Loans-003/128</td></tr> <tr><td>Narrative 4</td><td></td></tr> <tr><td>Narrative 5</td><td></td></tr> </table> </div> </div> </div>												Narrative 1	Loans External Payment Tracking	Narrative 2	LDPT - External Diary Event	Narrative 3	Loans-003/128	Narrative 4		Narrative 5					
Narrative 1	Loans External Payment Tracking																								
Narrative 2	LDPT - External Diary Event																								
Narrative 3	Loans-003/128																								
Narrative 4																									
Narrative 5																									
<div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <div style="color: #4F81BD; font-weight: bold; margin-bottom: 5px;">User Defined Fields</div> <table style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 15%;">1.Book Date</td><td>31/03/2006</td></tr> <tr><td>2.Value Date</td><td>31/03/2006</td></tr> <tr><td>3.Remarks</td><td>LOANS-003/LDPT/128</td></tr> </table> </div>												1.Book Date	31/03/2006	2.Value Date	31/03/2006	3.Remarks	LOANS-003/LDPT/128								
1.Book Date	31/03/2006																								
2.Value Date	31/03/2006																								
3.Remarks	LOANS-003/LDPT/128																								
<div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Input By</th> <th style="width: 20%;">DateTime</th> <th style="width: 15%;">Auth By</th> <th style="width: 20%;">DateTime</th> <th style="width: 10%;">Mod No</th> <th style="width: 10%;"></th> <th style="width: 10%;"></th> </tr> </thead> <tbody> <tr> <td>SURAJ</td> <td>31/03/2006 17:00:06</td> <td>SURAJA</td> <td>31/03/2006 17:15:00</td> <td>3</td> <td><input checked="" type="checkbox"/> Open</td> <td><input checked="" type="checkbox"/> Authorised</td> </tr> </tbody> </table> </div>												Input By	DateTime	Auth By	DateTime	Mod No			SURAJ	31/03/2006 17:00:06	SURAJA	31/03/2006 17:15:00	3	<input checked="" type="checkbox"/> Open	<input checked="" type="checkbox"/> Authorised
Input By	DateTime	Auth By	DateTime	Mod No																					
SURAJ	31/03/2006 17:00:06	SURAJA	31/03/2006 17:15:00	3	<input checked="" type="checkbox"/> Open	<input checked="" type="checkbox"/> Authorised																			

The narratives that you have maintained through the Contract Diary Event screen will be displayed here. You will not be able to make any changes to the same. You can, however, enter information in the UDFs displayed here.

### Receiver tab

Contract Diary Status [ 0000000 ]																																																					
Contract Ref No		CL2LDB1060900007		User Ref No		LOANS-003		Diary Seq. No		128																																											
Event		LDPT		Loans External Payment Tracking				Diary Sub Seq. No		1																																											
Effective Date		31-MAR-2006		<input type="checkbox"/> Internal Event																																																	
Status		Processed		<input checked="" type="checkbox"/> Generate Message?																																																	
<div style="border: 1px solid black; padding: 5px; display: inline-block;">           Borrower FFT MSG            Message Preview         </div>																																																					
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The recipients of the message that you have specified in the Contract Diary Event screen will be displayed here. You can make changes to the same.

When you click the **Borrower FFT MSG** button, the Free Format Messages – Multiple Borrowers screen is invoked. You would have entered the details of the free format message to be sent to multiple borrowers involved in the contract, by invoking this screen through the Contract Diary Event screen. You will be able to view these details in the screen. You will be allowed to make changes to the TAG values only.

For further information on the Free Format – Multiple Borrowers screen, refer to the section Free Format Messages to Multiple Borrowers in this User Manual.

### 3.5 **Maintaining Market Price Details**

You can maintain current market price ratings for all CUSIPs involved in trade, which can be used for the revaluation of the positions associated with the CUSIP.

You can capture the market price details for CUSIPs in 'Market Price Maintenance' screen. To invoke this screen from the Application Browser, select **Loan & Commitment Maintenance** and then the **Detailed** option under **Price Maintenance**.

The screenshot shows the 'Market Price Maintenance' window. It contains a table with the following data:

CUSIP/ISIN	Market Price	Source
AR1	98.00	
C1	96.00	
C12	96.00	
C3	98.00	
HAMPER	101.00	EOPL

Below the table, there are fields for 'Input By' (RESHMAB), 'Date Time' (28/12/2004 08:39:35), 'Auth By' (BRESHMA), 'Date Time' (28/12/2004 08:43:22), and 'Mod No' (3). There are also checkboxes for 'Open' and 'Authorized', both of which are checked. A small icon of a computer monitor is visible in the bottom right corner of the window.

The following details are displayed in this screen:

#### **CUSIP/ISIN**

Specify the CUSIP for which you need to maintain the market price details.

#### **Market Price**

Specify the market price associated with a CUSIP.

#### **Source**

Specify the source from where the market price for the CUSIP was obtained.



Note the following:



- If the market price gets revised, the old value is retained in the history.
- You can maintain only one market price along with the source of the price, for a CUSIP.
- If you enable and process the market price upload, then the price uploaded by Hamper will also be displayed.

## **3.6 Free Format Messages for Loan Contracts**

You can enable the system to generate free format messages with respect to loan contracts, by using either of the following options:

- Selecting a template containing pre-defined contract tags for the message
- Specifying free format text, choosing from pre-defined tags defined for the loans module

You can generate free format for multiple borrowers.

### **3.6.1 Free Format Messages to Multiple Borrowers**

You can enable the system to generate a normal advice, as well as custom messages to borrowers through the Free Format – Multiple Borrowers screen.

To invoke this screen, click on Messaging Maintenance in the Application Browser, and then click on the option Borrower under LS/LD – Free Format Messages.

### 3.6.1.1 If the Message Type is 'Normal'

If you select the option 'Normal' against the field 'Message Type', the screen will appear as follows:

**Free Format Messages - Multiple Borrowers**

**Message Details**

FFMT Reference No.  Counterparty  ☐ Hold

Module  Name

Contract Ref. No.  Industry Code

Receiver

**Borrower Details**

Borrower	Borrower Name	Send Message?
BOROW01	BOROW01	<input checked="" type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>

**Entity Details for Borrower - BOROW01**

Entity	Entity Name	Media	Send Message?
ADM-UK	Administration	MAIL	<input checked="" type="checkbox"/>
ADM-US	Administration	MAIL	<input checked="" type="checkbox"/>
FIN-UK	Finance	MAIL	<input checked="" type="checkbox"/>

Import File  ☒ Client ☐ Server

Message Type ☐ Normal ☒ Custom    Template Code

Related Event

**Message**

#B

Date: \_PAYOFF-DATE\_

TO:

**Payoff Notice Component**

Input By	Date time	Auth By	Date time
JSACHIN	15/02/2005 13:02:00	SACHINJ	15/02/2005 13:03:06

☒ Authorized

The  button will be disabled for a 'Normal' message.

Specify the following details in this screen:

**FFMT Reference No.**

This is a unique reference number generated by the system for this free format message.

**Contract Ref. No.**

Select the reference number of the contract from the option list.

**Name**

The name of the customer will be displayed when you select the Reference Number.

**Counterparty**

When you select the contract reference number, the counterparty of the contract will be displayed.

**Media**

Indicate the media through which the free format message should be transmitted. The media through which you can channel a free format message depends on the media types that you have maintained for your branch in the Media Maintenance screen. You can choose a media code from the option list that is available.

**Indicating the recipient of the message**

Select the recipient of the message. If you select the option 'NONE', the message will not be sent to anyone. If you select the option 'ENTITY', you will be able to select the entities to which the message should be sent. If you select the option 'ENTITY TYPE', you will be able to select the entity types to which the message should be sent.


**Hold**

Check this box to indicate the free format message should be placed on hold. Leave it unchecked to indicate that it can be generated.

If you have indicated that messages should be generated on-line the free format message will be displayed in the Outgoing Message Browser once it is saved. You can generate it from the Browser. If you indicate that the message should be put on hold, you will first have to release the message before you generate it from the Outgoing Browser.

**Import File**

Indicate the source of the file you want to import. A format file can be imported from an area either on the server or the client.

Select the appropriate option. After you indicate the source of the file, enter the full path to the file containing the format you want to import. Thereafter, click the  button. The file containing the format of the message will be displayed on the screen.

## Borrower Details

Select the borrower to whom you would like to send the message. When you enter the contract reference number, the borrowers linked to the contract will be included in the option list. To indicate you want to send a message to a borrower, check the box 'Message' places along the required borrower.

## Specifying Entity details for a borrower

As mentioned above, the borrowers linked to the contract number you select, are displayed. To specify the entities of the borrower who are to be sent the message, highlight the borrower. If you have selected the option 'ENTITY' against the field 'Receiver', the option list invoked will include all the entities linked to the borrower.

- If you have selected the option 'ENTITY TYPE' against the field 'Receiver', the option list invoked will include all entity types linked to the borrower.

To indicate an entity is the primary entity, check the box 'Primary'. To send a message to an entity, check the box 'Message'.

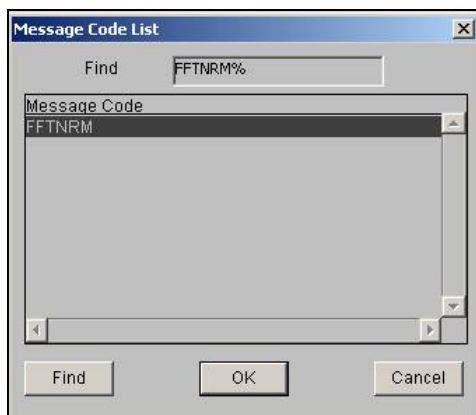
## Message

You can enter the free format message to be sent to the recipient in this section. You have the option of using one of the templates that you have maintained in the Message Format Template Maintenance screen.


To do this, right-click in the screen. The following two choices will appear:



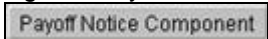
Select the option 'Template'.



You can select the template you would like to use. The same will be displayed in the box. You can make changes to the template here.

 Although you are allowed to make changes to the template being used in the message, these changes will not affect the template itself. You can make changes to a template through the Message Format Template Maintenance screen alone.

### 3.6.1.2 Maintaining the Payoff Notice Components

You can maintain the message components for Payoff Notice using the 'Payoff Notice Components' screen. You can invoke this screen by clicking the  button in the 'Free Format Messages – Multiple Borrowers' screen.




In this screen, system displays the following components that can be included in the Payoff Notice:

- Escrow1
- Escrow 2
- Escrow 3
- Escrow 6
- Special Penalty
- Prepayment Premium
- Statement Fee

By default, all the Payoff Notice components are checked. However, you can uncheck any component that you wish to exclude from the notice. The unchecked components are shown in the Payoff Notice with zero value.

System displays the UDF maintained in 'Payoff Fee' field for a loan or drawdown contract as the statement fee. This fee is always displayed in the Payoff Notice, independent of whether the fee is paid or not. However, you can edit the Payoff Fee (Statement Fee) amount during the Notice generation stage. If you input a value during the Notice generation stage, then system does not pick the value defined in the contract level UDF for this Fee in the Notice. If the fee needs to be waived, then you can input the value as Zero during the Notice generation stage.

 Note the following:

- For Payoff Notice, you should maintain the value of 'Notice Type' UDF as 'Payoff' in the 'Message Format Template Maintenance' screen.
- Only current dated and future dated Payoff Notice generation is allowed.
- Based on the specified bill date during message generation, payment projection details are provided in the Payoff Notice for loan and drawdown contracts.

### 3.6.1.3 Specifying Billing Date

You can specify the billing date in the 'Billing Date' screen. You can invoke this screen by clicking the 'Message Preview' or 'Generate' button in the 'Free Format Messages – Multiple Borrowers' screen.



The screenshot shows a dialog box titled "BILLING DATE". It has three input fields: "Billing Date", "Principal Amount", and "Property Code". Below the "Property Code" field is a magnifying glass icon. At the bottom, there are two checkboxes: "Prepayment" and "Full Payment". To the right of these checkboxes are two buttons: one with a green checkmark and one with a red X.

Specify the following details:

#### Billing Date

Specify the date on which the free format message needs to be generated.

#### Property Code

Select the property code during Payment Notice message generation from the adjoining option list. This list displays only those property codes that are linked to the loan/drawdown selected.

This option list is enabled only if the value of 'Property Selection Required' UDF is 'Yes'. Otherwise, this option list is disabled.

The following UDFs in the 'Message Format Template Maintenance' screen are used for message generation based on the predefined parameters by the user:

UDF	Values
Property Selection Required	Yes/No
Notice Type	Payoff/Payment/Null

If the value of 'Property Selection Required' UDF is 'Yes', then system does the following:

- The 'Property Code' option list is enabled in the 'Free Format Messages - Multiple Borrowers' screen and property related details are shown in the notice.

- If the loan/drawdown is linked to the property and you do not select the 'Property Code' in the 'Free Format Messages - Multiple Borrowers' screen, then system displays an appropriate error message.
- If the loan/drawdown is not linked to any property, then system does not allow message generation and gives an appropriate error message.

If the value of 'Property Selection Required' UDF is 'No', then system does the following:

- The 'Property Code' option list is disabled during message generation and system shows all the properties linked to the loan/drawdown in the notice.
- If the loan/drawdown is not linked to any property, system does not allow message generation and gives an appropriate error message.

The event 'PNTC' is used as a related event to generate the Payment Notice and Payoff Notice for loans and drawdowns. The event 'ZFMG' (Free Format Messaging) is triggered at the contract level for processing free format messages.

The following points on Payment Notice are noteworthy:

- Payment Notice is a free format message generated manually, prior to the component due date. You should maintain a template for Payment Notice using 'Message Format Template Maintenance' screen.
- If only one property detail is required in the message, then you should maintain the value of 'Property Selection Required' UDF as 'Yes'. During message generation, you should select the property code that needs to be displayed in the message.
- For Payment Notice, you should maintain the value of 'Notice Type' UDF as 'Payment' in the 'Message Format Template Maintenance' screen. On selecting the Payment Notice free format template, you can define values for user input fields.
- On clicking the 'Message Preview' or 'Generate' button, you can define the property code linked to the loan, date on which the free format message needs to be generated in the 'Billing Date' screen.
- Only current dated and backdated dated payment notice generation will be allowed.
- Based on the value defined for the UDF 'Escrow Type' at the interest class level, the escrow impounding components are identified.

Escrow Type	Component
ESC1	Tax escrow component
ESC2	Insurance escrow component
ESC3	Other escrow components

- If there are multiple escrow components with same 'Escrow Type', then the balance of each component is added to arrive at the escrow balance.

While generating free format messages for borrower or participant drawdown contracts, if the UDF value for 'COMPONENT-TYPE' at interest class level is 'SERVICER-FEE' for payment or rollover notices, then system does the following:

- System displays the servicer fee (interest component) details along with main interest component will in the notices.
- The total interest due for borrower message is the sum of main interest due and servicer fee amount due.
- Total interest due for participant message is the actual main interest due excluding servicer fee amount due.

### 3.6.1.4 If the Message Type is 'Custom'

If you select the option 'Custom' against the field 'Message Type', the screen will appear as follows:

**Free Format Messages - Multiple Borrowers**

**Message Details**

FFMT Reference No.  Counterparty  ☐ Hold

Module  Name

Contract Ref. No.  Industry Code

Receiver

**Borrower Details**

Borrower	Borrower Name	Send Message?
BOROW01	BOROW01	<input checked="" type="checkbox"/> TAGS
		<input type="checkbox"/> TAGS
		<input type="checkbox"/> TAGS
		<input type="checkbox"/> TAGS
		<input type="checkbox"/> TAGS
		<input type="checkbox"/> TAGS
		<input type="checkbox"/> TAGS
		<input type="checkbox"/> TAGS
		<input type="checkbox"/> TAGS
		<input type="checkbox"/> TAGS

**Entity Details for Borrower - BOROW01**

Entity	Entity Name	Media	Primary	Send Message?
ADM-UK	Administration	MAIL	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
ADM-US	Administration	MAIL	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
FIN-UK	Finance	MAIL	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Import File  ☒ Client ☐ Server

**Message Type**

☐ Normal ☒ Custom    Template Code

**MAIL** **SWIFT** **TELEX** Related Event

**Message**

#B

Date: \_PAYOFF-DATE\_

TO:

Input By  Date time  Auth By  Date time  ☒ Authorized

**Payoff Notice Component**

You will need to enter the details as described in the previous section.



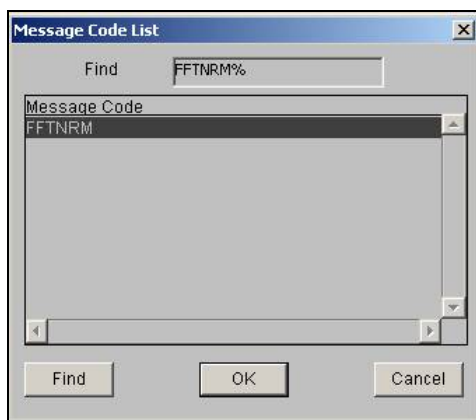
## Message

You can enter the free format message to be sent to the recipient in this section. You have the option of using one of the templates that you have maintained in the Message Format Template Maintenance screen.

Right-click on the screen for the following two choices will appear:



Select the option 'Template'.



You can select the template you would like to use. The same will be displayed in the box. You can make changes to the template here.

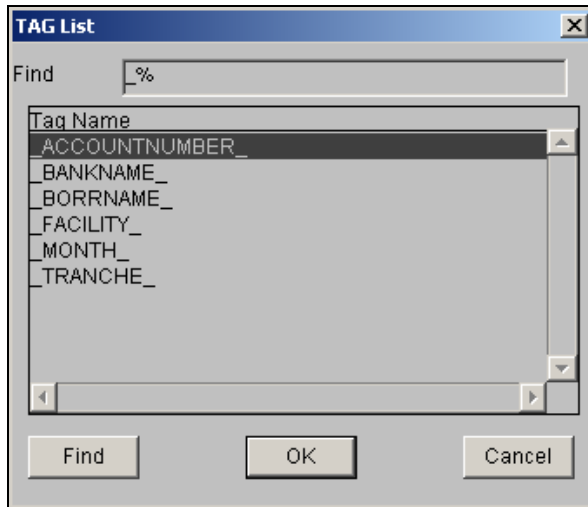


Although you are allowed to make changes to the template being used in the message, these changes will not affect the template itself. You can make changes to a template through the Message Format Template Maintenance screen alone.

If you choose to specify free format text for the messages, and choose from a list of pre-defined loan syndication module tags, right-click on the screen. The following two choices will appear:



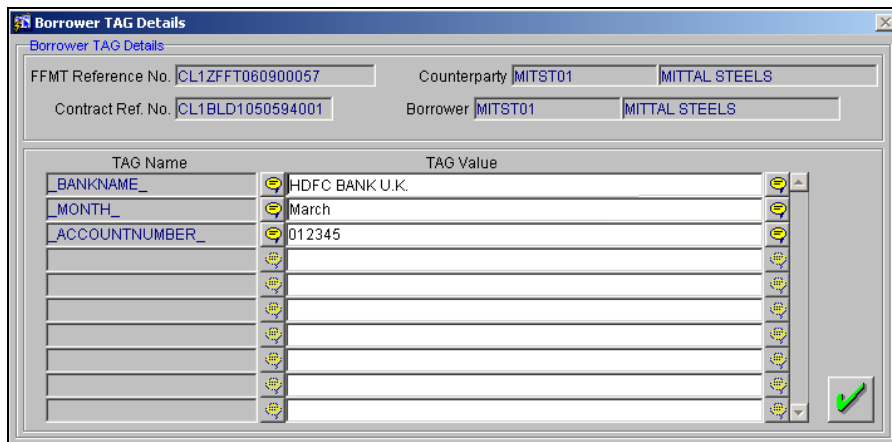
Select the option 'TAGS'. The TAG List screen is invoked where you can view a list of tags and select the required ones.



The 'TAG List' dialog box features a 'Find' field at the top with a '%' symbol. Below it is a list box titled 'Tag Name' containing the following items: ACCOUNTNUMBER\_, BANKNAME\_, BORRNAME\_, FACILITY\_, MONTH\_, and TRANCHE\_. At the bottom of the dialog are three buttons: 'Find', 'OK', and 'Cancel'.

- When you select one of the tags, it is added at the current position of the cursor in the message body under the section 'Message'

If you select the option 'Custom', the **TAGS** button will be enabled. When you click this button the 'Borrower TAG Details' screen is invoked, where you can enter the values for the tags that you have already selected from the TAG List screen.



The 'Borrower TAG Details' dialog box contains several input fields at the top: 'FFMT Reference No.' (CL1ZFFT060900057), 'Counterparty' (MITST01), 'Contract Ref. No.' (CL1BLD1050594001), and 'Borrower' (MITST01). Below these is a table with two columns: 'TAG Name' and 'TAG Value'. The table contains the following data:

TAG Name	TAG Value
BANKNAME_	HDFC BANK U.K.
MONTH_	March
ACCOUNTNUMBER_	012345

Each row in the table has a small icon to its right. A green checkmark icon is located at the bottom right of the dialog.

**STOP** Only those Tag IDs that you have defined for the Message Type 'Custom' in the Free Format Message Tags screen will be available for use.

When a free format message specification is authorized, the pre-defined event for free format messages (ZFFT) is triggered, for the contract.

The pre-defined tags available for the loan syndication modules are:

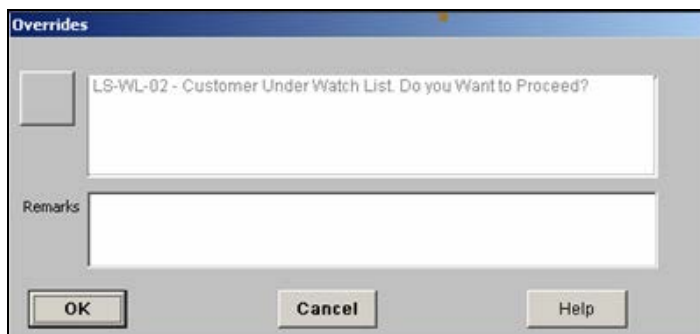
- '\_SYNREFNO\_': This tag denotes the facility reference number
- '\_TRREFNO\_': This tag denotes the tranche reference number, and is available only for draw down contracts

- ‘\_CREFNO\_’: This tag denotes the contract reference number
- ‘\_CAMT\_’: This tag denotes the contract amount
- ‘\_CCCY\_’: This tag denotes the contract currency
- ‘\_CDATE\_’: This tag represents the contract value date
- ‘\_DRDWNNO\_’: This tag represents the sequence number of the draw down. This tag is available only for draw down contracts
- ‘\_BRREFNO\_’: This tag denotes the borrower contract reference number
- ‘\_MONTHTAG\_’: This tag indicates the month for which the interest amount is being credited
- ‘\_ACNOTAG\_’: This tag indicates the interest amount being credited

### 3.6.2 Displaying Override Message for Watch List Customers

When you try to save or authorize the business events for the watch list customers, system displays an override message with the content of watch list remarks maintained at the customer level. The override message is displayed for the following events:

- New Loan
- Rollover (straight, increased, decreased)
- Prepayment
- VAMI
- Line linkage
- Commitment linkage



 Override message is applicable only for Loans module.

## 3.7 Maintaining Static Details for Insurance

You can maintain static details pertaining to insurance using the 'Insurance Maintenance' screen. Using this screen, you can capture insurance related field details for Loans and agency contracts. The maintenance can be done for loans, drawdown and participant contract while it will be restricted for loans commitment and tranche contracts. To invoke this screen from the **Application Browser**, select **L&D Interface** and the **Detailed** option under **Insurance Maintenance**.

The screenshot displays the 'Insurance Maintenance' window with the following fields and values:

- Contract Ref No: CT1BLD10436300RT
- External Ref No: CT1BLD10436300RT
- Insurance Type: Allied Insurance
- Policy Number: Policy001
- Insurance Company: WNC
- Property Code: PropertyDD1
- Escrow Type: Insurance Escrw
- Principal Bal: 10,000.00
- Insurance Seq No: 1
- Original Insurance Seq No:
- Flood Zone:

**Insurance Details**

- Insurance Agent: WNC
- Settlement Seq No:
- Effective Date: 28-DEC-2004
- Expiry Date: 31-DEC-2004
- Next Remit Date: 28-JUN-2005
- Billing Status: ESCROW
- Canc./Remove Binder Date:
- Premium Currency: USD
- Premium Amount: 5,000.00
- Pending Loss: ☐
- Force: ☐
- Blanket: ☐
- Policy Status:
- Cancellation Code:
- Paid off Date:
- Version No: 1
- Handoff Status: H

**Entry by:** APPU01 **Entry Time:** 31/12/2004 11:33:49 **Auth by:** APPU02 **Auth Time:** 31/12/2004 12:55:22 **Mod No:** 1

☒ Open ☒ Authorised

For details on Insurance Maintenance screen, refer section 'Maintaining Static Details for Insurance' in Chapter 'Reference Information for Loans Syndication' in Loans Syndication User Manual.

### 3.7.1 Insurance Expiry Notice

The Insurance Expiry Notice is generated as part of LD and LS batches in the End of Day batch for all active insurance records linked to loans and drawdown contracts respectively, based on the following UDF maintenance in the 'Static Maintenance' screen:

UDF Name	Type	Description
INSURANCE EXPIRY DAYS	Numeric	Calendar days prior to which system should generate Insurance Expiry Notice. If INSURANCE EXPIRY DAYS is 60, then system generates the Insurance Expiry Notice 60 days prior to the Insurance Expiry Date.

If 'INSURANCE EXPIRY DAYS' UDF is null, then system does not generate the Insurance Expiry Notice. The default value for 'INSURANCE EXPIRY DAYS' UDF is null. If the value of 'INSURANCE EXPIRY DAYS' UDF is zero, then system generates the Insurance Expiry Notice on the expiry date of the Insurance.

The Insurance Expiry Notice generation is purely based on the expiry date of the insurance maintained for the contract in the 'Insurance Maintenance' screen. This notice is generated at the property level. If a contract has multiple properties, then separate notices are generated for each property. If there are multiple insurance policies expiring on the same day for a property, then system generates only one advice containing details of all policies separated by comma in the message.

If the notice generation date is on a holiday, then system generates the notice on the previous business date. The advice format for this notice should be manually maintained and the format is common for loan/drawdown contract.

The Insurance Expiry Notice is generated during the execution of 'INNC' (Insurance Notice) event.

### **3.7.2 45 Day Flood Notice – Escrow and Non-Escrow**

The 45 Days Flood Notice is generated as part of LD and LS batches in the End of Day batch for all active insurance records linked to loans and drawdown contracts respectively, based on the following UDF maintenance in the 'Static Maintenance' screen:

UDF Name	Values	Description
FLOOD INSURANCE	Yes / No	To identify whether insurance is of type FLOOD. This should be Yes only for escrow type 2 (ESC2) and has to be operationally controlled.
FLOOD NOTICE DAYS	Numeric	If FLOOD INSURANCE is Yes, then based on calendar days maintained for 'FLOOD NOTICE DAYS' system should generate '45 Day Flood Notice' prior to Flood Insurance expiry date

If the value of 'FLOOD INSURANCE' UDF is 'N', then system does not generate the 45 Flood Notice – Escrow and Non- Escrow. If the value of 'FLOOD INSURANCE' UDF is 'Yes', then you should maintain the Flood Notice days (number of days prior to Flood Insurance expiry date when system will generate 45 days Flood Notice). The default value for 'FLOOD INSURANCE' is 'No'.

If the value of 'FLOOD NOTICE DAYS' UDF is null, then system does not generate 45 Day Flood Notice – Escrow and Non-Escrow. The default value for 'FLOOD NOTICE DAYS' is null. If the value of 'FLOOD NOTICE DAYS' is zero, then system generates the notice on the expiry date of the insurance.

The 45 Day Flood Notice – Escrow and Non-Escrow generation is purely based on the expiry date of the insurance maintained for the contract in the 'Insurance Maintenance' screen. This notice is generated at the property level. If a contract has multiple properties, then separate notices are generated for each property. If there are multiple insurance policies expiring on the same day for a property, then system generates only one advice containing details of all policies separated by comma in the message.

Based on the billing status (Monitoring/ Escrow) of Insurance, system generates '45 days flood notice escrow' or '45 days flood notice non-escrow' for insurance. That is, if the Billing Status is 'Monitoring', system generates non-escrow notice; otherwise system generates escrow notice.

If the notice generation date is on a holiday, then system generates the notice on the previous business date. The advice format for this notice should be manually maintained and the format is common for loan/drawdown contract.

The 45 Day Flood Notice – Escrow and Non Escrow is generated during the execution of 'INNC' (Insurance Notice) event.

### 3.8 Maintaining Static Details for Tax

You can maintain static details pertaining to tax using the Tax Maintenance' screen. Using this screen, you can capture tax related field details for Loans and agency contracts. The maintenance can be done for loans, drawdown and participant contract while it will be restricted for loans commitment and tranche contracts. To invoke this screen from the **Application Browser**, select **L&D Interface** and the **Detailed** option under **Tax Maintenance**.

The screenshot displays the 'Tax Maintenance' application window. It features several sections for data entry:

- Contract Information:** Fields for Contract Ref No, Tax Type, Property Code, and Parcel Number.
- Tax Details:** Includes Tax Authority ID, Current Tax Constant, Tax Amount Due, Billing Status, Vendor Name, Total Delinquent Amount, Prior Tax Currency (set to GBP), Prior Tax Amount, Last Bill Type, Last Bill Paid Date, Next Disbursement Date, Disbursement Frequency, Delinquent Status (checkbox), Version No (1), and Tax Seq No (1). A 'CHANGES' button is present.
- Additional Details:** Fields for Hit Code, Lien Seq. No., Borrower Payment Option, Tax Authority State, and Tax Authority County.
- User Authentication:** A table at the bottom for tracking entry and authorization.
 

Entry by	Entry Time	Auth by	Auth Time	Mod No	
BANU01	31/12/2004 09:09:21			1	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Authorised

A red 'X' icon is located in the bottom right corner of the window.

For details on Tax Maintenance screen, refer section 'Maintaining Static Details for Tax' in Chapter 'Reference Information for Loans Syndication' in Loans Syndication User Manual.

### 3.9 Maintaining Property Details

You can maintain property details for loan/drawdown contracts using the 'Property Maintenance' screen. To invoke this screen from the **Application Browser**, select **L&D Interface** and the **Detailed** option under **Property Maintenance**.

**Property Maintenance**

Contract Ref Number: CT2BCD1043661006

Property Code: STAT123

**Address/Location**

Property Name: XXX CHILD CARE

Property Type: Commercial Property

Street Number 1: 12

Street Name 1: FIRST CROSS

Street Number 2: 34

Street Name 2: 8th MAIN

Village: BANGALORE

City: BANGALORE

County: 027

State: 04

ZIP: 560092

**Management**

Property Manager: BIRLA

☒ Management Contact on Site

Management Percent Fee: 12

**General**

Measured In: Sq Feet

Gross SQ Feet: 2400

Primary Desc: CC

Common N.R.A: 200

Secondary Desc: CHILD CARE

Resident N.R.A: 100

Overall Condition: GOOD

LIEN Position: 1

Overall Rating: A

☒ Lease Hold

Loan Allocation: YES

☒ Owner Occupied

☒ Rent Control

☒ Photo on File

**Building Information**

Building Type: New

No. of Stories: 2

Acquisition Cost: 2500000.00

No. of Elevators: 0

Fuel Type: WWW

Construction Type: ZZZZ

Date of Construction: 10-JAN-2003

Heat Type: YYYY

Date of Acquisition: 10-JAN-2004

Elevator Type: XXXX

Last Renovation Date: 11-JAN-2005

☒ Air Conditioned

Input By: MCKY1  Datetime: 10/01/2005 10:16:26

Auth By: MCKY2  Datetime: 10/01/2005 10:18:10

Mod No: 1

☒ Open ☒ Authorized ☒ Once Auth

For details on Tax Maintenance screen, refer section 'Maintaining Property Details' in Chapter 'Reference Information for Loans Syndication' in Loans Syndication User Manual.

## 4. Defining Attributes Specific to Loan product

### 4.1 Introduction

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

You can create a loans product in the 'Loans and Deposits (LD) Product Definition' screen. Invoke this screen by selecting **Loan and Commitment Maintenance** section from the Application Browser. Thereafter, select **Product Definition** and then click on Detailed under it. In this screen, you can enter basic information relating to a loans product such as the Product Code, the Description, etc.

Input By	Date Time	Auth By	Date Time	Mod No	Open	Authorized
JIGAR01	28/12/2004 13:44:28	JIGAR02	28/12/2004 13:50:26	30	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

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 loans 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 loans product in the LD Product Definition Main screen and the Loans 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

#### **4.1.1 Specifying 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 loans product, you have to choose the 'Loans' option in the Product Type field. For instance you may want to create a loan product for HFS transfer.

#### **4.1.2 Creating a Commitment Product**


In the LD Product Definition screen, you can also define various types of commitments as products. A 'commitment' is a formal understanding between a bank and its customer that the bank is willing to advance a loan during a certain period in the future. A fee may be charged at the time of entering into this understanding. In order to process HFS transfers, you will have to set up a commitment product.

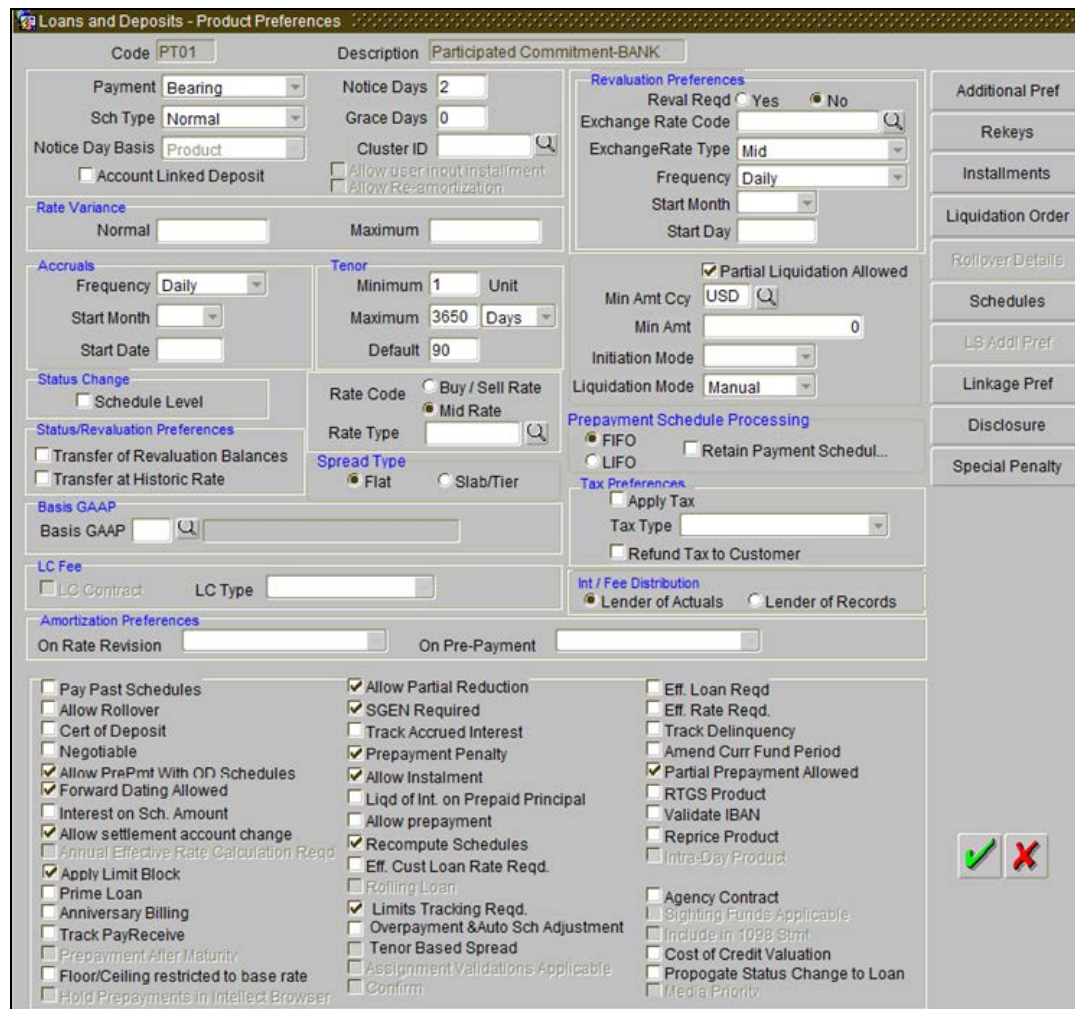
When a commitment is initiated, contingent entries are passed for the commitment amount. When a loan is disbursed against this commitment, the contingent entries are reversed and the loan-related entries are passed. However, these entries will be passed only if they are defined for the product.

A commitment may be linked to more than one loan, depending on the availability of funds.

## 4.2 Setting Product Preferences

The attributes specific to a loan product are defined in the 'Loans Product Preferences' screen.

You can invoke this screen from the LD Product Definition screen by clicking  icon.



'Preferences' are the options that are available for a loans product. The options you choose, ultimately, shape the product.

For example, you have the option of applying tax on a product or waiving it. If you specify that tax is applied on a product, a loan involving the product will inherit the attribute. However, you can change this while processing the loan.

### 4.2.1 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 loan.

#### **Bearing**

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

#### **Example**

You have advanced Mr. Brian Williams a loan of USD 10,000 under the scheme 'Short-term Loans for Individuals' at 10% interest for a year. Now, under the bearing type of interest payment method, the loan of USD 10,000 is advanced to Mr. Brian Williams and the interest on it is collected over a year, which is the tenor of the loan.

#### **Discounted**

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

#### **Example**

You have advanced Mr. Brian Williams a loan of USD 10,000 under the scheme 'Short-term Loans for Industries' at 10% interest for a year.

Under the discounted type of interest payment, the total interest (USD 1,000) calculated on USD 10,000, for the tenor of the loan, is deducted from the principal (USD 10,000) and only USD 9,000 is advanced.

#### **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 advanced Mr. Brian Williams a loan of USD 10,000 under the scheme 'Short-term Loans For Industries at 10%' interest for a year. Under the true discounted type of interest payment, the interest amount, in absolute terms is 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 disbursed (derived by the system) which is USD 9090.91.

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.

#### **Allow User Input Installment**

During contract maintenance, you can maintain the installment amount for an amortized contract only if this box checked at the product level. This box is enabled only for the schedule type 'Amortized'.

#### **Allow Re-amortization**

Check this box to indicate that re-amortization is allowed. This field will be enabled only if the Product schedule type is 'Amortized'.

### On Rate Revision

Select the appropriate value from the drop-down box. System displays the following values:

- I - Change Installment
- B - Change Bullet schedule

This field will be enabled only for Amortized products.

### On Prepayment

Select an appropriate value from the drop-down list. This field will be enabled only for Amortized products. The following values are displayed:

- Change Installment
- Change Bullet

System defaults 'Change Bullet' in this field.

## 4.2.2 Indicating the Schedule Type

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

### Amortized

Amortization is another term for Equated Installments. That is, the (main) interest is calculated for the term of the loan, clubbed with the principal and distributed into equal installments according to the frequency you specify - monthly, quarterly, etc.

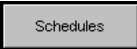
### Capitalized

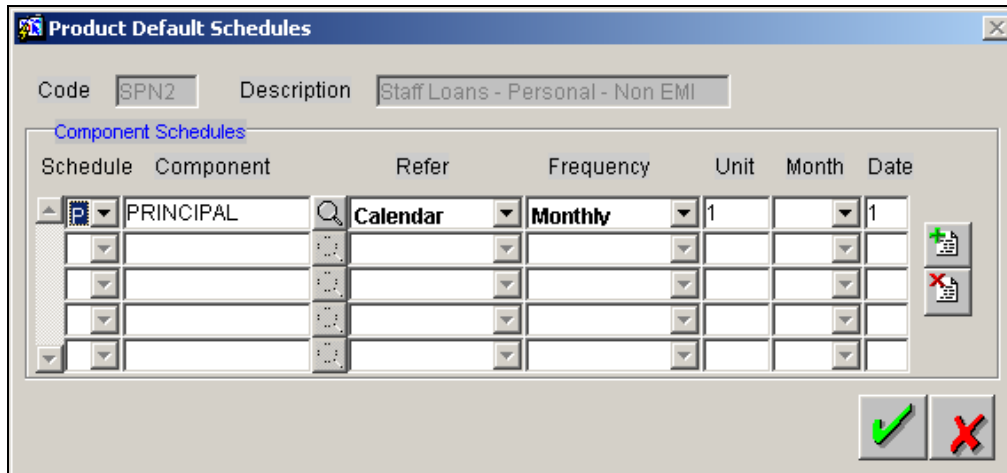
When you indicate capitalization for the schedules and define schedules for the various components of the loan (through the schedule definitions screens), if the repayments of principal or (main) interest are not made on a particular schedule date, they will be capitalized for the next schedule. If a 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).



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 the  button to invoke this screen.



The screenshot shows the 'Product Default Schedules' window. At the top, there are fields for 'Code' (SPN2) and 'Description' (Staff Loans - Personal - Non EMI). Below these is a section titled 'Component Schedules'. It contains a table with columns: Schedule, Component, Refer, Frequency, Unit, Month, and Date. The first row is populated with 'P' in the Schedule column, 'PRINCIPAL' in the Component column, a search icon in the Refer column, 'Calendar' in the Refer column, 'Monthly' in the Frequency column, '1' in the Unit column, and '1' in the Date column. There are also buttons for adding (+), deleting (-), and saving (checkmark and X) schedules. At the bottom right, there are green checkmark and red X buttons.

Schedule	Component	Refer	Frequency	Unit	Month	Date
P	PRINCIPAL	Calendar	Monthly	1		1

 Note the following:

- The schedule type applies to all loans involving the product and cannot be changed during loan processing.
- The Component option list does not display components for which 'Special Penalty Component' is checked.

### 4.2.3 Setting Billing Notice Days

You have to specify the number of calendar days before the repayment date, when a Billing Notice has to be generated for the customer (as a reminder of the payment).

The billing advice is generated for the mail medium. This notice will be generated for repayment of all components.

#### Example

If a payment has been scheduled for 30 June 1997 for Mr. Brian Williams loan of USD 10,000 at 15%, you could send him a notice 10 days before the payment is due, on 20 June 1997 as a reminder of his payment which is due on 30 June 1997.

If you have specified that a notice is to be generated on a certain day and it happens to be a holiday, then the notice will be generated depending on your holiday handling specifications in the Branch Parameters screen:

- If you have specified that automatic processes are to be carried out for holidays on the last 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 on the next working day, notices slated for generation on the holiday will be generated on the first working day that immediately follows the holiday, during beginning-of-day processing.

#### **Example**

Assume that the current system date is 20 June 1997, and 21 June 1997 is a holiday. You indicate that the payment notices should be generated 10 days in advance.

The notices for payments that are due on 30 June will be generated, at the beginning of day (by the Automatic Contract Update function), on 20 June.

Notices meant for payments due on 1 July 1997 will be generated during end-of-day processing on 20 June, if you specified that all automatic processes falling due right up to the next working date are to be processed on the 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.

### **4.2.4 Specifying Grace Days to Penalty**

The 'grace period' specifies the period within which the penalty interest (if one has been defined for the product) will *not* be applied, even if the repayment is made after the due date. This period is defined as a specific number of days and will begin from the date the repayment becomes due.

Penalty interest will be applied on repayments made after the grace period. However, the penalty interest will be calculated for the entire period it has been outstanding (that is, from the date the payment was due).

#### **Example**

An interest repayment on Mr. Brian Williams loan is due on 15 June 1998. You have specified a grace period of 5 days, after which a penalty interest of 2% will be imposed.

Now, if Mr. Williams makes the interest payment on 18 June, which falls within the grace period, he will not have to pay penal interest.

But if he makes the payment after the expiry of the grace period, that is, after 20 June, then he will be charged penal interest right from 16 June and not from 20 June, the day the grace period expires.

If the payment is made within the grace period, normal interest will be applied as of the scheduled repayment date.

### **4.2.5 Indicating Values to be Rekeyed during Authorization**

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

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

- By a user other than the one who carried out the operation
- Before you can begin the end-of-day operations

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

If no re-key fields have been defined, the details of the loan will be displayed immediately once the authorizer calls the loan for authorization.

The re-key option also serves as a means of ensuring the accuracy of inputs.

### **Example**

At the ABC Corporation, Mr. Trevor Atkins inputs a loan of 1M USD, which has an interest of 20% and a tenor of one month. The loan involves a product for which the re-key fields assigned are the loan amount and the currency. Now, Mr. Atkins makes a mistake and enters the loan amount as 10 M USD.

When Mr. Jeffrey Hunt, who has rights to authorize the loan, selects the loan for authorization and indicates the re-key fields of loan amount and currency as 1M, and USD respectively (based on the loan document), the loan details will not be displayed.

The loan details will not be displayed if:

- The value in the field that has to be re-keyed has been entered wrongly at the time of loan processing
- The re-key value is input wrongly at the time of authorization

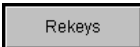
Now, if Mr. Trevor Atkins had input the loan currency as GBP instead of USD, then also, Mr. Jeffrey Hunt would have been denied access to the loan when he attempted to call it by entering the *correct* data in the re-key fields. When this happens, Mr. Hunt can inform Mr. Atkins of the mistake and have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

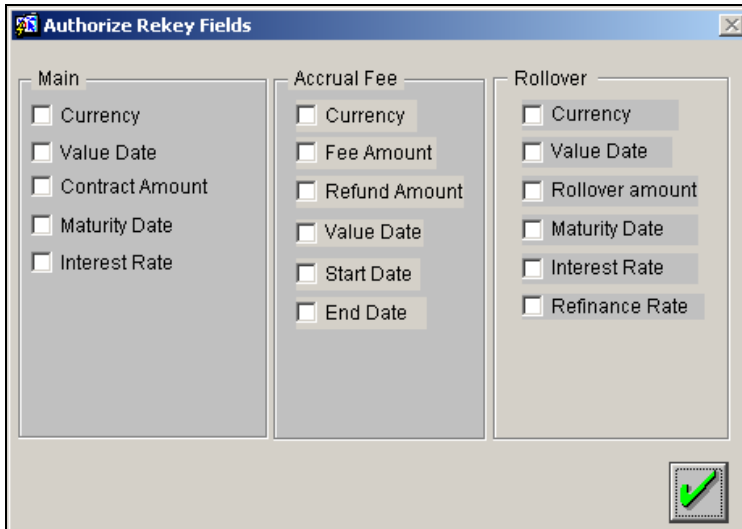
It could also be that Mr. Atkins has correctly captured the principal of the loan as 1M and the authorizer and Mr. Hunt makes an error while entering the re-key value. Assume Mr. Hunt enters the value as 10 M. In such a case also, the details of the loan will *not* be displayed for authorization.

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 the  button in the preferences screen to invoke the Authorization Rekey Fields screen.



Main	Accrual Fee	Rollover
<input type="checkbox"/> Currency	<input type="checkbox"/> Currency	<input type="checkbox"/> Currency
<input type="checkbox"/> Value Date	<input type="checkbox"/> Fee Amount	<input type="checkbox"/> Value Date
<input type="checkbox"/> Contract Amount	<input type="checkbox"/> Refund Amount	<input type="checkbox"/> Rollover amount
<input type="checkbox"/> Maturity Date	<input type="checkbox"/> Value Date	<input type="checkbox"/> Maturity Date
<input type="checkbox"/> Interest Rate	<input type="checkbox"/> Start Date	<input type="checkbox"/> Interest Rate
	<input type="checkbox"/> End Date	<input type="checkbox"/> Refinance Rate

#### 4.2.6 Setting the Accrual Frequency

Apart from the principal, you can have other components for a loan. The 'other' components of a loan, apart from the principal, could be the interest, charge or fees and they can be accrued over the tenor of the loan before being realized into the income account.

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 30 June 1997, and for the second time on 31 December 1997, for the period from 1 July 1997 to 31 December 1997.

## 4.2.7 Specifying Tenor Related Details

You can set the minimum and maximum tenor limits for a loan product that you are creating. You can also specify a standard tenor or a default tenor.

### Example

You have a product 'Short-term Loans for the Manufacturing industry' - ML10. This product is for short-term loans for manufacturers of iron and steel, chemicals, textiles, etc. The loans involving this product will have a tenor of 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 loan involving this product. However, the default tenor applied on a loan can be changed during loan processing.

### Example

You can define a default tenor for the product we just discussed, say, six months. This tenor will be applicable to all contracts involving the product. However, you are allowed to specify a different tenor at the contract level.

## 4.2.8 Specifying Exchange Rate Variance

When a loan 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:

### **Normal variance**

If the exchange rate variance exceeds the 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.

### **Maximum variance**

You cannot apply an exchange rate on a loan, 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 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 LD01.

Now, if you apply an exchange rate on a loan involving LD01 that varies from the applicable rate maintained for the day by less than 3%, the system will NOT display an override message.

If you apply an exchange rate on a loan involving LD01 that varies from the Standard Rate by between 3% and 6%, the system will display an override message.

If you apply an exchange rate on a loan involving LD01 that varies from the day's rate by more than 6%, the system will not store the loan.



The exchange rate variance is a percentage.

#### **4.2.9 Specifying if Status Processing for Contract Schedules is Required**

The status of a loan contract depends on repayments made on the loan. A repayment could mean a change in status.

Each status applicable for a contract is defined in the system. For movement to each status, you can define processing parameters, such as whether further accruals may be stopped, or accruals already made must be reversed out, and if the reporting GL must be changed when the status changes.

You can also process individual statuses and status changes for each schedule defined for a contract. In such a case, for each schedule, the accrued component amounts on the schedule that has fallen overdue, resulting in a change of status, would be moved to the transfer GL's defined for the status.

To enable such schedule-level status processing, enable the Schedule Level Status Change box by checking it.

#### **4.2.10 Processing Prepayment Schedule**

##### **Retain Payment Schedule**

Check this box to retain the payment schedule on the basis of LIFO and FIFO if prepayment is done on loan contract.



'FIFO' and 'LIFO' fields are enabled for loan products and only if the above field is checked.

##### **Prepayment Schedules**

If prepayment is done on a loan contract, then the schedule will be rebuilt on the basis of FIFO and LIFO logic.

##### **FIFO**

Select this option to rebuild the schedule on the basis of FIFO logic.

**For example**

Say that a loan contract is booked on a monthly and bullet frequency with schedules 11 and 1 respectively. Consider that the principal amount is USD 12000000, the value date is 01 March 2005 and the maturity date is 01 March 2006. This is shown in the table below:

Start Date	Component	Frequency	No Of Schedules	Unit	Amount
1 April 2005	Interest	Monthly	11	1	
1 April 2005	Principal	Monthly	11	1	1000000
1 March 2006	Interest	Bullet	1	1	
1 March 2006	Principal	Bullet	1	1	1000000

If you select the Prepayment Schedule as FIFO, then during prepayment made on 15 April 2005 for the amount USD 12000000 the schedules will be built as given below

Start Date	Component	Frequency	No Of Schedules	Unit	Amount
1 April 2005	Interest	Monthly	11	1	
1 April 2005	Principal	Monthly	1	1	1000000
15 April 2005	Principal	Monthly	1	1	1600000
1 January 2005	Principal	Monthly	1	1	400000
1 July 05	Principal	Monthly	8	1	1000000
1 March 2006	Interest	Bullet	1	1	
1 March 2006	Principal	Bullet	1	1	1000000

**LIFO**

Select this option to rebuild the schedule on the basis of LIFO logic.

**For example**

Let us consider the same example as above and if LIFO is selected during the payment made on 15 April 2005, the schedules will be built as given below:

Start Date	Component	Frequency	No Of Schedules	Unit	Amount
1 April 2005	Interest	Monthly	11	1	

Start Date	Component	Frequency	No Of Schedules	Unit	Amount
1 April 2005	Principal	Monthly	1	1	1000000
15 April 2005	Principal	Monthly	1	1	1600000
1 May 2005	Principal	Monthly	9	1	1000000
1 February 2006	Principal	Monthly	1	1	400000
1 March 2006	Interest	Bullet	1	1	
1-Mar-06	PRINCIPAL	Bullet	1	1	0

#### **4.2.11 Specifying the Status/ Revaluation during Status Change Process**

During a backward status change for a loans or deposit contract, you can choose to transfer the revaluation balances through the status change process. To enable transfer of such revaluation balance, you need to specify the following preferences:

##### **Transfer of revaluation balances**

To transfer the revaluation balance during the status change of LD contracts click on this option. However, you are not allowed to specify this option if the 'Schedule Level Status Change' feature is enabled for this product.

In case you have opted for transfer of revaluation balances, the system validates the following details for all the accounting entries maintained for the product:

- The same account head cannot be used for a different accounting role if an account head's internal GL type is specified as 'Contract'
- For every accounting role, the account heads maintained for different status must belong to the same internal GL type viz. Contract, Others or Normal
- It is mandatory to specify the Basis GAAP, in case 'Transfer of Revaluation Balances' or 'Transfer at Historic Rate' is enabled for the product

##### **Transfer at historic rate**

While transferring the revaluation balance, you can specify the rate that is to be used for computation. To apply the existing LCY equivalent of the FCY amount to each accounting role check this box. In case of an unchecked box, the system computes the LCY equivalent based on the current exchange rate.

##### **Spread Type**

You are allowed to define spread for a product. You can choose the spread type as one of the following options:

- Flat

- Slab/Tier

*For more information on Slab/Tier Based Spread, refer 'Maintaining Slab/Tier Based Spread on Loan Outstanding' later in this chapter.*

### **Basis GAAP**

The GAAP indicator for which the LCY equivalent is taken for an accounting role during the status change needs to be maintained if you have opted for 'Transfer of Revaluation Balances' or 'Transfer at Historic Rate' for the product.

Choose the Basis GAAP from the available option list.

### **Apply Tax**

You can specify whether tax should be applied on loans involving a product. If tax is specified for the product, you can waive it for specific loans. However, if you specify that tax is not applicable to the product, you will not be able to levy tax on any loan involving the product.

You can also select the type of tax applicable in the field 'Tax Type'. Select the option 'Withholding Tax' if the tax is to be applied to interest income. Select the option 'Transaction Tax' if the tax is to be applied to transactions linked to accounts. If you check the box 'Refund Tax to Customer' and the tax deducted at source is more than required amount, the difference amount will get refunded to the customer.

## **4.2.12 Specifying Payment of Past Schedules**

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

### **Example**

Loans can be initiated as of

- Today
- A date in the future
- A date in the past

Today's date is 15 October 1997. Suppose you initiate a loan of 15,000 USD today, with the Value Date (date on which the loan 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 loan 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.

#### **4.2.13 Allowing a Change of the Settlement Account**

Check the box 'Allow Settlement Account Change' to indicate the settlement account that you specify for a contract (in the LD Contract Online screen) booked under this product, can be changed.

#### **4.2.14 Liquidation of Interest on Prepaid Principal**

If you check the box 'Liqd of Int on Prepaid Principal', you will not be allowed to enter the 'Amount' for interest liquidation. The amount will be computed and liquidated by the system. In addition, in case of prepayment, the rate will be recomputed based on the contract currency, tenor and amount. You can change the preference you have specified here, in the LD Schedule Payment screen.

#### **4.2.15 Allowing Partial Prepayment**

Check the box 'Partial Prepayment Allowed' to indicate a partial prepayment can be made.

#### **4.2.16 Restricting the Generation of Settlement Messages**

Oracle FLEXCUBE will generate the settlement messages associated with loan 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.

#### **4.2.17 Specifying the Mode of Liquidation**

Components of a loan 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 loan 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 loan 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 be 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'.

#### **4.2.18 Allowing Partial Liquidation**

Check the 'Partial Liquidation Allowed' box to allow partial payment of amounts due on a schedule date. If this box is unchecked, then system does not allow partial settlement of components that are due. If the payment amount(s) is less than the amount(s) due, then system does not allow the payment to be saved and system displays the following error message:

'Partial payment not allowed'.

This check box is also applicable in case of manual liquidation.

#### **4.2.19 Specifying the Minimum Amount for Auto Liquidation**

If you opt for automatic liquidation of loan 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 calculates the tax and partially liquidates the total remaining account balance i.e. till the account balance is zero.

**For example:**

Say the component to be liquidated is USD 4000 and the tax amount calculated at 5% is USD 200. If the account balance is USD 3500 at the given time, the system liquidates USD 3333.33 for the component and USD 166.67 (@ 5%) as tax.

If not, the system marks the schedule as 'pending' until there are sufficient funds in the account.

#### **4.2.20 Identifying the Rate Code to be Used for Loans in Foreign Currency**

For loans 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 loan.

#### **4.2.21 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.

##### **Anniversary Billing**

Check this box to specify that billing notices should be generated after the maturity date of the contract and on every anniversary date of maturity, if there is any amount due from the counter party.



Note the following:

- The billing notices are generated on all anniversaries of the maturity date till the contract is completely liquidated.
- The billing is applicable only for the overdue amount and for all the components (principal, interest and fee).
- Anniversary billing option is applicable only for the fixed maturity type of loans.

#### **4.2.22 Allowing Rollover**

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

If you specify that rollover is allowed for the product, it will be applicable to all the loans involving the product. However, at the time of processing a specific loan 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 loans involving the product.

The terms of a rolled over loan can be the same as those of the original loan or they can be different. If the terms should be different, they should be specified during loan processing.

##### **Track Pay/Receive**

Check this box to specify that back valued activity should be tracked through Pay / Receive infrastructure.

### **Example**

Consider a loan of 200,000 USD given to AIRBUS on December 01, 2007 with principal payment on every first of the month. The maturity date of the loan was 01-Mar-2008, Last payment was done on 01-Feb-2008 and the current scenario is depicted below:.

Schedule date	Amount Due(USD)	Amount Settled (USD)
1-Jan-08	10,000.00	10,000.00
1-Feb-08	10,000.00	10,000.00
1-Mar-08	10,000.00	0.00

Current System date is 15-Feb-08 and a back valued VAMI with a value date as 15-Dec-2007 is done to increase the rate such that amount due for the interest gets changed. As a result of the VAMI the amount settled is adjusted automatically. The scenario after the VAMI is depicted below:

Schedule date	Amount Due(USD)	Amount Settled(USD)	Pay/Receive
1-Jan-08	11,000.00	10,000.00	1000.00
1-Feb-08	11,000.00	10,000.00	0.00
1-Mar-08	11,000.00	0.00	0.00

### **Prepayment After Maturity**

Check this box to specify if the value date of the payment exceeds the maturity date of the contract. You can specify a date beyond the next schedule date if the next immediate schedule date is the maturity date of the contract.

The value date of the pre-closure instruction can cross the maturity date of the contract if the contract is marked for rollover and rollover instruction of the contract is captured with Rollover mechanism as new version. The system will default the value date of the pre-closure instruction based on the holiday treatment preferences maintained for the contract.



This checkbox is enabled only for deposit products.

### **Overpayment & Auto-Sch Adjustment**

Check this box to specify that overpayment and back valued activities should be allowed for a product. If amount due is changed due to rate change or back valued activities, then the amount settled will be adjusted automatically by the system according to amount due. By default this box is not checked.

### **Example**

Consider a loan of 200,000 USD given to AIRBUS on December 01, 2007 with principal payment on every first of the month. The maturity date of the loan was 01-Feb-2008, Last payment was done on 01-Feb-2008 and the current scenario is depicted below:

Schedule date	Amount Due(USD)	Amount Settled (USD)
1-Jan-08	10,000.00	10,000.00
1-Feb-08	10,000.00	10,000.00

The contract status is liquidated and the rate for the underlying rate code is changed for the effective date of 15-Dec-2007 such that amount due for the interest gets changed. As a result of the rate change, system adjusts the liquidated schedules automatically. The scenario after the VAMI is depicted below:

Schedule date	Amount Due(USD)	Amount Settled(USD)
1-Jan-08	11,000.00	11,000.00
1-Feb-08	11,000.00	9,000.00

### **Rate change for Liquidated Schedules**

Consider a loan of 200,000 USD given to AIRBUS on December 01, 2007 with principal payment on every first of the month. The maturity date of the loan was 01-Mar-2008, Last payment was done on 01-Feb-2008 and the current scenario is depicted below:

Schedule date	Amount Due(USD)	Amount Settled (USD)
1-Jan-08	10,000.00	10,000.00
1-Feb-08	10,000.00	10,000.00
1-Mar-08	10,000.00	0.00

Current System date is 15-Feb-08 and a back valued VAMI with a value date as 15-Dec-2007 is done to increase the rate such that amount due for the interest gets changed. As a result of the VAMI the amount to be settled is adjusted automatically. The scenario after the VAMI is depicted below:

Schedule date	Amount Due(USD)	Amount Settled(USD)
1-Jan-08	11,000.00	11,000.00
1-Feb-08	11,000.00	9,000.00
1-Mar-08	11,000.00	0.00



Both 'Track Pay/Receive' and 'Overpayment & Auto-Sch Adjustment' options cannot be checked simultaneously.

On checking the 'Overpayment & Auto-Sch Adjustment' box, the system performs the following:

- Payments are allowed beyond the amendment date.
- Payments beyond any rate revision or rate fixing date can be done. If the total interest to be liquidated changes due to this, then the amount settled is adjusted automatically based on the net interest period.
- Payments beyond payment can be done. Due to this payment, if the amount due is effected then the schedules are adjusted based on the net interest paid (Amount paid-refund amount-amount reversed) automatically.
- Value dated amendment beyond rate revision/rate fixing date (only for principal increase and spread change).

#### **4.2.23 Confirming the Status of Loan Products**

Check the 'Confirm' box to indicate the confirmed status for loan products. This box is enabled only if 'Product Type' is 'Loan'. By default, this box is checked.

You can amend the 'Confirm' checkbox at the product definition level. However, this amendment does not propagate to active/liquidated contracts except for new loan booking and future processing like rollover and Value Dated Amendment (VAMI).

#### **4.2.24 Applying a Block on the Limit of a Credit Line**

You can block the limit of the credit line of a commitment contract to the extent of the amount of the commitment contract, by checking the box 'Apply Limits Block'.



This will be enabled only for commitment products.

#### **Reprice Product**

You can specify whether the amortized amount of the contract with the selected product can be transferred to a child contract.

Check the box 'Reprice Product' to indicate any contract booked under this product can be re-priced.

This field will be enabled only if:

- The product is a Loan product
- You have selected the option 'Bearing' against the field 'Payment Type', the option 'Normal' against the field 'Schedule Type'

When you enter a contract under a product that allows re-pricing, you will have to do so through the Re-price Transaction screens. Such products will not be available for contract booking through the LD Contract Online screen. You cannot transfer the unamortized amount if this option is not selected here.

#### **4.2.25 Specifying whether the Product Is an Intra-Day Product**

Check the box 'Intra-Day Product' to indicate the product, for which you are specifying preferences, is an intra-day product. Once you check this box for a product, you can only enter intra-day deals under it. An intra-day deal is one wherein the Value Date and Maturity Date fall on the same day. The interest is calculated for one day.



Note the following:

- When you enter a contract that uses an intra-day product, the fields 'Contract Value Date' and 'Maturity Date' will be set to the system date in the LD Contract Online screen.
- If you check the box 'Intra-Day Product', the box 'Pay Past Schedules' will be unchecked and disabled.

#### **4.2.26 Identifying Products for Agency Contract Creation**

You have to identify the loan products that can be used to facilitate automatic creation (Straight Through Processing - STP) of the corresponding commitment/loan contract for the tranche/drawdown booked on the agency side (LS module).

Check 'Agency Contract' box to identify the products. This value defaults to all contracts booked under the product. It helps in distinguishing a normal loan from an agency contract. However, if required, you can uncheck this box for a contract.

If you check this box for the product, you have to ensure the following:

- Associate only those interest components with the loan product (in the 'ICCF Details' screen) for which 'Rate Type' is 'Fixed' and 'Fixed Rate Type' is 'Agency'.
- Link only those fee components with the loan product for which 'Basis Amount Tag' is 'User Input'.

*For details on defining interest components, refer the section titled 'Defining Interest Details' in the 'Interest' User Manual.*

The agency products defined here are available for mapping with LS products (in the 'LS LD Product and Component Mapping' screen).

*For more details, refer the 'Straight Through Processing' chapter of this User Manual.*

#### **4.2.27 Specifying whether the Product is a Fed Rate Product**

Check the box 'Rolling Loan' to indicate the product is a Fed Rate product. The fed rate of contracts booked under Fed Rate products, changes everyday. Even if a loan has been liquidated, the customer has the option of drawing an additional loan amount. The contract is thus kept alive. He also has the option of repaying an outstanding loan amount partially or fully.

For a Fed Rate loan, you will have to enter the Contractual Maturity Date and Contractual Effective Date in the LD Contract Online screen.

When you liquidate such contracts manually, the system will display an override message if, as a result of the transaction, the outstanding balance will be reduced to zero. The contract can remain 'Active' despite the outstanding balance being reduced to zero as a result of the transaction.

#### **4.2.28 Specifying whether the Contracts to be Included in 1098 Statement**

Check the box, 'Include in 1098 Stmt' to indicate whether the underlying contracts of the Product should be included in 1098 Statement.

This value, you specify here, is not defaulted to the Contract level.

#### **4.2.29 Allowing Prepayment 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, Silas 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.

#### **4.2.30 Tracking Accrued Interest for Credit Utilization**

You have to specify whether the accrued interest of earlier loans (that has not been paid) should also be considered as the 'utilized amount' for the purpose of credit administration. (You could have more than one interest type of component applicable on a product. In such a case, you should designate one as the 'main' interest). The following example illustrates how this concept works.

##### **Example**

Mr. Brian Williams has taken a loan of USD 10,000 under 'Short-term Loans for Individuals' from you, on 1 June 1997 at 20% interest. The loan is to be liquidated on Maturity on 31 May 1998. This customer's central liability limit is USD 11,000.

Now, Mr. Brian Williams approaches you for another loan of USD 1,000 on 31 December 1997. If you have opted to track the accrued interest, his total liability on 31 December 1997 is USD 11,167 (USD 10,000 + USD 1,167 as of 31 December – Interest calculation method Actual/365). And since the 'utilized amount' is above his central liability limit (USD 11,000), he will not be eligible for the second loan of USD 1,000.

However, if you have opted not to track the accrued interest on his loan, then he will be eligible for the second loan of USD 1,000 as only the principal amount will be considered as the utilized amount.

If you opt to 'track' accrued interest, then the interest accrued on loans will be added on to the amount utilized by the customer, for credit administration.

The utilization will be shown as the sum of the principal and the accrued interest in the reports generated by the credit administration (Limits) sub-system. Outstanding interest, if any, will also be shown in these reports.

#### **4.2.31 Applying Prepayment Penalty**

A prepayment is a repayment that is made before it is due. When creating a product you can indicate whether a penalty can be applied on a loan if there is a prepayment. If a principal repayment is done before the schedule date, you can charge a higher interest on the amount that is repaid before it is due. The following example explains a 'prepayment'.

##### **Example**

Parivallal Express Services has taken a loan of USD 10,000 at 14% interest on 1 January 1998. The loan 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 repays the entire principal on 31 January 1998, that is, on the first schedule date of the interest. This amounts to a prepayment.

You have advanced the loan for a period of three months and interest would have accrued on the principal for this period. But since, the principal itself has been repaid, you will be able to charge interest only for one month. You have the option of charging a prepayment penalty on the principal that was paid back before it was due. This could be in the form of a higher rate of interest (higher than 14%) for the one-month period, applied on the amount repaid in advance. Alternatively, it can be a flat amount.

For the amount that is paid before it is due, the penalty interest (it can be the rate that has to be applied in addition to the normal interest rate or a flat amount) should be specified when the repayment is being processed for the loan.

Here is another example to explain the concept:

##### **Example**

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

Principal	USD 10,000
Value Date of the contract	01/01/97
Maturity Date of the contract	31/03/97
Interest Rate	10%
Payment schedules	Principal and interest paid on maturity

If Ms. Cousteau wants to repay a part of the principal, say USD 4,000 on 15/01/97, you may want to charge a higher interest rate on this part of the principal. Let us assume you wish to charge 12% interest on USD 4,000, which was repaid on 15/01/97.

When the prepayment is done on 15/01/97, the interest amount is calculated as follows:

USD 4,000 at 12% (the amount that is prepaid) for a period from 01/01/97 to 14/01/97

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 increased from the earlier contract rate or a penalty amount as the case may be, through the manual liquidation screen. In this example, the 'penalty rate' is 2%.)

When defining the preferences for a product, you can *only* indicate whether penalty can be applied on loans involving the product. The actual penalty rate or the amount can be specified when the repayment is processed.

#### **4.2.32 Specifying whether Prepayment of Loans is Allowed**

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

If you specify that prepayment is not applicable to the product, the system will not allow prepayment of loans 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.



If the value date of the pre-closure instruction crosses the maturity date of the contract, then the Limit date should be blank

#### **4.2.33 Specifying whether Cost of Credit is Allowed**

Check this box to indicate that the system should accept cost of credit valuations from RAPID. If this is checked, the system will derive the cost of credit valuations and apply these on the loans and commitments created using this product. This is applicable only to commitment products. You can change this value at the commitment level before it is authorized. After authorization, you can select this option at the commitment level if you have not selected it before. However, if you have checked it, you cannot uncheck it at the product/commitment level after the authorization

#### **4.2.34 Propagating Statuses to Loans**

You can propagate the user-defined status that has been assigned to a commitment to all the active underlying loans by selecting this option at the product level. This will be available only for commitment products and will be applicable only if the mode of changing status for the commitment and the underlying loan is manual.

If this option is checked and a new non-performing commitment is booked, the system will assign the non-performing status to any loan that is booked under this commitment. The system will not allow you to change the status to performing for the booked loan. Similarly, a loan that is booked under a commitment with status 'performing' will also be assigned the same status, even if you have selected a non-performing status for the loan. You cannot change this status for the loan to non-performing.



If this preference is checked for a commitment, you can change it only if there are no active contracts for the commitment with the 'Propagate Status' preference checked.. If there are such loans, then the system will not allow you to uncheck the preference to 'No' at the commitment level.

If multiple statuses are maintained for the commitment and the underlying loans, the following need to be considered:

- The number of user defined statuses should be the same for the commitment and the loans under it. This facilitates the propagation of the last status assigned to the commitment to all the underlying loans of the commitment.
- In case of multiple status changes to the commitment contract during the same day, then during batch process the system will apply the latest status assigned to the commitment to the underlying loans
- The status change at the loan level will be based on the 'Status Sequence Number' you have maintained for the product

#### **4.2.35 Re-computing Schedules after a Prepayment**

When defining the preferences for a product, you have to specify whether the interest on the future schedules of a loan (involving the product) has to be recalculated in case of a prepayment 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 loan 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, Parivallal Express Services repays 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 the product preferences, you can opt to re-compute schedule amounts for the interest component automatically to be in tune with the principal prepayment.

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 will have to pay the same interest that it would have had to pay, if it had kept up with the original schedule.

#### 4.2.36 Hold Prepayments in Intellect Browser

Check this box to indicate that the prepayments of all those contracts done under this product are held in Intellect browser for you to enter the Break cost and then release to Intellect. You need to select this option for all those products for which Break cost is required to be input before handing off the details to Intellect.



This is applicable only for the contracts via STP from Agency to Originations.

#### 4.2.37 Specifying if Installment Schedules should be Allowed

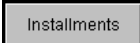
Your bank may need to define a flexible repayment schedule for some customers who avail loans. The customer may need to repay fixed amounts on certain schedules, which you must adjust towards both interest and principal.

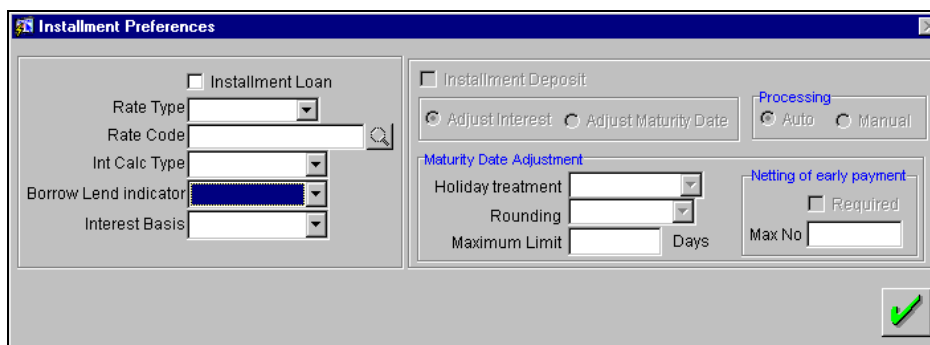
For such customers, for a loan contract with payment method as bearing, and normal schedules, you can define installment schedules. The amount repaid on the due date of an installment schedule is considered as inclusive of interest computed on the main component.

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 Installment Preferences screen. Select the 'Allow Installment' option. When you do this, for any loan contract involving the product, you can define installment schedules.
- When you enter a loan 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.

Click the  button, to specify the Installment Preferences.



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 issued a loan to one of your customers, with a Value Date of 1<sup>st</sup> January 2003, which matures on 1<sup>st</sup> November 2003. The amount of the loan is 10,000 USD, the interest being charged at 10.00%, calculated on 'Actual / 360' basis.

Schedules for principal and interest on the loan are shown in the table below. The customer has requested you to define monthly fixed amount schedules from 1<sup>st</sup> May 2003 to 1<sup>st</sup> July 2003, and also between 1<sup>st</sup> September 2003 and 1<sup>st</sup> November 2003, when the loan 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
	PRINCIPAL	01-Apr-2003	500.00
Installment	INTEREST	01-May-2003	70.83
	PRINCIPAL	01-May-2003	929.17

Schedule	Component	Due Date	Amount
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

## 4.2.38 Specifying Additional Preference

You can specify additional preferences in the 'Additional Preference' screen. Click [Additional Pref](#) in the 'Loans and Deposits Product Preferences' screen.

**Additional Preferences**

**Payment Schedules Holiday Treatment**

☐ Ignore Holidays

Holiday Chk:

Holiday Ccy:

☐ Chk Rate Code Ccy Hols

☐ Move Across Months

☐ Cascade Schedules

☐ Separate Holiday Treatment for Principal

**Schedule Movement**

☐ Move Backward

☒ Move Forward

**Rate Revision Schedules Holiday Treatment**

☐ Apply Payment Holiday Treatment

☒ Ignore Holidays

Holiday Chk:

Holiday Ccy:

☐ Chk Rate Code Ccy Hols

☐ Move Across Months

☐ Cascade Schedules

**Schedule Movement**

☐ Move Backward

☒ Move Forward

**Maturity Date Holiday Treatment**

☐ Apply Value Date Holiday Treatment

☐ Ignore Holidays

Holiday Chk:

Holiday Ccy:

☐ Chk Rate Code Ccy Hols

☐ Move Across Months

☐ Chk Contract Ccy

☐ Chk Local Ccy

**Schedule Movement**

☐ Move Backward

☒ Move Forward

**Pool Funding**

☐ Pool Funding Req'd

☐ Master Funding Req'd

**Automatic Schedule Movement**

☐ Change Future Pmt. Sch

☐ Change Future Rev Sch

☐ Change Maturity Schedule

**Calendar Change Affecting Contracts**

☐ From Working to Holiday

☐ From Holiday to Working

Revision Notice Days:

**Loan Statement Parameters**

Cycle:

On:

**Type**

☒ None

☐ Detailed

☐ Summary

**Reversal Transaction Type**

Transaction Type:

Min. Principal Balance:

### 4.2.38.1 Holiday Treatment for Schedules

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.

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 schedule 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 schedule 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.



The default holiday check will be 'Currency'.

#### **4.2.38.2      Indicating the Automatic Holiday Treatment**

You can choose to change maturity date whenever changes are made to the holiday calendar (for instance, a holiday is made a working day or vice versa). To specify the change in maturity date, choose the following options:

##### **Change Maturity Schedules**

In case the maturity date falls on a holiday, you can choose to change future maturity date by choosing this option.

##### **Calendar Change affecting contracts**

Whenever changes are made to the holiday calendar, you can specify the manner in which the maturity date is to be considered by choosing any one of the following options:

- From working to holiday
- From holiday to working

### 4.2.38.3 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
- Specify preferences for the movement of the maturity date

#### **Moving the schedule date/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 schedule date/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 schedule date/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 schedule date/maturity 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/maturity date of the contract across months.

Leave it unchecked to indicate that the loan should mature/schedule should be paid 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:

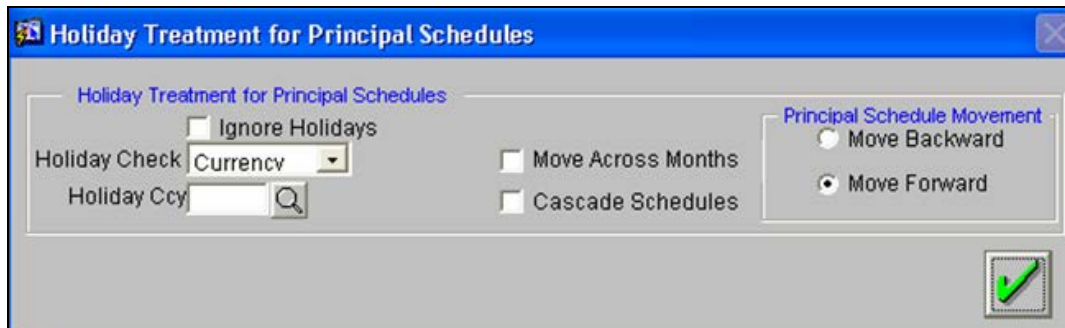
- If you amend the Maturity Date of a contract and the new date falls on a holiday
- If you manually rollover a loan and the new maturity date falls on a holiday

#### **Holiday Treatment for Principal**

You can maintain separate holiday treatment for the principal and interest components interim payment schedules.

Check the 'Separate Holiday Treatment for Principal' box to maintain separate holiday treatment for the principal and interest components. Button 'P' is enabled when you check this option.

Click on **P** to display the 'Holiday Treatment for Principal Schedules' screen. You can define the holiday preferences for the principal interim payment schedules in this screen.



You need to specify the following options for holiday treatment of the principal component:

- Ignore Holidays – No holiday treatment for the Principal component
- Cascade Schedules – The due date arrived at by the holiday treatment will be considered as the start date for the due dates for the subsequent schedules.
- Move Across Months – Allows movement of schedule date of the contract across months.
- Move Backward – If a due date is a holiday, then the due date is moved backward to the previous working day.
- Move Forward – If a due date is a holiday, then the due date is advanced to the next working day
- The holiday check as "LOCAL", "CCY" and "BOTH" is displayed from the Product Level

### Specifying Loan Statement Generation Preferences

As part of the preferences you define for a product, you can indicate if a loan statement report needs to be generated for contracts involving the product. If loan statements are to be generated, you can indicate if the loan statements should be in a summary or detailed format.

If loan statements are to be generated for contracts involving the product, you have to indicate the frequency of statement generation. You can set the frequency to any one of the following options:

- Annual
- Semi-Annual
- Quarterly
- Monthly
- Fortnightly
- Weekly
- Daily



Based on the frequency that you specify, you can also indicate the month/weekday for the generation of the statement. Thus, if you have set the loan statement generation frequency to Annual, Semi-Annual, or Quarterly, you have to indicate the month in which the first statement is to be generated.

Similarly, if you have indicated that statement generation is to be on a fortnightly or weekly basis, you should specify the day of the week on which the statement is to be generated. For instance, if you indicate that a weekly generation should be done on Thursday, the statement will be generated every week on Thursdays.

When the frequency is set to monthly, then by default, the statement will be generated on the last day of every month. You can also select a different day from the drop-down menu.



The product preferences that you indicate will apply to all contracts involving the product. However, you can change these preferences while processing a specific contract.

#### **4.2.38.4 Pool Funding**

##### **Pool Funding Required**

Check the box to indicate that Pool funding reference number is mandatory for contracts linked to this product.

##### **Master Funding Required**

Check the box to indicate that Master funding reference number is mandatory for contracts linked to this product.



Note the following:

- The check-boxes, Pool Funding Required and Master Funding Required will be enabled only for products of type 'Commitment'. By default, these check-boxes are un-checked.
- For product types other than type 'Commitment', these check-boxes will be un-checked and disabled.

#### **4.2.39 Specifying the Reversal Transaction Type**

When you reverse a contract, the event-wise accounting entries of the original contract will be reversed. You can specify a reversal transaction type as default transaction type for all contract or payment reversals,

All the reversal transaction types you have maintained through the Reversal Type Maintenance screen will be displayed in the option list. Choose the preferred transaction type.

##### **Revision Notice Days**

Specify the notice days for rate revision to generate the rollover advice.



'LD\_BRVN\_ADV' message is created along with an advice format which is attached to the event BRVN at the Product level. BRVN event gets fired when Auto Rollover Advice is generated before the rate revision date. The advice format is attached to this event.

#### 4.2.40 Discounting Multiple Schedules for Discounted Loans

While purchasing a portfolio of discounted loans you will need to discount multiple schedules.

Oracle FLEXCUBE allows you to combine multiple principal schedules, each having an independent amount and repayment date, in one contract.

All the principal amounts are discounted from repayment date to payment date by using the same discounting rate. The combined amount is then liquidated in parts during each repayment schedule.



The interest at the end of each schedule is calculated on the installment schedule amount rather than the total outstanding principal in that schedule.

##### Example

A customer of portfolio purchase has a discounted loan with the following attributes:

Loan Amount	-	USD 9,000
Interest Rate	-	10% p.a.
Discounted Amount	-	USD 8,854.83
Repayment schedule	-	3 installments of USD 3000 each
Origin Date	-	January 01, 2002
Repayment Dates	-	1 <sup>st</sup> of each month

For portfolio purchase, the chronogram will be:

Due Date	Days	Principal Liquidated	Interest Liquidated	Total
01-Feb-2002	31	USD 2,974.74	USD 25.26	USD 3,000
01-Mar-2002	59	USD 2,952.28	USD 47.72	USD 3,000
01-Apr-2002	90	USD 2,927.81	USD 72.19	USD 3,000
TOTALS		USD 8,854.83	USD 145.17	USD 9,000.00

To enable the process of discounting multiple schedules while purchasing a portfolio of discounted loans you will need to enable the **Interest On Schedule Amount** option in the Additional Preferences screen.

## 4.2.41 Indicating the Annual Effective Rate (TEA) for loans

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

Annual Effective Loan Rate (TEA) =

$$[[\{1 + (i * PPI/360)\} \text{ power } (360/PPI)] / (1-\text{or})] - 1$$

*(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.

- TEA – Annual Effective Loan Rate
- i - Annual Nominal Rate
- PPI – Interest payment periodicity
- or – Other surcharges expressed in percentage



The financial charges that are not recurring, for example a flat commission charged to disbursement, are accumulated and divided by the principal amount and are included in that percentage in the 'or' term.

The TEA can be used for reporting in customer statements and to regulatory authorities. For printing the effective loan rate in customer advices and central bank reports you can enable the Effective Loan Rate option.

Additionally you will also need to enable this option in the MM/Loans and Deposits Branch Conditions screen.

The TEA rates are calculated during:

- Takedown
- Value Dated Amendments
- Contract amendments resulting in change of cash flows
- Partial or full liquidation or pre-payment
- Rollover

### **Example I**

#### **Case I**

Mr. Franco Gonzalvis borrowed a sum of USD 10,000 under a Loan Scheme wherein the interest is paid by the borrower at the beginning of every month, while the principal is repaid at the end of the loan tenure. The bank charged a nominal interest of 12% p.a. Mr. Franco Gonzalvis availed of the loan on 1st Jan 2002 and agreed to repay the entire principal on 1st Jan 2003. The Bank charged a processing fee of USD 100 .In this case the TEA calculation would be as follows:

$$[[\{1 + (i * PPI/360)\} \text{ power } (360/PPI)]/(1-0)] - 1$$

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=

$$[[\{1 + (.12 * (365/12)/360)\} \text{ power } (360/(365/12))]/(1-.01)] - 1 = 0.138198$$



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 – Prepayment of Entire Loan Amount**

Suppose Mr. Gonzalvis repays the entire Loan amount on 02-Dec-2002. Then the TEA computation Repayment of the loan would be as follows:

The number of days between 1<sup>st</sup> Jan 2002 and 02 Dec-2002 =335

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

Thus TEP =

$$[[\{1 + (.12 * (335/12)/360)\} \text{ power } (360/(335/12))]/(1-.01)] - 1=0.138254$$

### **Example II**

Rate Change

Mr. Marco Van Basten borrowed a sum of USD10000 under the Loan scheme wherein the interest payments are made by the borrower on the first of every month. He borrowed the sum on the 1<sup>st</sup> of Jan 2002 when the rate was 12%. The loan repayment date is 1<sup>st</sup> Jan 2003. After 2 months on the 1<sup>st</sup> of March the rate changes to 15% (the terms of the loan– i.e. interest payment periodicity remain unaltered). Other surcharges are waived. (I.e. OS is zero)

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

$$\begin{aligned} &= ((10000*0.12*2/12) + (10000*0.15*10/12))/10000 \\ &=1450/10000 \\ &=14.5\% \end{aligned}$$

The TEA for the above example =

$$[[\{1 + (.145 * (335/12)/360)\} \text{ power } (360/ (335/12))]/ (1-0)] - 1=0.155022=15.5022\%$$

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)

(In case of discounted and true discounted the duration of the contract is equal to the interest payment periodicity)

The Nominal Rate so computed is then used to compute TEA

### **Example III**

Discounted Loan

Mr. Andrez Sacoli borrowed a sum of USD 10000 under a Discounted Loan Scheme. At the time of the initiating the loan the prevailing interest rate was 12% for a loan of one year. ). Other surcharges are waived. (I.e. OS is zero)

TEA would be computed as follows:

The nominal Rate =  $(1200 \times 360) / (10000 - 1200) \times 365 = 13.449564\%$

TEA =  $[[[1 + (.13449564 * (335/12)/360)]^{\text{power } (360/ (335/12))}] / (1-0)] - 1$   
**=0.134375 = 13.4375%**

### **Example IV**

True Discounted Loan

In the case of a True discounted loan the computation will be as follows:

The Nominal Rate =  $(1071.43 \times 360) / (10000 - 1071.43) \times 365 = 0.118356 = 11.8356\%$

TEA=

$[[[1 + (.118356 * (335/12)/360)]^{\text{power } (360/ (335/12))}] / (1-0)] - 1$

**= 118263 = 11.8263%**



In addition to enabling this option for the loan product you need to enable it for your branch through the MM/LD Branch Conditions screen.

For further details refer to the *Automatic Processing* chapter of this manual.

## **4.2.42 Enabling the Customer Effective Loan Rate Option**

The Customer Effective Loan Rate (TEAC) is computed using the following formula:

$$\sum_{k=m}^1 ((D_k) / ((1 + (e_k * r)) * ((1 + r) \cdot \text{power} \cdot q_k))) =$$

$$\sum_{j=n}^1 ((P_n) / ((1 + (f_j * r)) * ((1 + r)^{\text{power} * t_j})))$$

Where:

- $r$  = TEAC
- $D_k$  = amount of the  $K^{\text{th}}$  disbursements (m disbursements)
- $q_k$  = number of complete periods from the first credit transaction date to  $k^{\text{th}}$  disbursement
- $e_k$  = fraction of period in the time interval from the first credit transaction until the  $k^{\text{th}}$  disbursement

$$e_k = ((DD_k - DD_1) / DP) - ((\text{int}(DD_k - DD_1)) / DP)$$

Where:

- $DD_k$  = Date of the  $k^{\text{th}}$  disbursement
- $DP$  = number of days in a payment period. This is computed by dividing the duration of the contract by the number of payments and rounding the result to the nearest number which divides 360 without leaving a remainder.
- $\text{int}$  = Integer value.
- $m$  = number of disbursements.
- $P_j$  = Payment amount  $j$ .
- $f_j$  = fraction of period in the time interval from the credit transaction until payment  $j$  =

$$f_j = ((PD_1 - DD_1) / DP) - ((\text{int}(PD_1 - DD_1)) / DP)$$

Where:

- $DD_{kj}$  = Date of the  $k^{\text{th}}$  disbursement
- $DP$  = number of days of the payment period. This is computed by dividing the duration of the contract by the number of payments and rounding the result to the nearest number which divides 360 without leaving a remainder.
- $PD_j$  = date of the  $j^{\text{th}}$  payment
- $\text{int}$  = integer
- $n$  = number of payments

The TEAC can be used for reporting in all the loan liquidation advices to the customer. For printing the customer effective loan rate in customer advices you can enable the Customer Effective Loan Rate option.

Additionally you will also need to enable this option in the MM/Loans and Deposits Branch Conditions screen. The TEAC rates are computed during:

- Takedown
- Value Dated Amendments
- Contract amendments resulting in change of cash flows
- Partial or full pre-payment

*Refer to the examples given in Accounting Entries and Advices Chapter to view examples of how the TEAC is calculated.*

#### **4.2.43 Allowing Forward Dating**

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

- The date on which it is issued (booked)
- A date in the past
- A date in the future

You should indicate whether a loan involving a product can have a Value Date in the future. A loan 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 loan.

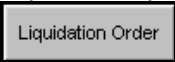
When a loan with a Value Date in the future is stored, no accounting entries will be passed on the date of input. The loan will be initiated by the Automatic Contract Update function during the Beginning of Day (BOD) processes on the Value Date (initiation date). All the necessary accounting entries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

However, if the initiation date (Value Date) falls on a holiday, the loan 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 loan 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 loan slated for initiation on the holiday will be initiated on the next working day, immediately after the holiday, during beginning-of-day processing.

#### 4.2.44 Prioritizing the Liquidation of Components

Oracle FLEXCUBE allows you to define the order of liquidation for the various loan components. You can invoke the Component Liquidation Order screen from the Loan Product Preferences

screen by clicking the  button.

For a loan with automatic liquidation, the order of liquidation becomes important when funds are insufficient in the repayment account on the day of liquidation and more than one component has a schedule falling due on that day and has the same settlement account.

Under such circumstances, you may want to allot priority to the recovery of certain components. For example, you may want to recover the interest (or interest type of components) first and then the principal. The aging analysis function takes over once a component is overdue and an appropriate penalty is applied. For a component on which penalty interest has been applied, you may wish to recover penalty interest first, the interest next and finally the principal.

For a loan defined with manual liquidation of components, the Liquidation Order will be considered when a payment has to be automatically distributed among the various outstanding components.



You can specify the liquidation order for all the interest type of components and the principal.

If you have chosen the 'Component' liquidation type to be applied to loans 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. These selected components will be automatically liquidated in the order assigned in this screen.

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



### **Example**

For instance, in the Component Liquidation Order screen shown above, the components that will be liquidated automatically are:

- PRN-PENAL (Penalty on Principal)
- PRINCIPAL (Loan Principal)

The Penalty on Principal will be liquidated first, and then the Loan Principal.

The other components, INR-PENAL (Penalty Interest) and INR (Interest) must be liquidated manually, independent of the other components.

If you do not specify the liquidation order, the components will be liquidated in the following order:

1. Penalty Interest
2. Interest
3. Principal



Specifications of component-wise liquidation order made as part of Product Preferences maintenance hold true for a loan as long as it is in the NORMAL status. For each adverse status of a loan, you need to maintain the liquidation order separately.

*Refer to the Products User Manual for details on maintaining liquidation order for loans in adverse status.*

## **4.2.45 Tracking Status Changes for Loans**

Oracle FLEXCUBE allows you to process loan status changes by defining a separate GL/MIS reporting structure for accruals under delinquent loans. For normal loans, the following entries are passed during interest accrual:

- Debit IENC
- Credit Income

At liquidation, the entries passed are:

- Credit IENC
- Debit Customer Account

When a contract's status deteriorates from Normal, all contracts involving the customer can be made to accrue into a different set of GLs, which are also referred to as Memo GLs instead of the regular IENC GL. When the loan moves from normal to a delinquent status you have the option of stopping accruals and redirecting future accruals into Memo GLs. Accruals in Memo GLs will have the following entries:

- Debit Memo Accrual
- Credit Memo Accrual Offset

Real accruals can also be reversed, with catch-up taking place in Memo GLs. On normalization of contracts, memo accruals get reversed and the corresponding accrual amounts get booked into Real GLs, based on contract status rules.

If you are enabling this option for a loan product that you are defining ensure that you enable this option for your branch as well.

When the status of a loan is changed from NORM to a non performing status, the system transfer the HFS (Held for Sale) balance for the asset GL & HFS GL to the new GLs applicable for the status. And all the entries related to HFS balance are posted to the new GLs.

*For details of how to set up Status Rules and associate a set of status codes with a product you can refer to the Products User Manual.*

#### 4.2.46 Maintaining the Disclosure Details

The Disclosure code is defined in the 'Disclosure Maintenance' screen. To invoke this screen, select **Loan and Commitment Maintenance** in the Application Browser, click **Disclosure Maintenance** in the sub-menu and then click the **Detailed** option under it.

The screenshot shows the 'Disclosure Maintenance' window. It has a title bar with a small icon and the text 'Disclosure Maintenance'. Inside, there's a section titled 'Disclosure Details' with a sub-label 'Disclosure Code' and a text box containing 'MCODE1'. Below that is 'Disclosure Description' with a text box containing 'DISCLOSURE CODE 1'. There's a checkbox labeled 'UCC Code' which is unchecked, and a button labeled 'UCC'. At the bottom, there's an audit trail table with columns: 'Input By', 'Date Time', 'Auth By', 'Date Time', and 'Mod No'. The first row shows 'MAINT08', '28/12/2004 10:37:57', 'MAINT06', '28/12/2004 09:08:19', and '1'. To the right of the table are two checked checkboxes labeled 'Open' and 'Authorized', and a small icon of a document with a blue arrow.

Input By	Date Time	Auth By	Date Time	Mod No
MAINT08	28/12/2004 10:37:57	MAINT06	28/12/2004 09:08:19	1

Here you can maintain the following details:

##### **Disclosure Code**

Specify the code for the reporting requirement. The reporting requirement is captured as disclosure code.

##### **Disclosure Description**

Specify the description of the reporting requirement.

##### **UCC Code**

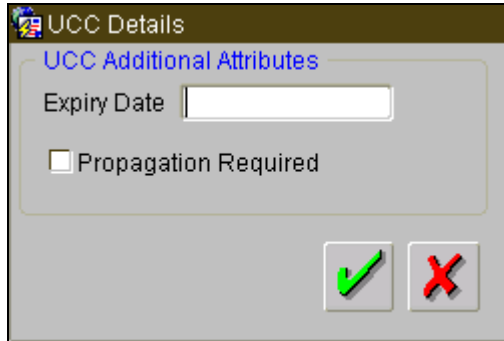
Check this box if the disclosure code is considered a Uniform Commercial Code (UCC). If checked, the 'UCC' button gets enabled.



Once this box is checked for a disclosure code and authorized, this box is disabled and you will not be able to amend this box by unlocking the record.

#### 4.2.46.1 Maintaining UCC Details

You can maintain UCC details pertaining to a disclosure code using the 'UCC Details' screen. To invoke this screen, click on 'UCC' button on the 'Disclosure Maintenance' screen.



You can maintain the following details in this screen:

##### **Expiry Date**

Specify the expiry date of the UCC code. Input to this field will be mandatory if you check the 'UCC Code' box on the 'Disclosure Maintenance' screen.

##### **Propagation Required**

Check this box if expiry date is to be propagated to all linked contracts when expiry date of UCC is modified.

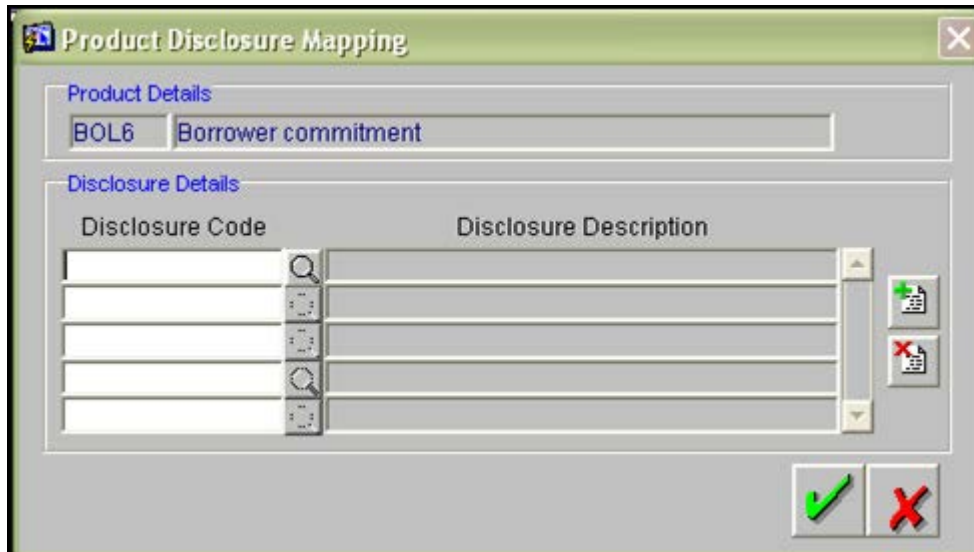
All the fields can be amended on the 'UCC Details' screen by unlocking the Disclosure Maintenance record and clicking the 'UCC' button.



If the UCC is not linked to any contracts, there will be no contract level impact of such amendments. If the UCC is linked to contracts, on authorization of the amendment, the new expiry date will be automatically propagated to existing contracts if the 'Propagation Required' box is checked. If this box is unchecked during modification, then the new expiry date will not be propagated to the existing contracts.

#### 4.2.47 Mapping the Product to Disclosure Details

Disclosure codes can be mapped to product through the 'Product Disclosure Mapping' screen in 'Product Preferences' screen.



You can specify the following details here:

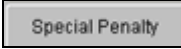
##### **Disclosure Code**

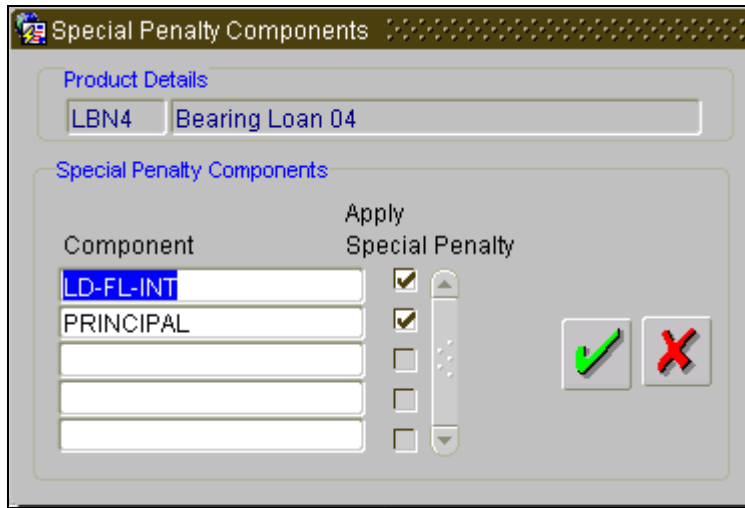
Specify the disclosure code (reporting requirements) that should be mapped. The adjoining option list displays the disclosure codes that can be associated with product. Select the required disclosure code which needs to be mapped to the product.

##### **Disclosure Description**

The system displays the description of the disclosure codes.

## 4.2.48 Specifying the Special Penalty Components

You can select components to which late payment charges are applicable using the 'Special Penalty Components' screen. To invoke this screen, click the  button in 'Loans and Deposits – Product Preferences' screen.



Component	Apply Special Penalty
LD-FL-INT	<input checked="" type="checkbox"/>
PRINCIPAL	<input checked="" type="checkbox"/>
	<input type="checkbox"/>
	<input type="checkbox"/>

Specify the following details:

### Product Details

System displays the product code and a brief description of the product.

### Component

By default, system displays all components defined in the 'Interest' screen for the loan product. For commitment products, system defaults all components defined in the 'Interest' and 'Fee' screens (with exception of the generic component 'PRINCIPAL'). However, you can specify the components and check the adjoining 'Apply Special Penalty' box for which late payment charges are applicable.

You can amend the components list for a product by unlocking the product maintenance. This amendment does not impact the list of late payment charge components defined for existing contracts under this product. The change will also not impact late payment charges already calculated based on the list of components defined at contract level.


While calculating the basis amount for late payment charges, system does not consider the excluded components even if they remain unpaid after expiry of grace period.

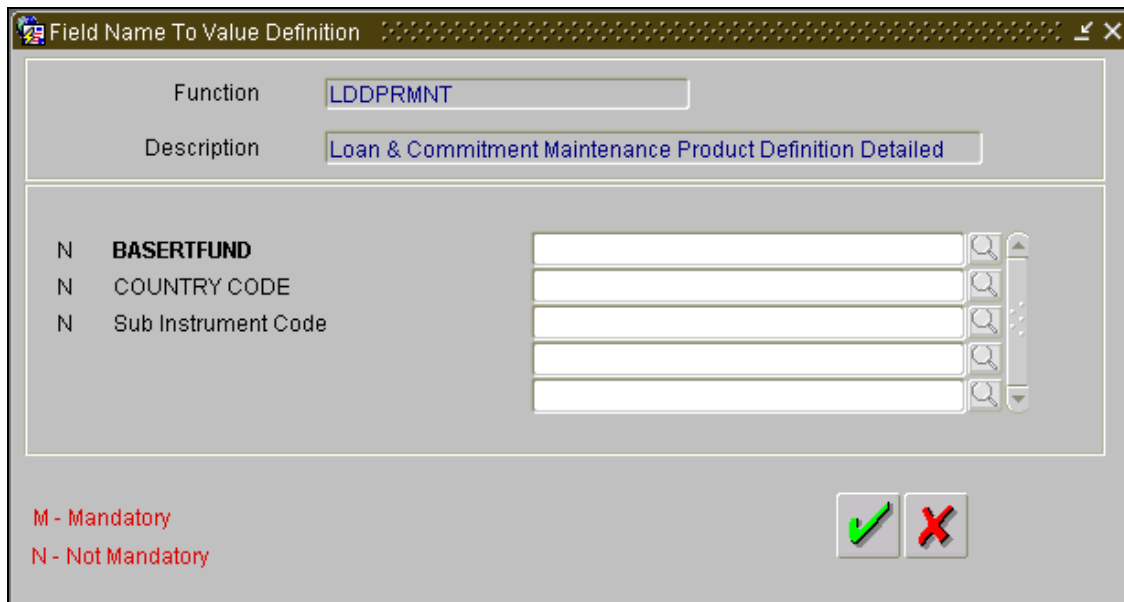
If you recalculate the already calculated late payment charges due to back value dated change of interest rate or principal, then during recalculation system considers the latest late payment charge components at the contract level. Therefore, the late payment charges are recalculated considering the changed rate but not the changed list of components at the product level.

### Apply Special Penalty

Check this box to indicate that system should apply special charges to the penalty component. By default, this box is checked.

## 4.2.49 Maintaining UDFs

You can maintain the UDFs pertaining to the loan using the 'Field Name to Value Definition' screen. To invoke this screen, click the  button on the Application toolbar of the 'Loans and Deposits – Product Definition' screen.



The screenshot shows the 'Field Name To Value Definition' window. At the top, the title bar reads 'Field Name To Value Definition'. Below the title bar, there are two input fields: 'Function' with the value 'LDDPRMNT' and 'Description' with the value 'Loan & Commitment Maintenance Product Definition Detailed'. Below these fields, there is a list of UDFs with their mandatory status and a corresponding input field for each. The list includes: 'N BASERTFUND', 'N COUNTRY CODE', and 'N Sub Instrument Code'. To the right of each UDF name is an input field and a magnifying glass icon. At the bottom left, there is a legend: 'M - Mandatory' and 'N - Not Mandatory'. At the bottom right, there are two buttons: a green checkmark and a red X.

You can maintain the following UDFs for loan products in this screen:

UDF Name	Default Value	Maximum Field Length
INTELLECTSOURCE	WF	8
BROKERNAME	CUST	12

You should maintain these UDFs for loan products and system default these UDFs to all contracts booked under that product.

While sending the intellect message, system picks the appropriate values for the UDFs 'INTELLECTSOURCE' and 'BROKERNAME'. System then sends these values to Intellect. These values are displayed as Source and Broker Name respectively in the message.

The UDF 'PAYOFF-FEE' attached to loan and commitment products is used to determine the flat fee amount. The value maintained for this UDF for the commitment contract is inherited to all linked loan contracts during contract booking. If required, you can modify this value. If the defaulted UDF value is overwritten at the loan level, then the commitment and loan UDF values will be different. In this case, the subsequent UDF changes at the commitment contract level will not propagate to the loan.

If a standalone loan is booked and linked to a commitment manually, then the UDF value at the commitment level is defaulted to the linked loan contract. However, you can modify this value at the loan level.

### 4.3 Maintaining Slab/Tier Based Spread on Loan Outstanding

Oracle FLEXCUBE facilitates maintaining spread for a given client, branch, product and currency combination. You are allowed to define spread for a product by choosing the spread type either 'Flat' or 'Slab/Tier' based spread type.

To maintain Slab/Tier based spread on loan outstanding, invoke the 'Spread Maintenance' screen from the Application Browser. To invoke the screen, select **Spread Maintenance** under **Loans and Commitment Maintenance**.

**Spread Maintenance**

**Contract Details**

Contract Ref No: ALL  
Customer No: ALL  
Product: DP01  
Type: ☐ Slab ☐ Tier ☒ Tenor  
Amount Type: ☒ Amount ☐ Percent  
Dept Code: DEP Branch Code: CIP  
Treasury Source:

**Currency Details**

CCY	Ccy Description
USD	USA DOLLAR

**Effective Date**

Effective Date
28-DEC-2004

**Spread Details**

From Amount	To Amount	Spread Rate
00	999,999,999,999.99	

**Tenor Wise Spread Details**

Tenor From	Tenor To	Tenor Description	Spread Rate
	100		2.000000
101	999		3.000000

Input By: NEER2 Date/Time: 28/12/2004 16:41:09 Auth By: NEER1 Date/Time: 28/12/2004 16:43:33 Mod: 1 ☒ Open ☒ Authorized

The following details are captured here:

#### **4.3.1.1 Specifying Contract Details**

##### **Contract Reference Number**

Select the contract reference number from the adjoining option list. This field is applicable only for a contract. It is not applicable for maintenance at the Product/ Customer Number/ Currency level.

##### **Customer Number**

Select the customer number from the adjoining option list. The system populates the customer name when you select the customer number.

##### **Product**

Select the product from the adjoining option list. The system displays only those products with spread type as Slab / Tier. The system populates the product description when you select the product.

##### **Type**

Indicate the type of spread maintained for the product. You can select one of the following options:

- Slab
- Tier
- Tenor

##### **Amount Type**

Indicate the amount type maintained for the product. You can select one of the following options:

- Amount
- Percent

##### **Department Code**

The system defaults the current department in which the maintenance is being input.

##### **Branch Code**

The system defaults the current branch in which the maintenance is being input.

##### **Treasury Source**

The system defaults the current treasury source in which the maintenance is being input.



#### **4.3.1.2 Specifying Currency Details**

##### **Currency**

Select the appropriate currency for the contract from the adjoining option list.

##### **Currency Description**

The system defaults the currency description according to the currency selected.

#### **4.3.1.3 Specifying Effective Date**

Specify the effective date of the spread rate maintenance for the given combination of customer, product, branch and currency.

#### **4.3.1.4 Specifying the Spread Details**

##### **From Amount**

Specify the From Amount for the slab/tier based spread.

##### **To Amount**

Specify the To Amount for the slab/tier based spread.

##### **Spread Rate**

Specify the effective spread rate for the slab/tier based spread.

You can view the same details in the LD Contract Online Screen for the combination of customer, product and branch in the ICCF details screen on clicking the 'Spread Maint' button.

**ICCF Details**

Contract Ref No: CT1PENL050152001 Y 1 1

Event: BOOK Booking of contract

**Interest**

Component: LD-PENAL Penalty Component

Fixed Rate Type: Interest Basis: Rate Type: SPECIAL Special Rate Type: Fixed Rate Rate: 5.0000000000

Fixed Rate Code: Floating Rate Code: Interest Computation: Simple Prepay Penalty Rate Code: Code Usage: Revision Method: User Rate: Min Rate: 5.0000000000

Int. Period Basis: Include From Dt: Penalty Start Date Basis: Date Date: Till Date Accrual: 00 Net Accrual: 00

Liq Premium Borne By: Liq Premium: Rate Cycle Type: Borr. Lend Indicator: Mid Reset Tenor: Penalty Tenor: 0

Compounding on Holidays: Margin: Interest Amount: Acquired Interest: USD Spread: Max Rate: 10.0000000000 Ccy Round Rule: Down Decimals: 2 Unit: .01

Total Amount Liquidated: .00 Adjustment Rate: Net Rate: 5.0000000000

Waiver: Main Comp: Retain main comp prop: Liq Premium Comp: Consider as Discount: Accrual Required: Special Penalty Comp: Spread Maint: Agency Rate: Rate Floor: Billing Notice Required:

**Charges**

Component	Event	Rate	Ccy	Amount	Status	Waiver
BOOK-CHG_LI	BOOK		USD	4789.97	L	

**Status**  
P - Pending W - Waived  
L - Liquidated R - Reversed

✓ ✗

For details on defining interest components, refer the section titled 'Defining Interest Details' in the 'Interest' User Manual.

**Spread Maintenance**

**Contract Details**

Contract Ref No: CIPLEN204363G335  
Customer No: ALL  
Product: ALL  
Type: ☒ Slab ☐ Tier  
Amount Type: ☒ Amount ☐ Percent  
Dept Code: DEP Branch Code: CIP Treasury Source:

**Currency Details**

CCY	Ccy Description
USD	USA DOLLAR

**Effective Date**

Effective Date: 28-FEB-2004

**Spread Details**

From Amount	To Amount	Spread Rate
.00	10,000,000.00	4.00

Buttons: [Save] [Delete] [Home] [Checkmark] [X]

Here the spread is defaulted based on the maintenance done for the specific combination. You are allowed to modify the spread rate and the amount slab. This spread is considered for building the schedules for the contract.

You can use the spread maintenance screen to amend the spread maintenance after the first authorization of the contract. You cannot amend it through contract amendment. The system triggers an event called 'SPFX', if the spread for a contract is changed due to new rate maintenance or change in the rate maintenance.



The system will not trigger the event 'SPFX', when the spread of the contract changes due to an activity performed on the loan which impacts the loan balance and there by changing the spread.

#### 4.3.2 Impact of Loan Outstanding on Spread

For any change in the loan outstanding balance, the system will re-pick spread rates based on the latest outstanding amount. The loan outstanding balance will undergo changes in the following scenarios:

- VAMI – To Increase the Principal Amount
- VAMR – Vami Reversal
- LIQD – Principal payment / prepayment done
- REVP – Reversal of Payment



The change in spread rate will impact the schedules of the underlying contract, as the effective interest rate will change with the change in the spread.

### **Example**

Let us assume that a contract is booked with the following details:

- Principal Amount - 12000000
- Interest Rate – 5%
- Value Date – 28-Sep-05
- Maturity Date – 28-May-06

The spread maintained for the borrower, branch, product, and currency combination with the latest effective date with the component type as 'Slab' is as follows:

From Amount	To Amount	Spread Rate
0	1000000	2%
1000000	10000000	3%
10000000	11000000	4%
11000000	9999999999	5%

Initially when the contract is booked the spread picked up is 5%. The principal amount due of 2000000 along with the Interest amount of 100000 is paid on 28-Oct-2005. As a result of the payment the remaining schedules are recomputed using the spread rate of 4%.

The schedules are recomputed in the following ways:

Principal	Interest Rate	Start Date	End Date	No of Days	Interest Amount	Daily Avg Amount
12000000	10%	28-Sep-05	28-Oct-05	30	100000	3333.333333
10000000	9%	28-Oct-05	28-Nov-05	31	77500	2500
10000000	9%	28-Nov-05	28-Dec-05	30	75000	2500
10000000	9%	28-Dec-05	28-Jan-06	31	77500	2500
10000000	9%	28-Jan-06	28-Feb-06	31	77500	2500
10000000	9%	28-Feb-06	28-May-06	89	222500	2500

Similarly if the spread basis is tier, then the schedules of the contract is formed in the following manner:

Principal	Effective Rate	Start Date	End Date	No of Days	Interest Amount	Daily Avg Amount
12000000	8.167%	28-Sep-05	28-Oct-05	30	81666.67	2722.222
12000000	8.167%	28-Oct-05	28-Nov-05	31	84388.89	2722.222
12000000	8.167%	28-Nov-05	28-Dec-05	30	81666.67	2722.222
12000000	8.167%	28-Dec-05	28-Jan-06	31	84388.89	2722.222
12000000	8.167%	28-Jan-06	28-Feb-06	31	84388.89	2722.222
12000000	8.167%	28-Feb-06	28-May-06	89	242277.8	2722.222

The effective rate of 8.167% is arrived using the weighted average logic:

The weighted rate will be calculated as below

- $((1000000*7\%+9000000*8\%+1000000*9\%+1000000*10\%)/12000000)*100$

The result rate is used for computation of interest.

Similarly the schedules will undergo changes if there is a principal payment which will change the loan balance and the effective spread rate.

The schedules will be built as under

Principal	Effective Rate	Start Date	End Date	No of Days	Interest Amount	Daily Avg Amount
12000000	8.167%	28-Sep-05	28-Oct-05	30	81666.67	2722.222
10000000	8.3%	28-Oct-05	28-Nov-05	31	71472.22	2305.555
10000000	8.3%	28-Nov-05	28-Dec-05	30	69166.67	2305.556
10000000	8.3%	28-Dec-05	28-Jan-06	31	71472.22	2305.555
10000000	8.3%	28-Jan-06	28-Feb-06	31	71472.22	2305.555
10000000	8.3%	28-Feb-06	28-May-06	89	205194.44	2305.556

The effective rate of 8.3% is arrived using the weighted average logic explained below:

The weighted rate is calculated as below:

- $((8000000 \times 8\% + 1000000 \times 9\% + 1000000 \times 10\%) / 10000000) \times 100$

The resultant rate is used for computation of interest.



Note the following:

- Defaulting of spread is done only once. Any subsequent changes in spread are done through 'Spread Maintenance' screen.
- It is applicable only for LCY Loans.
- The tier basis is always amount based.
- In case the spread maintenance is not available then the system defaults the spread as '0'.

## 4.4 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 Loans 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 loans 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.

## 4.5 **Applying Tax on Liquidated Principal**

Your bank may need to deduct tax on principal that is liquidated on each schedule date, for a loan. 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 PRINCIPAL\_LIQD in the Product Tax Linkage Definition screen, as an attribute for the loan product. For any loan 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.

## 4.6 **Classification of General Ledgers based on Transaction Codes**

When the GL under which a component is reported is changed, along with the status of a loan, an accounting entry is passed. This accounting entry will be to transfer the component from one GL to another.

A Transaction Code, the description of which indicates the type of accounting entry, is associated with every accounting entry in Oracle FLEXCUBE. You should indicate the Transaction Code to be used for the GL transfer entries, involved in the status change.

## 4.7 Maintaining Pool Fund Details

You can capture the funding details using the 'Pool Fund Maintenance' screen. From the Application Browser, click on **Loan and Commitment Maintenance** and under **Detailed** in the **Pool Fund Maintenance** the **Pool Fund Maintenance** screen will be displayed

The screenshot shows the 'Pool Fund Maintenance' screen with the following fields and controls:

- Branch Code**: Text input field.
- Funding Ref No**: Text input field.
- Pool Description**: Text input field.
- Funding Ccy**: Text input field with a currency dropdown arrow.
- Funding Amount**: Text input field.
- Pool Available Amount**: Text input field.
- External Ref No**: Text input field.
- Counterparty**: Text input field.
- Facility Name**: Text input field.
- Funding Type**: Dropdown menu with 'Pool Funding' selected.
- Revolving Funding**: Check box.
- Maker Id**: Text input field.
- Maker Dt Stamp**: Text input field.
- Checker Id**: Text input field.
- Checker Dt Stamp**: Text input field.
- Mod No**: Text input field.
- Open**: Check box (checked).
- Authorized**: Check box (unchecked).

Specify the following details:

### **Branch Code**

System defaults the branch code of the current branch. You can query records pertaining to the current branch only.

### **Funding Reference Number**

System generates and displays the funding reference number consisting of 16 characters.

### **External Ref. No**

System defaults the funding ref number in this field. However, you can enter the legacy system funding reference number as free text.

### **Funding Ccy**

Specify the funding currency.

### **Funding Amount**

Specify the funding amount. The funding amount must be greater than zero.

### **Pool Available Amount**

System calculates and displays the Pool Available Amount.

### **Counterparty**

Specify the counterparty.



### Facility Name

Specify the name of the facility. It is mandatory to specify the facility name.

### Funding Type

Specify the funding type.

### Revolving Funding

Check the box to indicate that the funding is of 'Revolving' type.



Note the following:

- After you link a funding maintenance to a commitment, you cannot modify the 'Revolving funding', 'Funding currency', 'Funding Amount', and 'Funding Type' values. This validation will also apply even after the commitment matures.
- Existing funding maintenance cannot be closed if there are active commitment contracts linked to it.
- The status (active or closed) of a Funding reference can be tracked using the 'Record status' field available in the audit trail.

## 4.8 Projecting Balance for TD Account

You can project the balance of Time Deposit using, 'Deposit Balance Projection' screen. To invoke this screen, choose **Loans & Commitment Operations** from the Application Browser. Thereafter, choose **Deposit Balance Projection** under it.

Components	Ccy	Balance	Tax
PRINCIPAL	USD	50,000.00	.00
DEPINT	USD	109.59	2.19

Total Amount Due 50,107.40

### Contract Reference No

Specify the contract reference number. You can choose the appropriate contract reference number from the option list as well.

### Project Balance

Click this button to generate the Projection Date, Components, Currency, Balance and Tax details.

### Projection Date

The system displays the projection date on clicking the 'Project Balance' button. However, you can also edit this date.



Projection Date should always be greater than the application date.

The system validates if the Projection Date is less than or equal to the Settlement Date. If the Projection Date is less than the Maturity Date, then the system will calculate the component wise vales till the date of projection.

If the Projection Date is greater than the Maturity Date, and if the Rollover option is No in the contract level, system will display an error message. If the Projection Date is greater than the Maturity Date for a TD account with Rollover option, then the system will check if the Rollover mechanism is of new version. If the rollover mechanism is of new version, then the system will calculate the net principal for new version based on the rollover preferences.

Based on the interest preference in the rollover instructions, the system will calculate the interest and tax.

## 4.9 Identifying a Component as a Refinance component

While creating a loan product you have the option of indicating whether the accruals/liquidations involving a particular component should be tracked for refinancing. If you enable the 'Refinancing Required' option for a particular GL, you will have to identify the actual component for the refinance component.



The system creates a dummy loan product for every deposit product that you maintain and vice versa. Each time you book a loan to a customer, the corresponding deposit is initiated with the following entries:

Accounting Role	Amount Tag	Dr./Cr. Indicator
LAIBGL_REF	PRINCIPAL	Credit
LAIBGL_REF_OFF	PRINCIPAL	Debit

Similarly, each time you book a deposit from a customer, the corresponding loan is initiated with the following entries

Accounting Role	Amount Tag	Dr./Cr. Indicator
ASSETGL_REF	PRINCIPAL	Debit
ASSETGL_REF_OFF	PRINCIPAL	Credit



For details on Upfront Fee Accrual, refer the chapter 'Processing Upfront Fee Accruals' of the Loans User Manual.

#### 4.9.1 Capturing the Reversal Transaction Type

In some occasions, you might have to reverse a contract due to insufficient funds. When you reverse a contract, the event-wise accounting entries of the original contract will be reversed. You can maintain such accounting entries under a specific transaction code for all contract or payment reversals.

For this you need to maintain unique transaction codes for such reversals in Oracle FLEXCUBE. This can be done through the Reversal Type Maintenance screen. To invoke this screen, click on **Bank Parameters** in the **Application Browser**, then click on the option **Summary** under **Reversal Types** under it.

Input By	Date/Time	Auth By	Date/Time	Mod No	Authorised	Open
SYSTEM	01/01/0098 10:10:10	SYSTEM	01/01/0098 10:10:10	1	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

In this screen, you should capture the following reversal type details for a product:

##### **Module**

Indicate the module for which you want to maintain the transaction types. Reversal types you define through this screen will be applicable to the product for which you have specified only.

##### **Reversal Type**

This is a unique Code for the reversal type.

##### **Description**

Enter a description for the transaction type that you are maintaining. This is captured for information purpose only.

## 4.10 Maintaining 1098 Parameters

You can maintain 1098 Parameter details using '1098' Parameter' screen. To invoke this screen, choose **Branch Parameters** from the Application Browser. Thereafter, choose **1098 Parameters** under it.

Input By	Date/Time	Auth By	Date/Time	Mod No	Status
GOUR02	28/04/2005 18:50:23	GOUR01	28/04/2005 18:51:38	5	<input checked="" type="checkbox"/> Open <input checked="" type="checkbox"/> Authorized

### Branch Code

The code of the current branch is displayed in this field.

You have to specify the following details in this screen:

### Branch TIN

Specify the Tax Payer Id.

### Tax Year

Specify the tax year for which 1098 statement is generated.

### Transmitter TIN

Specify the Branch TIN.

### Transmitter Name

Specify the name of the transmitter.

### Transmitter Control Code

Specify the transmitter control code.

**Threshold Limit**

Specify the threshold limit on the interest paid by the customer.

**Test Tape Indicator**

Select 'T' incase you require Test File generation for verification purposes. Incase you do not select anything the system generates the file for uploading.

**Company name**

Specify the name of the company which is associated with the address to where the correspondence should be sent.

**Company Address**

Specify the address for correspondence.

**Company City**

Specify the city in which the company is located.

**Company State**

Specify the state in which the company is located.

**Company ZIP Code**

Specify the ZIP Code of the company.

**Contact Name**

Specify the name of the contact person in the bank.

**Contact Number**

Specify the contact number of the contact person in the bank.

**Email Address**

Specify the Email Address of the contact person in the bank.

**First Payer Name**

Specify the name of the bank.

**Second Payer Name**

Specify the name of the department in charge of 1098 form generation.

**Payer Ship Address**

Specify the address of the payer.

### Payer City

Specify the city in which the payer is located.

### Payer State

Specify the state in which the payer is located.

### Payer ZIP Code

Specify the ZIP code of the payer.

### Payer Phone

Specify the payer's phone number.

### 1098 ASCII File Path

Specify the path for the generation of 1098 ASCII File.

### 1098 FORM Path

Specify the path for the generation of 1098 FORM.

## 4.10.1 Generating ASCII File

You can generate the ASCII File using, '1098 ASCII File' screen. To invoke this screen, choose **Loans & Commitment Operations** from the Application Browser. Thereafter, choose **1098 Statement** and **ASCII File Generation** under it.

**1098 ASCII File**

1098 ASCII File

Customer  Contract Ref No

Branch Code

**Details**

Borrower Name	Borrower SSN	Interest Paid	Refund Amount
88DEPROL01		4625	0.00
88GOLFBG01		4972.6	0.00
88JAGUAR12		5041.66	0.00
88MARTHA01		5041.59	0.00
88SAMUEL01		6066.66	0.00

The following details of the Advice are displayed.

- Customer - This will be defaulted to 'ALL' and you are not allowed to amend this value.
- Contract Ref No - This will be defaulted to 'ALL' and you are not allowed to amend this value.

#### 4.10.1.1 Details

The details are displayed.

- Borrower Name
- Borrower SSN
- Interest Paid
- Refund Amount

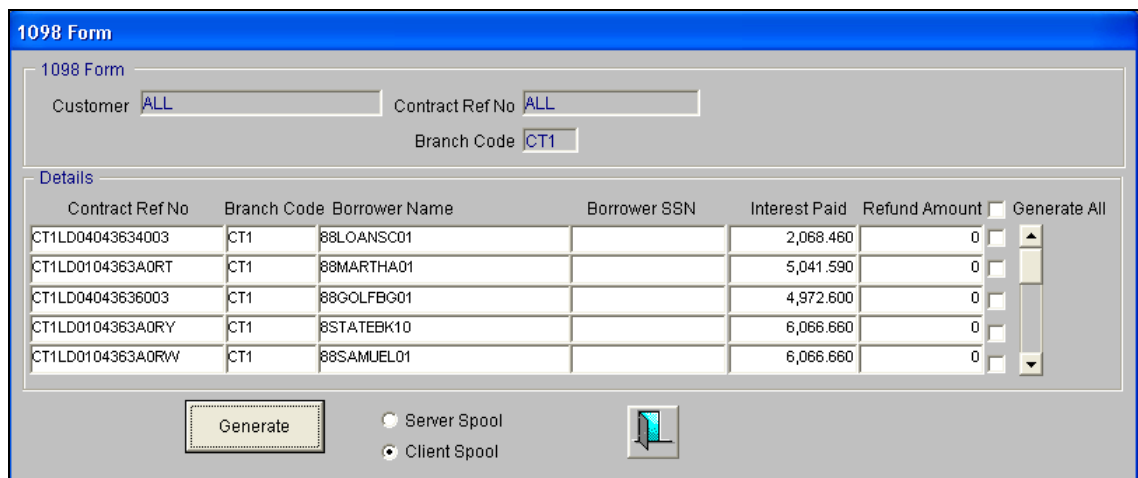
Click  to generate the ASCII file across all the borrowers and across all contracts.



Only those contracts booked under products with 'Include in 1098 Statement' checked and with the interest paid for the year greater than the threshold limit are considered for the ASCII file generation.

#### 4.10.2 Generating 1098 Forms

You can generate 1098 forms using, '1098 Form' screen. To invoke this screen, choose **Loans & Commitment Operations** from the Application Browser. Thereafter, choose **1098 Statement** and **1098 Form Generation** under it.



Contract Ref No	Branch Code	Borrower Name	Borrower SSN	Interest Paid	Refund Amount	Generate All
CT1LD04043634003	CT1	88LOANSC01		2,068.460	0	<input type="checkbox"/>
CT1LD0104363A0RT	CT1	88MARTHA01		5,041.590	0	<input type="checkbox"/>
CT1LD04043636003	CT1	88GOLFBG01		4,972.600	0	<input type="checkbox"/>
CT1LD0104363A0RY	CT1	88STATEBK10		6,066.660	0	<input type="checkbox"/>
CT1LD0104363A0RW	CT1	88SAMUEL01		6,066.660	0	<input type="checkbox"/>

The following fields are displayed in this screen:

- Customer - Individual Customer Number is displayed.
- Contract Reference No – The contract for that particular customer number is displayed.
- Branch Code – The code of the current branch is displayed.


### Details

The following fields are displayed in this section:

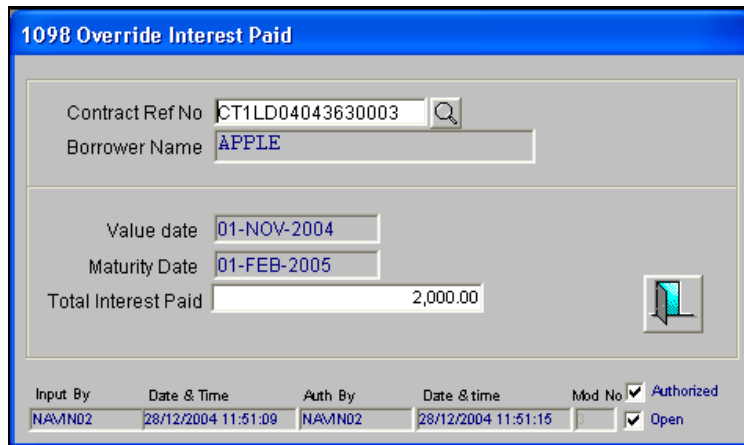
- Contract Ref No
- Branch Code
- Borrower Name
- Borrower SSN
- Interest Paid
- Refund Amount

### **Generate All**

Check this field to generate 1098 Form for all the contracts.

 Only those contracts booked under products with 'Include in 1098 Statement' checked and with the interest paid for the year greater than the threshold limit are considered for the 1098 Form generation.

You can override the amount paid by the borrower for a particular contract using, '1098 Override Interest Paid' screen. To invoke this screen, choose **Loan and Commitment Operations** from the Application Browser. Thereafter, choose **1098 Statement** and **1098 Override Screen** under it.



Input By	Date & Time	Auth By	Date & time	Mod No	Authorized
NAVIN02	28/12/2004 11:51:09	NAVIN02	28/12/2004 11:51:15		<input checked="" type="checkbox"/>
					<input type="checkbox"/>



### **Contract Reference No**

Specify the reference number of the contract whose amount you want to override. You can choose the appropriate contract reference number from the option list as well.

### **Total Interest Payment**

The system displays the total interest paid for the previous year. However, you can modify this amount.



The interest displayed is based on the book date of the payment (Transaction Date) and not on the schedule due date of the payment. The total amount is for all the interest components.

The following fields are displayed in this screen:

- Borrower Name
- Value date
- Maturity Date

---

## 5. Disbursing a Loan

### 5.1 Introduction

A product is a specific service that you offer your customers. For example, you may offer short-term agricultural loans. Short-term agricultural loans can be of different types:

- Loans for Cash Crops
- Loans for Non-Cash Crops

These types of short-term agricultural loans are examples of specific services that you offer. In Oracle FLEXCUBE, you can define a specific type of service as a product.

Defining a loans product, first of all, helps you classify the loans that you issue according to broad groups or categories. Therefore, you can easily retrieve information relating to loans of a specific category.

The other advantage is that, when building a product, you set up it up with attributes generic to loans of a particular type. All loans processed under a product acquire its attributes.

Therefore, when disbursing loans, you do not have to capture these generic details every time; loan disbursement is remarkably automated in Oracle FLEXCUBE.



The attributes you define for a product default to all loans processed under it. However, to suit the requirements of a loan, you can change these default attributes.

Apart from the general attributes that a loan acquires from a product, you have to capture some information specific to a loan, such as the loan amount, the repayment account, etc., during contract input. You can capture such information in the Loan Disbursement screens.

#### 5.1.1 Invoking the Loan Disbursement Screens

You can capture the details of a loan in the following screens:

- Contract details
- Contract Preferences
- Contract Linkage details
- Contract Schedule Definition details
- Contract Rollover details

The Contract Details screen is available under L & D Operations in the Application Browser. Once in the Contract Details screen, you will see three other sections, each representing a screen:

Section	Screen
Main	Contract Main and Preferences screen
Schedules	Contract Schedule Definition and Linkage Details screen
Roll-over	Contract Rollover screen

## 5.2 Capturing Loan Disbursement Details

In the Application Browser, click on **Loan and Commitment Operations**. Under it, click on **Contract Input** and then on **Detailed**. The 'LD Contract Online' screen is displayed.

LD Contract Online [ PORT NEWARK CONTAINER TERMINAL L ][SWINGCUS11]

Template	Product	Contract Ref Number	1 Of 1
SLL1	SLT LIBOR Loan	001SLL1122272002	
Branch	Alt Ref No	User Ref Number	Reprgm Cnt
001		001PDLL12227C3W4	
Department 234	Facility Id	Custom Ref No	Projected Comm Bal
TREASURY	SWINGCUS11	12009665	3,000,000.00

Contract Schedules Linkages Rollover

Customer	Agent CIF	Currency	CUSIP No	Amount	Lcy Eqt	Global Commit Amt	Reserve Amt	FAS114 Reserve Amt	Recovery Amt	Unexp.Reco. Amt	Complete Write-off Amt	Contra GL Bal	Net Outstanding Amt	Current Exposure Amt
024297	162211	USD	SWINGCUS11	3,000,000.00	3,000,000.00 USD	3,000,000.00 USD	.00	.00	.00	.00	.00	.00	.00	.00
PORT NEWARK CONTAINER TERMINAL LLC		Ext Deal CUSIP/SIN		Limit CIF		LC Sublimit Amt		LC Bal						
EG#		GFCID		024297										

Default Settlement Details

Branch	Agent CIF/ Customer Sequence No	Settlement Seq No	SSI Mnemonic
A/C		0	001USDSCIFC

Tenor

Booking Date	Value Date	Org Start Date	Cont. Eff Date	Cont. Mat Date
14-AUG-2012	01-JAN-2012	01-JAN-2012		

Interest Details

Type	Fixed Rate Type	Code Usage	User Rate	Spread
FIXED	AGENCY		9.5000000000	
Rate	Fixed Code	Reset Tenor	Prem Type	Liqd Prem
9.5000000000	LIBOR			0
Float Code	Rev Type	Amount	Adj Rate	Net Rate
				9.5000000000
Penalty Code				

Maturity Type

Fixed	Notice	Call

Maturity Date

14-AUG-2012
-------------

Notice Days

--

Tax Scheme

BEARING
---------

Pmt. Method

BEARING
---------

Status

NORM
------

Status Since Last

--

Contact Dt

--

Funding method

Not Required
--------------

Offset No

--

Administrator

--

Handoff Status

Handoff
---------

Send Amend To Intellect

--

Rollover Indicator

Count	0
-------	---

Parent Ref No

--

Internal Remarks

--

Entry By Entry Time Auth By Auth Time Contract Stat Auth Status

SYSSTP	14-AUG-2012 08:14:16	SYSSTP	14-AUG-2012 08:14:16	Active	Authorized
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## Using a template to disburse a loan

A template can be described as

a sample contract that has attributes common to many loans in a category (that is, involving a particular product). Once a template is defined, it can be used as a base to enter a loan and only attributes that are specific to the loan you are processing need to be changed. This simplifies the input of disbursement details of a loan.

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

## Entering disbursement 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 loan details.



Whenever a loan is booked and if the UDF 'RATE-VARIANCE' is maintained as a non-zero value for a commitment contract to which the loan is linked, dual authorization is required.

*For more details regarding dual authorization, refer the section 'Dual Authorization' in this chapter of this User Manual.*

## The Contract Reference Number

The Contract Reference Number identifies a loan. It is automatically generated by the system for each loan. The Contract Reference Number is a combination of the branch code, the product code, the date on which the loan 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

January 31, 1998 translates into the Julian Date: 98031. Similarly, February 5, 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).

## **The User Reference Number**

You can enter any reference number for a loan that you issue. The loan will be identified through this number in addition to the Contract Reference Number generated by the system. Two loans cannot 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 loan Reference Number, to retrieve information relating to a loan.

## **Specifying the Product Code**

Every loan that you issue, would involve a specific service that you offer (which you defined as a product). When disbursing a loan, you should specify the product that it involves.

All the attributes of the product that you specify will apply to the loan. However, you can change some of these attributes while entering the details of the contract. When you specify the product, the product type, loan or commitment will be displayed.

### **5.2.1 The Facility Name**

If you are entering the details of a commitment contract, the field Facility Name will be enabled. You have the option of entering the name of the facility here. When you save the commitment contract, the name that you have entered will be displayed alongside the screen name and customer name.

The Facility Name entered for a commitment will also be displayed for a loan contract booked under it.



Note the following:

- It is not mandatory that you enter the Facility Name for a commitment contract
- When you carry out a search for a contract using the Summary screen, you can do so with the Facility Name. All commitment and loan contracts linked to the name will be displayed.
- You will be allowed to amend the Facility Name for a commitment contract and if you do so, all loan contracts linked to the commitment contract will carry the new Facility Name.

## **Potential Available Commitment**

The system displays the potential commitment availability balances on the value date of the forward dated loan. This field is applicable for commitment contract only.

The formula for potential available commitment is the actual commitment available balance minus the sum of future dated uninitiated loan contract amount in commitment currency. While booking a new loan the system validates the commitment availability based on potential available commitment.



Note the following:

- As part of new forward dated Loan input, you can link the loan to the commitment in order to identify the reporting commitment and for performing the possible validations.
- However, the system will not trigger the LINK event at the commitment level as part of the Loan Booking (BOOK event) activity on the booking date of the loan. Hence, the Commitment availability balance will not be reduced during the Forward dated Loan Booking.
- The LINK event triggers at the commitment level during the Forward dated Loan Initiation (INIT event) activity as part of the BOD batch process on the value date of the forward dated Loan. Hence, the commitment availability balances are updated on the value date of the forward dated loan
- To consider the possible impact of the future dated loan utilizations, which affect the commitment available balances, the system considers the utilization of the uninitiated forward dated loan contracts along with the actual utilization of the already initiated loans for the potential available balance verifications.
- If the future-dated loan contract and the commitment contract are of different currencies, then the system updates the commitment availability, applying the provided exchange rate, from the value date of the loan contract.

### **Specifying the Customer**

When entering the details of a loan, you should specify the customer to whom you are issuing it. The category of customers (or the customers themselves) that can be counterparty to a loan is defined for the product. Specify the code of an authorized customer, who falls into a category allowed for the product.

### **Specifying the Agent CIF**

You can select the Agent CIF from the option list. If, for a contract, you specify the Agent CIF, settlement instructions will be taken based on this number instead of the Customer code. If you do not specify the Agent CIF, the Customer code will be used during settlement.

Note the following:

- If you select an Agent CIF, you will have to specify the Settlement Sequence Number (explained later), based on which the settlement instructions will be taken.
- If you do not select an Agent CIF and specify, instead, a Customer, you can either enter the Settlement Sequence Number or the Settlement Account, based on which the settlement instructions will be taken. If you specify both, the Settlement Sequence Number and the Settlement Account, the Settlement Account will take precedence.

### **SSI Mnemonic**

The system displays the SSI mnemonic along with settlement sequence number.

### **Specifying EG Number**

The Entitlement Group Number gets displayed here.

### **Specifying the CUSIP No.**

Enter the CUSIP No. for the customer. This number will help track the securities of the customer.



Note the following:

- It is not mandatory that you enter the CUSIP number for a commitment contract
- You will be allowed to amend the CUSIP No. for a commitment contract and if you do so, all loan contracts linked to the commitment contract will carry the new CUSIP number.
- You will not be able to amend the CUSIP number for a loan contract. The field CUSIP No. in the loan contract screen will display the CUSIP No. that you have entered for the commitment contract.

### **Specifying the External CUSIP/ISIN**

Specify the external CUSIP/ISIN of the customer.

#### **Ext Deal CUSIP/ISIN**

System displays the external deal CUSIP/ISIN of the customer.

System will display a value for the commitment, only if the commitment was created as part of STP, and the Tranche has external deal CUSIP/ISIN associated with it.

## **5.2.2 Specifying the LC Sublimit Amount**

Specify the LC sublimit amount for the loan in commitment contracts. The system tracks the LC sub limit balance and unused commitment amount based on the LC sublimit amount you specify here.



Note the following:

- You can amend the LC sublimit amount during the contract life cycle.
- The system uses the following logic to arrive at the Change in LC Sub Limit Amount on various activities on the Loans and commitments such as Value dated amendment, Payments etc:
  - $\text{Unfunded Commitment Amount} = \text{Total Commitment Amount} - (\text{Outstanding Normal loan amount} + \text{Outstanding LC loan Amount})$
  - $\text{New LC Sublimit amount} = \text{Minimum of } ( \text{Unfunded Commitment Amount}, (\text{Contractual LC Limit} - \text{Outstanding LC amount}))$
  - $\text{Change In LC Sub Limit amount} = \text{New LC sublimit amount} - \text{Old LC sublimit Amount}$

#### **FAS114 Reserve Amt**

The system will display the funded FAS114 Reserve amount for a loan and the unfunded FAS114 Reserve amount for a commitment in this field.

### Write off Amount

The system will display the amount written off for the loan.

### Recovery Amount

The system will display the amount recovered for the loan.

## 5.2.3 Contra GL Balance Details

If there is a balance amount in the Contra GL, the same will be displayed in the field 'Contra GL Bal'. The reserve amount will also be displayed in the field 'Reserve Amount'.



Note the following:

- For the Contra GL balance details to be displayed, you should have, for the Product, indicated the applicability of Contra Accounting by checking the box 'Contra Accounting Applicable' and selected the Contra GL from the option list against the field 'Contra GL' in the Status Maintenance screen.
- If the contract, for which you are entering details, moves from a status other than 'NORMAL' back to 'NORMAL', the system will display a configurable override.

## 5.2.4 Net Outstanding Amt

Oracle FLEXCUBE calculates and displays the net outstanding amount here, based on the commitment available. This commitment is dependent on revolving and non revolving type.

### Examples

Current value for revolving commitment is calculated as follows:

Revolving	Contract Amount	Commitment Outstanding	Commitment Available	Commitment Net Outstanding Amt field in contract online screen
Commitment 1	100,000	0	100,000	100,000
Loan1 -- INIT	10,000	10,000	90,000	100,000
Loan2 -- INIT	9,000	19,000	81,000	100,000
Loan1 -- LIQD	4,000	15,000	85,000	100,000



Current value for non-revolving commitment is calculated as follows:

<b>Non Revolving</b>	<b>Contract Amount</b>	<b>Commitment Outstanding</b>	<b>Commitment Available</b>	<b>Commitment Net Outstanding Amt field in contract online screen</b>
Commitment 2	100,000	0	100,000	100,000
Loan1 -- INIT	10,000	10,000	90,000	100,000
Loan2 -- INIT	9,000	19,000	81,000	100,000
Loan1 -- LIQD	4,000	15,000	81,000	96,000

### **5.2.5 Current Exposure Details**

This will indicate the sum of commitment availability and the total outstanding amount on active loans under the commitment as on current date. This is applicable for commitment contracts.

You can view the payment details using the 'Payment Summary' screen by clicking on the 'PS' button on the right hand side of the 'LD Contract Online' screen.

### **5.2.6 Specifying the Currency**

You should specify the currency of the loan when issuing it to a customer. You can select any currency that is allowed for the product, which the loan involves.

### **5.2.7 Specifying the Loan Amount**

If a product has bearing or discounted type of interest, you should enter the principal of the loan in this screen. For a loan involving a true discounted product, you should enter the face value (nominal) of the loan. You can enter T or M to indicate thousand and million, respectively. For example, 10T means 10,000 and 10M means 10 million.



The amount, which you enter, would be assumed to be in the currency specified for the loan.

### **5.2.8 Specifying the Line Code**

By default, you will view the loans credit line, defined for the customer. You can change over to another authorized credit line, if you want to track the loan under a different line.

If you are entering a loan contract linked to a commitment, the credit line of the commitment will be displayed in the field 'COMM'.



If you specify a credit line and then link the loan contract to a commitment, the credit line that you have selected will be deleted by the system, and the one linked to the commitment, will be displayed in the field 'COMM'. The field Credit Line will be blank.

## 5.2.9 **Specifying the Settlement Account**

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

The settlement account that you specify, is the account through which:

- The loan disbursement would be drawn down
- 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 loan disbursement details, you can change the Settlement Instructions for the loan.

If a settlement account has been specified, in the settlement instructions for the customer, and a different account has been specified for the loan, the account specified for the loan will take precedence.

In the Settlement Instruction screen, you would have maintained settlement instructions for a Branch-Product-Currency-Counterparty-Module combination. Each set of instructions for this combination carries a unique sequence number. You can also select the 'Settlement Sequence Number' based on which the settlement instructions will be picked up for the Customer or the Agent CIF.



It will be mandatory for you to select a Settlement Sequence Number if you select an Agent CIF.

### **LC Contract**

Check this field to identify the loan under commitment as LC Loan (which defaults from the Product). You are allowed to amend this before the first authorization.

## 5.2.9.1 **Cross Currency Settlement**

If the contract currency of a loan 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.

### **5.2.10 Specifying the Related Reference Number**

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

### **5.2.11 Capturing Details of Amendments to Loan Agreements**

You can record whether there has been any amendment to the loan agreement after it was initiated. If you record that there has been an amendment, you will also have to specify the date on which such an amendment was made.

The details that you specify in these fields are stored as part of that particular version of the contract. You, therefore, need to enter these details afresh each time you amend the contract.

These details will be incorporated in the contract confirmation advice and amendment confirmation advice that is sent to the customer.

### **5.2.12 Specifying the Tenor**

#### **5.2.12.1 Booking Date**

The date on which the loan disbursement 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 loan (initiation date of the loan).

#### **5.2.12.2 Value Date**

This is the date on which a loan takes effect. The accounting entries for the disbursement of the loan will be passed as of this date. The tenor of the loan will begin from this date. Calculations for interest and all the other components based on tenor will be 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 loan.

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 specified to do so, for the product. If the Maturity Date of a loan is earlier than today, maturity entries will also be passed.

Once the loan disbursement details have been stored and authorized, this date can be amended only if the loan 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 loan currency.

The maturity date of a loan is automatically calculated using the value date and tenor that you specify for the product associated with the loan. If the product to which the loan is associated is defined with a Standard Tenor, it is defaulted here. You have the option to change the defaulted tenor.

If you enter the maturity date, the tenor of the loan is automatically calculated using the value date and the maturity date.

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

### **Initiating a Loan with a Value Date in the Future**

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

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

All the initiation-related entries specified for the product involved in the loan will be passed automatically. If currency conversions are involved, the conversion rates as of the date on which the loan is initiated will be picked up from the Currency Table.

If the loan is linked to a commitment, the commitment utilization will be updated. Also, the contingent entries passed when the commitment was initiated will be reversed to the extent of the loan amount linked (provided this entry is defined for the product). If the available balance in the commitment is not enough to cover the entire loan amount linked, the loan will not be initiated. This will be reported in the Exception Report.

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

### 5.2.12.3 Original Start Date

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

If you are entering a loan that has already been initiated, you should enter the date on which the loan 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 loan was initiated.

### 5.2.12.4 Contractual Maturity Date

This field will be enabled in the LD Contract Online screen, if the product is a Fed Rate product (if, for the product, you have checked the box 'Rolling Loan' in the Loans and Deposits – Product Preferences screen).

You can enter the Maturity Date of the contract here. The principal schedule will be based on the contractual maturity date that you enter here.

A new schedule for a contract booked under a Fed Rate product can be defined by amending and extending the Contractual Maturity Date.

### 5.2.12.5 Contractual Effective Date

This field will be enabled in the LD Contract Online screen, if the product is a Fed Rate product (if, for the product, you have checked the box 'Rolling Loan' in the Loans and Deposits – Product Preferences screen).

Enter the date on which a new disbursement has been made to the customer involved in the loan contract.



Note the following:

- Future dated liquidation will not be allowed on these loans. Only forward dated value dated amendment will be allowed
- The value date of future dated value dated amendment cannot be beyond the contractual maturity date provided by the user for a contract

### 5.2.13 Last Availability Date

The system defaults the contract maturity date as the last availability date. You can specify a new 'Last availability date' of the commitment contract to disallow the commitment availability beyond this date.

The last availability date, you specify here, should be later than the value date and on or prior to, the maturity date of the commitment contract.



Note the following:

- You can amend the last availability date as part of contract amendment only before the 'Last Availability Date'.
- The system does not allow the following activities for this contract, beyond the last availability date of the commitment:
  - Disbursements of new loan contracts
  - Value dated amendment for the increase in loan principal
  - Value dated amendment for the commitment principal change
- As part of value dated amendment for the commitment, if the maturity date is extended, then the system displays the message stating the current value of Last Available date. You should make changes to the Last Available date as part of contract amendment activity subsequently.
- The commitment availability becomes zero on crossing the expiry date.

#### **5.2.14 Specifying the Loan Status**

The status of a loan is indicative of the status of repayments on it. If you have specified automatic status movement for the loan, it will be moved automatically to the various statuses as per your definition. However, if you indicated that the status change will be made manually on the loan, you can change the status manually in this screen. Even if you have defined a loan with automatic status movement, you can still change the status manually, before the automatic status change is due.

There may be another scenario, where you may have defined a loan with automatic status movement forward and the manual status movement however, in the reverse direction. When the conditions for a loan to be in a particular status no longer exist and, if you have specified manual reverse movement, then you will have to manually move the loan to the appropriate status.

The different status codes applicable to a loan are defined for the product it involves. By default a loan acquires these status codes.

When you are capturing loan disbursement details, the system allots the status of Active by default. You may change it to any of the status codes you have defined.

The following status codes are available:

1. Active
2. Past Due
3. Non-accrual
4. Write-off

You can move from one status to the other by bypassing an intermediate status. For instance, you can change the status of a loan from Active to Non-accrual by skipping the intermediate status 'Past Due'. If a status change has been defined with a change in the GL, the entries will be passed for the GL movement.

### **5.2.15 The Payment Method**

The payment method, specified for the main interest of 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 advanced Mr. Brian Williams a loan of USD 10,000 under the scheme Short Term Loans For Individuals at 10% interest for a year.

Under the bearing type of interest payment method, the nominal (USD 10,000), which becomes the principal in this case, is advanced to Mr. Williams. The interest on it is collected over one year, which is the tenor of the loan.

#### **Discounted**

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

##### **Example**

You have issued a loan of USD 10,000, under the scheme Short Term Loans For Individuals, at 10% interest for a year, to Mr. Brian Williams.

Under the discounted type of interest payment, the total interest calculated for the tenor of the loan, (USD 1,000), is deducted from the nominal (USD 10,000) and only USD 9,000 is advanced. This forms the principal of the loan.

#### **True discounted**

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

##### **Example**

You have advanced Mr. Brian Williams a loan of USD 10,000 under the scheme Short Term Loans For Individuals at 10% interest for a year.

Under the true discounted type of interest payment, the interest amount in absolute terms is 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 disbursed (derived by the system) which is USD 9090.91.

## 5.2.16 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 loan has a fixed Maturity Date. This date should be specified in the screen
Call	The Maturity Date is not fixed. The loan can be liquidated any time. . It indicates the contract is a demand loan.
Notice	The loan will be liquidated after a certain period of notice. The number of days of notice should be specified in the screen
Fed Rate Loan	The name of the section will be displayed as 'Rolling Loan (Fixed). The Maturity Date will not be displayed

For a loan with a Fixed Maturity, this date can either be postponed or advanced, through the Value Dated Changes function.

### Maturity Date

If the Maturity Type is fixed (that is, the Maturity Date of the loan is known when the loan is disbursed), specify the Maturity Date when entering the loan. 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 this date is changed an override should be given when you store the loan.

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

Oracle FLEXCUBE maintains an internal parameter 'Default Fee end tenor' to indicate the end period for a demand loan fee on a monthly basis. This tenor is used to arrive at the end date for calculation of accrual amount (only for Straight Line method type) of advance type of fees.

When the end date is maintained, the system facilitates you to maintain provision to specify rate revision schedules for a demand loan. You can set up the following demand loans:

- Floating-Auto
- Floating-Periodic-Auto
- Floating-Periodic-Manual

During the life cycle of the loan contract, you are allowed to modify the revision method only for Floating-Periodic type of demand loans.



You are not allowed to amend rate revision method on the day rate revision.



You can define the rate revision schedules in a similar way as defined for normal fixed maturity type of loans. In case if the current revision schedules are over, you can maintain the new revision schedules by means of contract amendment.

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 will have to give an override when you store the loan.

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

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

When a contract is booked under an 'Intra-Day Product' (a product for which the box 'Intra-Day Product' is checked in the Loans and Deposits Product – Preferences screen), the Maturity Date will be the system date.



Note the following:

- For a Fed Rate loan, the Maturity Date will not be displayed
- In case of an Intra day loan, the value date and the maturity date will be the same and the interest will be calculated for one day

### **Value Date**

This date is displayed only for a contract which is booked under an 'Intra-Day Product' (a product for which the box 'Intra-Day Product' is checked in the Loans and Deposits Product – Preferences screen). The Value Date will be the System Date.

### **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 loan in this screen. You can unlock the record and add the date.

If you have specified auto liquidation for the loan, liquidation will be done automatically on that date. If it is manual, you will have to manually liquidate the loan, 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.

## 5.2.17 Specifying the Interest Details

Numerous 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 loan 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 loan, along with the specifications for the other components (fee, charge etc.). 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 then make the changes.

### **Rate Type**

The rate type applicable for the product involved in the loan will be displayed in the respective field in the screen. It can be one of the following:

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



*For more details on negative rate processing, refer the title 'Maintaining Loans Parameters Details' in the chapter 'Bank Parameters' in Core Services User Manual.*

### **Floating Rate Code**

The Floating Rate Code specified for the product involving a loan will be displayed in the screen. You can change it to suit the needs of a specific loan and cannot be amended as a part of contract amendment. However Float Rate code can be amended by Value Dated Amendment.

### **Spread**

For a loan 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 loan. If the spread you apply is 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 loan involves a fixed interest rate product, the Default Rate defined in the Product ICCF screen will be displayed here. This rate can be changed if required. The 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.

**Example**

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

The interest rate, which defaults from the product, is 5%. The interest rate you have specified for the loan 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%.



You can define a revision schedule for a loan with a fixed rate of interest. The revision schedule can be brought into effect when you change the fixed rate through an amendment.

**Special Interest Amount**

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

## **5.2.17.1      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 loan 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 loan 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 loan with a value of USD 400,000 is value dated 1<sup>st</sup> January 2003 and matures on 1<sup>st</sup> May 2003. The intermediate interest payment schedules are on 1<sup>st</sup> February 2003, 1<sup>st</sup> March 2003 and 1<sup>st</sup> April 2003.

Schedule	Start Date	End Date
1	1 <sup>st</sup> January 2003 (Value Date)	1 <sup>st</sup> February 2003
2	1 <sup>st</sup> February 2003	1 <sup>st</sup> March 2003
3	1 <sup>st</sup> March 2003	1 <sup>st</sup> April 2003
4	1 <sup>st</sup> April 2003	1 <sup>st</sup> 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	1 <sup>st</sup> January 2003 (including)	1 <sup>st</sup> February 2003	32
2	2 <sup>nd</sup> February 2003	1 <sup>st</sup> March 2003	28
3	2 <sup>nd</sup> March 2003	1 <sup>st</sup> April 2003	31
4	2 <sup>nd</sup> April 2003	1 <sup>st</sup> May 2003 (excluding)	31

### Include To Date

Schedule	Days from	Days To	Days for Interest Calculation
1	1 <sup>st</sup> January 2003 (excluding)	1 <sup>st</sup> February 2003	31
2	2 <sup>nd</sup> February 2003	1 <sup>st</sup> March 2003	28

Schedule	Days from	Days To	Days for Interest Calculation
3	2 <sup>nd</sup> March 2003	1 <sup>st</sup> April 2003	31
4	2 <sup>nd</sup> April 2003	1 <sup>st</sup> May 2003 (including)	30

**Include both From and To Dates**

Schedule	Days from	Days To	Days for Interest Calculation
1	1 <sup>st</sup> January 2003 (including)	1 <sup>st</sup> February 2003	32
2	2 <sup>nd</sup> February 2003	1 <sup>st</sup> March 2003	28
3	2 <sup>nd</sup> March 2003	1 <sup>st</sup> April 2003	31
4	2 <sup>nd</sup> April 2003	1 <sup>st</sup> 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	1 <sup>st</sup> January 2003 (excluding)	1 <sup>st</sup> February 2003	31
2	2 <sup>nd</sup> February 2003	1 <sup>st</sup> March 2003	28
3	2 <sup>nd</sup> March 2003	1 <sup>st</sup> April 2003	31
4	2 <sup>nd</sup> April 2003	1 <sup>st</sup> 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.

## 5.2.17.2 **Specifying the Currency Rounding Logic for Interest Components**

A Loans contract or Money Market deal 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 Loans contract or Money Market deal, 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.

### 5.2.17.3 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  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.

System updates and tracks the adjustment rate for each interest component associated with the loan contract for which floor and ceiling propagation is done.

If loan contract all-in rate (Base Rate + Spread) of the interest component is less than the floor value of all-in rate, then

- Adjustment Rate = Floor value – Computed all-in rate
- Revised All-In Rate = Floor Value
- In this case, the “Adjustment Rate” will be positive

If loan contract all-in rate (Base Rate + Spread) of the interest component is greater than the Ceiling value of all-in rate, then

- Adjustment Rate = Ceiling value – Computed All-In rate
- Revised All-In Rate = Ceiling Value
- In this case, the “Adjustment Rate” will be negative

History of propagation details will not be available for the loan contract, and system will always display the latest adjustment rate which is updated as part of the latest floor and ceiling propagation.

### 5.2.18 Allowing Rollover

While setting up a product, if you specified that loans involving the product should be automatically rolled-over, then all loans involving the product will be rolled-over on their respective Maturity Dates. This feature is called auto rollover. If auto rollover is specified for the product the loan involves, it will be indicated on this screen.

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

### **5.2.19 Specifying Industry Code**

Specify the industry code here. The adjoining option list displays all industry codes maintained in the system. You can choose the appropriate one.

### **5.2.20 Specifying the Administrator Details**

Select the administrator code from the adjoining option list. This list displays admin details maintained in the Admin Maintenance screen.

### **5.2.21 Pool Funding**

#### **Pool Funding Reference No.**

Specify the pool funding Reference number from the adjoining option list. The option list displays all open and authorized pool funding reference numbers where branch code and currency match the commitment contract.

It is mandatory to specify this value, if you have checked the 'Master Funding Required' checkbox at the product level.

#### **Master Funding Reference No**

Specify the master funding reference number from the adjoining option list. The option list displays all open and authorized master funding reference numbers where branch code and currency match the commitment contract.

It is mandatory to specify this value, if you have checked the 'Pool Funding Required' check-box at product level.

Pool and Master Funding linkages are applicable only to commitment contracts in the LD module. These fields will be disabled for contracts using other product types.

You can specify the funding reference Number for a commitment contract either during contract input or contract amendment operation.

After the funding reference number is selected in the Loan Contract Input screen, system will validate that the available balance in the pool is sufficient for the commitment contract amount.

If pool balance is insufficient, system displays the error message 'Commitment amount exceeds available balance of Pool/Master Fund'. You will not be able to proceed with booking the commitment contract under the given Pool/Master fund reference.



These validations will be performed for the following scenarios:

- Funding reference number is selected during new contract input /contract amendment
- Funding reference number is changed during contract amendment
- Commitment amount is increased using Value Dated Amendment (VAMI) operation

You can link commitment contracts using different product codes to the same funding reference.

You can also link revolving/non revolving commitments to a Pool/Master funding regardless of whether the Pool/Master funding is revolving/non-revolving.

You can also add or modify a funding reference number for a contract using contract amendment operation. While adding a funding reference number to a commitment contract, system will validate if any active loans under the commitment should be in the same currency as the commitment. If the loan currency differs from commitment currency, system displays an error message stating that such commitments cannot be linked to a funding reference number.

When you amend the contract, and select a new funding reference number, system will validate that the available balance in the new pool is sufficient for the commitment amount. If yes, then you can proceed with the contract amendment operation. If the available balance in the pool is insufficient, then you cannot proceed with the amendment.

For commitment contracts reversed or deleted before authorization, the available amount under pool reference number will be reinstated to the extent of the commitment contract amount for both revolving and non-revolving types of pools.

#### **5.2.21.1      Processing Pool Funding**

System calculates the available balance of a pool/master fund during new contract input/contract amendment

When a funding reference number is attached to a commitment contract, system validates the contract amount against the available (un-utilized) amount of that pool/master funding reference.

For such commitments, system will validate that the currency of any loans booked under them should be the same as the commitment contract currency. The commitment contract currency will always be the same as that of the funding reference.

If both Pool and Master funding codes are linked to a commitment contract, then contract booking amount will be validated against the minimum available amount of the Pool and Master Funding Reference.

When a commitment contract is linked to a Funding Reference Number, system derives the available Funding Amount (for both Pool and Master Funding) as follows:

#### **Available Funding Amount for Revolving Funding**

Fund Utilization = Sum of contract amount (latest version) of all revolving commitments booked

+ Sum of principal Available balance of all non revolving commitments booked

+ Sum of principal outstanding balance of Loans linked under the non revolving commitments

Available Fund Amount = Fund Amount – Fund Utilization

#### **Available Funding Amount for Non-Revolving Funding**

Fund Utilization = Sum of contract amount (latest version) of all revolving commitments booked

+ Sum of contract amount (latest version) of all non revolving

+ Sum of Principal Decreases of all revolving commitments booked

+ Sum of Principal Decreases of all non-revolving commitments booked

Available Fund Amount = Fund Amount – Fund Utilization



Note the following:

- The available amount or utilization of Pool and Master Funding will not be stored in system, but will be derived at run time during commitment input and during any principal increases of commitment via VAMI operation.
- If the commitment contract amount is increased using value dated amendment (VAMI), the new contract amount will be validated against the available amount in the pool or the master funding attached to the commitment.
- System will not check available Funding Amount if commitment amount is reduced using VAMI.

### **5.2.22 Identifying an Agency Contract**

Oracle FLEXCUBE allows Straight Through Processing from LS module to LD module to track bank or any of bank entities (playing the role of a self participant) share in a syndicated loan. For the tranche/drawdown booked for the self participant on the agency side, Oracle FLEXCUBE automatically creates the corresponding commitment/loan on the originations side (in the Loans and Deposit module).

The system checks the 'Agency Contract' box to indicate that the loan is created as a result of STP. However, you can uncheck this box, if required. To do this, you have to first unlock the record. If unchecked, the contract becomes a normal loan contract. Further, the system stops tracking the bank details or its entities share in the syndication. If you check this option at the commitment contract level then the system does not allow you to uncheck the option at LD contract level. But if you uncheck the option at the LD contract level then the system allows you to check this option at the commitment contract level.



Note the following:

- This field is enabled only for products where the agency contract flag is set to 'NO'.
- You cannot edit this field after first authorization (as part of CAMD, the field cannot be edited).
- Based on the contract level flag, the system changes the main interest component rate type to 'Fixed' and fixed rate type as 'Agency'.
- The system does the Interest re-pickup, if the agency contract flag is set back to 'NO'.
- For agency types of loans, you should handle the changes in the agency rates through the 'Agency Rate Revision' screen. You are not allowed to change Agency rate as part of VAMI. Also, you are not allowed to maintain the Agency rates for future dates
- You can select a Loan contract for Agency Contract Type only if the reporting commitment also is of Agency Contract type.
- If you modify the following UDF values for the contract wherein 'Agency Contract' box is checked, the system will send an amendment feed to Intellect system provided the box 'Intellect Feed for UDF Change' is checked in the 'Loan Parameters' screen:
  - CUSTOMER RATE
  - DEALER LIBOR RATE
  - LATE TRADE
  - RA COST

This feed will contain the updated UDF values.

The Base rate and the spread can be in negative. All in rate will become zero if all in rate is negative.

### **5.2.23 Rollover Count**

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



For rollover to be applicable for the loan, it has to be defined for the product.

### **5.2.24 Confirming the Status of Loan Products**

System defaults the maintenance done for the 'Confirm' checkbox from the product level. If this box is checked at the product level, then system defaults the same to the contract booked under that product and you cannot amend at the contract level. If this box is unchecked at the product level, then you can amend this box only during the life cycle of the contract.

System re-defaults the maintenance done for 'Confirm' checkbox from the product level during actual initiation of value dated amendment and processing of normal rollovers. During payment, system does not re-default the maintenance for 'Confirm' checkbox from the product. This checkbox will continue to have the same value as maintained at the contract level.

System does not generate the intellect message if only the 'Confirm' box is amended. There is no impact on Initiation, Liquidation, Rollover, Re-price and generation of payment messages due to the 'Confirm' checkbox.

### **5.2.25 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 loan processing. You can however, waive the tax applicable on the contract.

### **5.2.26 Sending Amend Message to Intellect**

As part of contract amendment, if you need an amend message to be sent to Intellect system, you need to unlock the loan contract and check the box 'Send Amend to Intellect.' Then save the record and have it authorised.

Note that you should not perform any other operation along with checking this box, as part of contract amendment. If you perform any other operation and then check this box, then upon saving and authorizing, the system will generate messages for the other operations performed. It will not send an amend message.

You can check this box as part of amendment only if the contract has not processed any events that are maintained in the field 'Disallow Events to Intellect' in the 'Loan Parameters' screen. If the contract has undergone any event that is listed in the field 'Disallow Events to Intellect' in the 'Loan Parameters' screen, the system will disable this checkbox.

### **5.2.27 Entering Internal Remarks**

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

### **5.2.28 Enabling the Reprogramming Counter**

Whenever any event (loan disbursement, value dated amendment, schedule changes etc.) in the life-cycle of a loan contract results in a negative cash flow for a bank, you will have to enable the reprogramming counter by checking the box positioned next to the Reprogram Counter field.

### **5.2.29 Enabling Auto Extension**

Check this box to define the interim interest schedules for the contract. It ensures that schedules are created in advance to facilitate billing notice generation. Accordingly the system creates the schedules when the schedule date is crossed. It is essential for the schedules to be generated for billing details in future.



Note the following:

- This field will be enabled only if you select the call type of loans (demand loans). If the auto extension flag is enabled, the number of schedules is defined based on the internal parameter AUTO\_EXTENSION\_SCHEDULES from CSTBS\_PARAM.
- The frequency is determined based on the product level definition. At the product level, if there is a frequency as bullet for main interest component, then there will be no interim interest schedules for the main interest component using AUTO\_EXTENSION/AUTO\_EXTENSION\_SCHEDULES.
- Auto extension flag is checked or unchecked only at the time of booking demand loans. It cannot be amended as part of CAMD.
- While defining schedules the number of schedules is specified. However, these contracts are not considered for Auto Extension.

The system creates the schedules based on the internal parameter for number of schedules of demand loan, provided the 'Auto Extension' flag is checked. For instance, if the internal parameter for number of schedules for demand loan is set as 2 with the monthly interim schedule, then it will always have two monthly future interim schedules for the interest component. When a particular schedule date is reached for such demand loan, the system will create additional future schedule.

### 5.2.30 Indexed Loans

To guard against the fluctuations in the value of money in the economy due to inflation, you can maintain loans in a separate imaginary currency called the index currency. (The index currency is maintained in the Currency Maintenance screen of the Core Services module.)



Since the index currency is linked to the local currency of your branch, you can only mark loans quoted in the local currency as indexed loans.

The fluctuations in the inflation rate will be effected by the fluctuation in the exchange rate between the Index currency and the LCY.

#### Example

You have advanced Mr. Brian Williams a loan of USD 10,000 under the scheme 'Short Term Loans for Individuals' at 12% interest for a period of five months.

As a consequence of inflation the price index has gone up from 50 to 55 as of the date of loan repayment.

Now what Mr. Williams has to pay you will be computed as follows:

$$P = 10,000 \times 55/50 = \text{USD } 11,000$$

The interest will be calculated on the new principal amount.

To index a loan you have to choose the index currency as the loan currency while maintaining the contract details of the loan. However, you have to specify the LCY equivalent of the contract amount. The system computes the amount in index currency based on the exchange rates maintained in the Currency Rates Maintenance screen.

### **The Impact**

As a consequence of maintaining indexed loans the following functions will be affected:

- Interest accruals will be reflected in the index currency
- Payment advices for customers will get generated in the index currency. Even if the advice has the local currency equivalent, the conversion will be based on the rate as of the generation date rather than the payment date.
- Repayment schedules will be maintained in the index currency
- In the central bank report, this loan will be identified as a local currency loan
- If the loan is pre-paid during the course of the month the exchange rate for the particular deal has to be calculated manually and entered into the system.
- When payments are overdue, the dues will continue to remain in the index currency. Upon liquidation the prevalent exchange rate between the index currency and the local currency will be applied.

## **5.3 Capitalization of Demand Loans**

Oracle FLEXCUBE facilitates booking of capitalized loans as demand loans. Capitalized loan refers to bearing capitalized type of loan. The interest calculated as per the schedules of the contract is added to the principal, which becomes the basis amount for the interest calculation of the next schedule. If a part of the interest is paid before capitalization, then the unpaid interest amount is capitalized into the next schedule principal due amount.

Capitalization is done during EOD batch as part of AUTOLIQD process. The liquidation type must be auto for capitalization type of loans. You are not allowed to reverse auto liquidation. There will be no capitalization, if the payment is done using manual payment screen.

If the demand loans are created as part of split re-price the by default AUTO\_EXTENSION flag is enabled. In merge re-price, fixed type of loans are merged to demand loans and demand loans cannot be merged with another demand loan(s) or fixed type of loan.

### **Example**

Let us assume a contract is opened with the following details:

- Value Date - 28-OCT-2005
- Tenor - 6 Months (Assuming parameter maintained is 6 Months)
- Interest Rate - 1.132%
- Schedules - Monthly

The table below explains the capitalized schedules with the assumption that the interest is not paid on the schedule due date:

SI. No	SCHEDULE _DATE	START_DATE	END_DATE	BASIS_AMOUNT	RATE	DAYS	AMOUNT
1	28-Nov-05	28-Oct-05	28-Nov-05	12000000	1.132	31	11537.09
2	28-Dec-05	28-Nov-05	28-Dec-05	12011537.09	1.132	30	11175.66
3	28-Jan-06	28-Dec-05	28-Jan-06	12022712.75	1.132	31	11558.93
4	28-Feb-06	28-Jan-06	28-Feb-06	12034271.68	1.132	31	11570.04
5	28-Mar-06	28-Feb-06	28-Mar-06	12045841.72	1.132	28	10460.41
6	28-Apr-06	28-Mar-06	28-Apr-06	12056302.13	1.132	31	11591.22

## 5.4 Preferences for a Loan

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

- Making liquidation automatic or manual or component based
- Allowing or disallowing rollover
- Applying tax or waiving it
- Applying prepayment penalty or waiving it
- These are your product preferences. For a contract, you have the option (preference) of specifying the following in the 'Contracts' tab of the Contract Online screen.
- Liquidating back valued schedules
- Applying Back Valued Schedules
- Suppressing Back Value Payment Messages

You cannot however, 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 loans involving the product.



## 5.4.1 Setting Loan Schedule Preferences

Schedule preferences are the attributes of the repayment schedules, defined for the loan.

LD Contract Online [ Wells Fargo ][PRECONVERSION CHECK FOR SSI]

Template: NORM  
Product: CFPC  
Branch: 000  
Department: 101  
Treasury:   
Alt Ref No:   
Facility Id: PRECONVERSION CHECK FOR SSI

Contract Ref Number: 000CFPC122210001  
User Ref Number: PRECONV\_COM1  
Custom Ref No: 12004354  
Projected Comm Bal: 120,000.00

Contract:   
Schedules:   
Linkages:   
Rollover:   
Reprgrm Cnt: 1

**Schedule Preferences**  
Contract Sch Type: NORMAL  
Amortisation Type: ☒ Reducing Balance ☐ Rule 78  
Holiday Treatment for Schedules: BOTH ☒ Ignore Holidays ☐ Move Across Months ☐ Move Backward ☐ Move Forward  
Ccy: USD ☐ Cascade Schedules ☐ Rate Code Ccy ☐ Move Forward

**Holiday Treatment for Rate Rev Schedules**  
☐ Apply payment holiday treatment ☐ Move Backward ☐ Move Forward  
Ccy: USD ☒ Ignore Holidays ☐ Cascade Schedules ☐ Move Across Months ☐ Rate Code Ccy

**Holiday Treatment for Maturity Date**  
BOTH ☒ Ignore Holidays ☐ Rate Code Ccy ☐ Move Backward ☐ Move Forward  
Ccy: USD ☐ Move Across Months ☐ Chk Contract Ccy ☐ Chk Local Ccy

**Schedule Details**

Rev	Component	Start Date	No.	Frequency	Unit	Amount	Reset	Month	Tenor	End Ind
P	PRINCIPAL	02-SEP-2014	1	Bullet	1	120,000.00				

**Commitment Blockage**  
Start Month:   
Start Day:   
End Month:   
End Day:   
Installment Amount:   
☐ Allow Pre Amortization Interest

**Pool Funding**  
Administrator:   
Pool Funding Ref No:   
Master Funding Ref No:   
Handoff Status:   
☒ Rollover Indicator Count: 0  
Parent Ref No:   
Internal Remarks:   
Entry By: VICKY2 Entry Time: 08-AUG-2012 12:57:21 Auth By: VICKY1 Auth Time: 08-AUG-2012 13:04:11 Contract Stat: Hold Auth Status: Authorized

When you are entering a loan for the first time, you can define certain attributes for it. They include:

- 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
- The behaviour of schedules when they fall due on the holiday

### Types of repayment schedules

When creating a product, you specify the type of repayment schedule - amortized, capitalized or normal (periodic). All loans involving the product will acquire the repayment schedule type, defined for the product. When processing a loan you cannot change the repayment schedule type that the loan has acquired.

For example, if you have specified an amortized, repayment schedule for a product, it will apply to all loans involving the product. This cannot be changed.

By specifying that payment schedules have to be amortized over the period of repayment, you indicate that all the repayments should be in Equated Instalments. 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 loan is to be amortized, it should have a fixed type of interest and a Bearing interest payment method.

You can also specify Capitalization and define schedules for the various components of the loan. 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 loans involving the product.

### **Specifying the amortization type**

You need to specify the amortization applicable to the loan 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 reduced principal/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
- Loan Start Date - 12/1/2000
- Loan 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
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 loan principal (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 principal 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 total interest on the original principal amount. Then, you will divide this interest amount equally into n parts, where n is the number of schedules and divide the loan principal amount also into n 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 loan details mentioned in the above example:

$$\text{Total interest on the loan} = (10000 * 10 * 364) / (100 * 360) = 1011.11$$

$$\text{Interest for each schedule} = 1011.11 / 12 = 84.26$$

$$\text{Principal for each schedule} = 10000 / 12 = 833.33$$

$$\text{EMI} = 833.33 + 84.26 = 917.59$$

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 is as follows:

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

#### 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, after indicating 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 the following choices:

- Ignore the holiday and retain the due date
- 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 automatic processing of such a schedule is determined by your holiday handling specifications for automatic processes, in the Branch Parameters screen.

In this screen, you can specify the following:

- Processing has to be done on the last working day before the holiday for automatic events falling due on the holiday. The schedule falling on the holiday will be liquidated during End of Day processing on the last working day.
- Processing has to be done only up to the System Date. In this case, 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 loan, of USD 100,000 (for one year at 16% interest) falls on October 31, a holiday. If you have specified that holidays should be ignored by clicking this field, the schedule date will remain as October 31 when the schedules are fixed. The processing of this is determined by your holiday handling specifications in the Branch parameters screen.

- You can specify that processing has to be done today (on System date) for automatic events up to the day before the next working day. Then, on October 30 itself, the schedule of October 31 will be liquidated, during the EOD run of the Automatic Contract Update function.
- You can specify that processing has to be done only up to the System Date. Then, on October 30, only the events scheduled for that date will be processed. This means that since the schedule date is October 31, 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.

## Moving schedule dates forward or backward

For a schedule date falling on a holiday and you can specify that holidays are to be ignored at the time schedule definition. If you do so, then you have to indicate the movement of the schedule date, forward to the next working day or backward to the previous working day. 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.

This concept can be easily explained with the help of an example:

### Example

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

- March 31
- April 30
- May 31


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

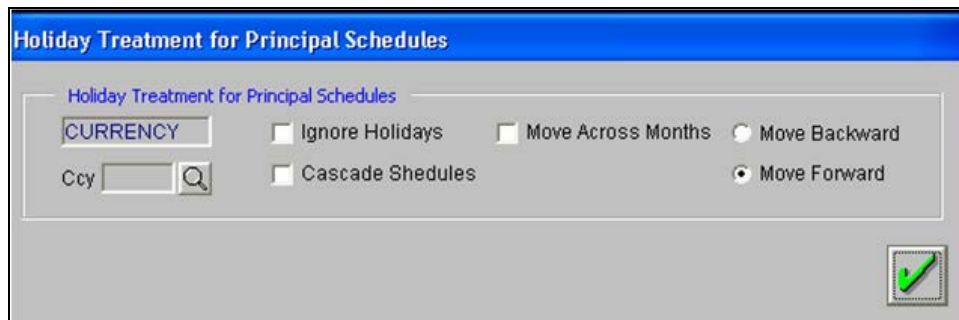
- You can ignore the holiday. In such a case, the schedule date will still be April 30, despite the holiday. The liquidation of the schedule will be done as per your specifications in the Branch Parameters screen. You can move the schedule date forward to the next working day, which happens to be May 1. In this case, the schedule will be liquidated during BOD processes on this date.
- You can move the schedule date backward. In such a case, the schedule date will be April 29, the last working day before the holiday. The schedule will be liquidated during BOD processes on this date.

## Principal Holiday Treatment

You can maintain separate holiday treatment for the principal and interest components interim payment schedules.

Click on **P** in the to display the 'Holiday Treatment for Principal Schedules' screen. The holiday preferences available for the principal component are displayed here.

 The 'P' button is enabled only if you have selected the 'Principal Holiday Treatment' box at the product level.



- Ignore Holidays – No holiday treatment for the Principal component

- Cascade Schedules – The due date arrived at by the holiday treatment will be considered as the start date for the due dates for the subsequent schedules
- Move Across Months – Allows movement of schedule date of the contract across months
- Move Backward – If a due date is a holiday, then the due date is moved backward to the previous working day
- Move Forward – If a due date is a holiday, then the due date is advanced to the next working day

After contract booking, the schedules for Principal and Interest are generated based on the holiday preferences maintained for the components.

### **Moving a schedule date across the month**

Suppose you have chosen to move a schedule falling due on a holiday either forward or backward, so that it falls due on a working day. The next or the previous day crosses over into another month. In this case 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 April 30. 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.

As you have indicated that the schedule can be moved across months, then the schedule will be automatically moved to May 1, that is, the next working day in the next month. However, if you have not allowed movement across the month but have indicated forward movement for the schedule, the schedule date will fall on the holiday itself.

##### **Scenario 2**

You have defined a repayment schedule that falls due on May 1. 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.

As you have indicated that the schedule can be moved across months, the schedule will be automatically moved to April 30, that is, the previous working day. However, if you have not allowed movement across months but have indicated backward movement for this schedule, the schedule date will fall on the holiday.

### **Cascading schedules**

The question of cascading schedules arises only under the following conditions:

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

If you have indicated that schedules should be cascaded, the next schedule date will depend on how the payment 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 April 30 was moved to April 29, April 30 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 May will be set as May 29, since the frequency has been specified as monthly. For the subsequent schedules also, May 29 will be considered as 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 remaining schedules. Even if the April month end schedule has been moved to April 29, the next schedule will remain on May 30.

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

### **Specifying the Holiday Currency**

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

By default, the currency to be checked is the loan 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.

### **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

### **Mode of Liquidation**



A loan inherits the attributes of the product it uses. One of the attributes defined for a loan product is the liquidation type that governs how schedules are liquidated. This attribute inherited by a loan can be changed when you enter the loan 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 loan 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.



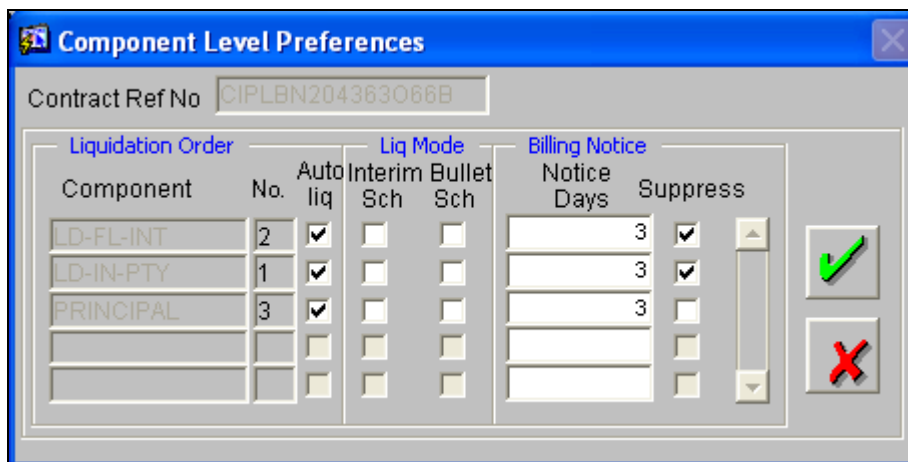
If **Manual** liquidation has been set for the contract, then a manual liquidation must be performed for each schedule, and all components of the loan must be liquidated manually. You cannot modify the order in which components are to be manually liquidated, which was defined for the product.

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.

When you select the liquidation mode, the system enables the  button for all types of liquidation mode during contract booking as well as contract amendment. For 'Component' liquidation, the specifications made for the product can be viewed in the 'Component Level Preferences' screen when you enter a contract. Click the  button to invoke the 'Component Level Preferences' screen.

 The system does not display the fee components in the component liquidation screen at the contract level.

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.



Component	No.	Auto liq	Liq Mode		Billing Notice	
			Interim Sch	Bullet Sch	Notice Days	Suppress
LD-FL-INT	2	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3	<input checked="" type="checkbox"/>
LD-IN-PTY	1	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3	<input checked="" type="checkbox"/>
PRINCIPAL	3	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		<input type="checkbox"/>

Here you can view the interest components and the Principal component linked to the product. The system defaults the Contract Reference Number, Component and the Order of liquidation.

#### 5.4.1.1 Specifying the Liquidation Order

##### **Auto Liquidation**

Check the box against each component to liquidate the contract automatically.

### 5.4.1.2 Specifying the Liquidation Mode

#### **Interim Schedule**

Check this box to indicate the Interim schedule liquidation mode for each component. This is enabled for editing only if the liquidation mode selected is 'Component'.

#### **Bullet Schedule**

Check this box to indicate the Bullet schedule of liquidation for each component. This is enabled for editing only if the Liquidation mode is selected as 'Component'.



Note the following:

- If Auto Liquidation flag is not checked, the system will liquidate the component manually.
- You are allowed to check the 'Interim Schedule' and the 'Bullet Schedule' flags only if the Auto Liquidation flag is checked.
- You are allowed to check the Interim and Bullet schedules only against the main interest component and the principal component.

#### **Example**

Let us assume the following:

A contract has the following interest payment schedules

- 01-Apr-2008 - USD 1000
- 01-May-2008 - USD 1000
- 01-Jun-2008 - USD 1000
- 01-Jul-2008 - USD 10,000

Assuming Principal is USD 10,000, if you select the liquidation mode for Bullet Schedule as Auto for Principal and Manual for Interest. The system will liquidate the Principal automatically whereas the Interest will be liquidated manually.

Similarly if you select the liquidation mode for interim schedules as Auto for Interest and Manual for Principal, then the system liquidates the interest in all the interim interest schedules automatically and the Principal is liquidated manually.

If interim interest schedules are in Auto Liquidation mode and the bullet schedule is in Manual liquidation mode. And if the last interim interest schedule has the residual amount for liquidation in the next schedule which is bullet schedule, the system does not allow the you to Liquidate the Bullet schedule, if there is any previous O/D amount.



If you change the liquidation mode for an overdue schedule from Manual to Auto then the system will liquidate the overdue schedule as part of the next batch.

### 5.4.1.3 Specifying the Billing Notice Details

#### **Notice Days**

The system defaults the notice days from the product level notice days. However you are allowed to amend the notice days defaulted and suppress flag for each component.

#### **Suppress**

Check this box to suppress the bill for a particular component. If it is not checked, during notice generation the system will consider the notice days specified instead of taking it from the product preference screen.

You are allowed to amend Suppress Billing Notice flag during contract booking and as part of CAMD. Accordingly if the billing falls overdue due to the billing day's amendment during CAMD, the system will perform the auto billing in batch.

While amending the Suppress Billing Notice flag from Y to N, the system generates the billing notice on the batch of amendment date, provided the Billing Notice days is less than the difference between the amendment date and the next schedule date.

#### **Example**

Let us assume the notice days defined at the Product Level is 3 Days and it is defaulted to the contract level.

- Due Date - 17-Apr-2009
- Notice Days - 3 Days
- Notice Generation Date - 14-Apr-2009
- You can change notice days to 5 days at the contract level for all the Components
- Due Date: 17-Apr-2009
- Notice Days: 5 Days
- Notice Generation Date: 12-Apr-2009



Note the following:

- The system calculates the notice generation date based on the scheduled due date.
- The system generates the bill for fee provided the Notice flag at the Component Level is unchecked. It generates the bill as per the preferences maintained at the contract in the 'Fee' screen available at the Contract level.
- The system generates the single notice for both Principal and Interest, if the Billing Days, Schedule Date, and the Liquidation mode are same for both the component. Even if one of this is different, then the system generates a separate notice for each component.
- The system does not generate any notices for Backdated Schedules in case of Manual/Auto Liquidation mode during contract booking.

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.

### **Specifying the mode of Status Control**

While defining the product, you indicate the various status codes for the product. For example - active, past due obligation, non-accrual basis, and write-off etc. For the product, you can specify either manual or automatic change of status.

When processing a loan you can change the mode of status change from automatic to manual or vice-versa.

#### **5.4.1.4 Specifying Other Details**

##### **Ascertaining availability of funds before an automatic liquidation**

The customer's repayment account as per instructions can be debited automatically by the system. However, you can specify that the availability of funds for liquidation of the various components (Principal, Interest, Charges etc) of the loan must be ascertained before liquidation.

If you opt for verification of funds, the system verifies the account for sufficient funds to liquidate the components (in the order specified, in the Liquidation Order Screen). If sufficient funds are available, the entire amount is liquidated. If not, *and you have allowed partial liquidation of schedules*, the schedule is liquidated to the extent of funds available. If you have not allowed partial liquidation of schedules, the system marks the schedule as outstanding.

If you have indicated that the availability of funds has to be ascertained, the system verifies the account for sufficient funds to liquidate the components (in the order specified, in the Liquidation Order Screen). If sufficient funds are available, the entire amount is liquidated. If the funds are insufficient, *and you have allowed partial liquidation of schedules*, the schedule is liquidated to the extent of funds available. The payment schedules for those components, which have not been liquidated or have been partly liquidated, will be left as outstanding. Aging analysis and penalty on such loans will be carried out as specified for the product.

##### **Example**

You have a loan on which penalty interest has been applied, as the interest was not paid on the scheduled date. There are several schedules for several components falling due on the same date, they are serviced by the same repayment account and there are insufficient funds in the account. You have specified the liquidation order as Penalty interest (first priority), interest (next), and principal (last). Thus the penalty interest will be liquidated first and the interest next. If the funds in the repayment account are not enough to liquidate the principal, it will be left outstanding.



Please note, however, that if you have allowed a debit balance for the repayment account, all the components will be liquidated leaving the repayment account with a debit balance. (On this debit balance, debit interest as specified for the type of account will be applied through the Interest and Charges sub-system.) *In addition*, if you have opted to track the contract under a credit line, the system liquidates schedules from the repayment account to the extent of the line limit (that is, over and above the debit balance limit you have set).

If a debit balance has not been allowed, the schedules will be liquidated to the extent of the credit line limit. If you have disallowed a debit balance in the account, *and* have not associated the contract with a credit line, schedules with insufficient funds for liquidation will be marked as such. Aging analysis will take over.

This feature is of significance when:

1. The components have the same schedule dates, and are serviced by a single repayment account
2. The funds in the repayment account are insufficient

Please note that the component(s) for which funds are available will be liquidated in the order that you have specified, in the Liquidation Order screen.

Loans with payments, which have not been processed due to non-availability of funds, will appear in the Exception Report, generated by the Automatic Contract Update function for the day.



For the final principal payment on maturity, the availability of funds in the payment account will always be verified.

### **Liquidating back valued schedules**

If you have specified, while defining the product, that for a back-dated loan (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 loan is initiated, the same will apply to the loan you are entering. However, you can choose not to liquidate back valued schedules.

#### **Example**

Loans 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 loan today, of USD 15,000 with the Value Date (date on which the loan comes into effect) as 15 September 1997, the system will pass accounting entries for initiation as of September 15.

However, there had been an interest payment schedule for 30 September 1997, for USD 500. If you specify that back valued schedules should be liquidated, then you can make the system pass accounting entries to liquidate this schedule when the loan 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.

### **Indicating whether tax should be deducted on capitalization**

If you choose to capitalize the interest earned on loans, the interest will be added to the principal on the schedule date. However, it is important to note that only the main interest component can be capitalized. For capitalization of interest, you can choose to deduct tax and add only the net interest (Interest – tax) to the principal of the loan. To achieve this, select the option 'Deduct Tax on Capitalization'.

If you do not check this option, interest will be added to the loan principal along with the associated tax component for capitalization.

### **Suppress Revision Notice**

Select this box to suppress the rollover advice prior to rate revision. You cannot edit the rate revision notice days if this box is selected.

### **Revision Notice Days**

The notice days for rate revision to generate the rollover advice get defaulted here when you select the product for this contract. However, you can edit the notice days here, if 'Suppress Revision Notice' flag is unchecked.

### **Allowing Cost of Credit Valuations**

The system will display the option entered at the product level. If the option is unchecked at the product level, it will be disabled in this screen and you will not be able to check this at the contract level. If this option is checked at the product level, then you can uncheck it. During contract amendment, you can check it or uncheck it based on its value in the previous version..

If the option is currently not selected, the system will automatically select this option if the user-defined status changes to 'Non-performing' for the commitment or for any of the loans underlying the commitment. However you can uncheck it.

If this option is checked and the commitment is in 'Non-performing' status, the system will derive the cost of credit valuations based on the data received from RAPID and apply them to the commitment. If this option is checked and the commitment is in 'Performing' status then system will derive the cost of credit valuations based on the data received from RAPID and trigger recovery for reserve decrease and rebalancing of write-off.

If this option is not checked, then system will not perform cost of credit valuation for the commitment or loans underlying it irrespective of whether the contract status is 'Performing' or 'Non-performing'.

## **Propagate Status Change to Loan**

You can change this option while creating or amending a commitment. If you are linking a loan to a commitment and this option is selected for the particular commitment, then the status will be propagated from the commitment to the loan. This will be applicable only if the mode of changing status for the commitment and the underlying loan is manual.

If this option is checked and a new non-performing commitment is booked, the system will assign the non-performing status to any loan that is booked under this commitment. The system will not allow you to change the status to performing for the booked loan. Similarly, a loan that is booked under a commitment with status 'performing' will also be assigned the same status, even if you assign the non-performing status for the loan through this screen. You cannot change this status for the loan to non-performing.

When multiple statuses are maintained in commitment and/or loan products, then the status change at the loan level will be determined by the 'Status Sequence Number' maintained at the product level.

## **Grace Days**

For commitment contracts, system defaults the value maintained for 'Grace Days' at the commitment product level. However, you can edit this value during contract booking and contract amendment. In case of contract amendment, the amended value is applicable to future schedules only.

For loan contracts linked to commitments, system displays the following override message when you exit the Linkage tab:

**Grace Days for the loan will be defaulted from the commitment contract, do you wish to continue?**

If you accept the override message, then system defaults the value of 'Grace Days' from the linked commitment contract and over-writes the grace days from the loan product. You can reject the override message to retain the existing value of 'Grace Days'.

For Loan contracts that are not linked to commitments, system defaults the value of 'Grace Days' defined for the loan product to the contract. However, you can edit this value during contract booking and contract amendment. In case of contract amendment, the amended value is applicable to future calculations of late payment charges only.

When a loan contract is delinked from a commitment, system retains the default value of Grace Days for the loan contract.

The grace days used for penalty computation are the calendar days without considering any holidays.

## **Commitment Blockage**

You can define utilization blockage period for the commitment contract during a certain period of the year. Commitment Utilization Blockage will be applicable for revolving commitments only.

**Start Month**

Select the commitment blockage start month from the drop-down list. The list specifies 12 months of the year.

**Start Day**

Select the commitment blockage start day from the drop-down list. The list specifies days of the month you have selected.

**End Month**

Select the commitment blockage end month from the drop-down list. The list specifies 12 months of the year.

**End Day**

Select the last day of commitment blockage from the drop-down list. The list specifies days of the month you have selected.

During this period utilization is not allowed for any activities including the following:

- New loan booking
- Loan VAMI (Principal Increase)
- Loan Renewals with capitalization of interest
- Loan Renewals with Principal Increase

You can amend the scheduled blockage date after the contract is authorized. System does not perform validation for already captured activities for the revised blocking period while amending the blocking period at the commitment contract level.

During loan input if rollover allowed and maturity date is falling in between of blockage period of linked commitment, and the rollover amount is Principal + Interest or Principal + (Interest-Tax) or special amount which is greater than loan outstanding, system throws an override. Also an override is given for the same validation while modifying blockage period of a commitment.

**Verify Billed Amount**

The system defaults it to Yes, however you are allowed to amend it. When the box is checked, the system verifies the billed amount for the schedule and the amount due, and liquidates the least of the two.

The system liquidates the residual amount as part of next schedules auto liquidation procedure, provided the billing has not been suppressed for the component.



The system does not perform auto liquidation of least of billed amount and due amount, if the bill has not been generated or has been suppressed for a component. In such cases, the system performs auto liquidation process.



### **Example**

Let us assume the following:

A contract is booked with details as below:

- Contract Value Date - 01-May-2008
- Maturity Date - 01-May-2009
- Repayment Schedule of Interest - Monthly
- Repayment Schedule of Principal - Bullet
- Liquidation Mode - Auto for both Interest and Principal
- Billing Days for Interest - 5
- Billing Date for 1<sup>st</sup> schedule due on 01-Jun-2008 – 27-May-2008.

On 27-May-2008 bill will be generated Billed Amount - USD 1000 and on 01-Jun-2008 the interest amount is scheduled to be liquidated. Due to Interest Rate change, the due amount on 01-Jun-2008 recomputed as USD 1200.

Assuming 'Verify Billed Amount' is checked, the amount liquidated will be USD 1000. The remaining amount of USD 200 will be liquidated as part of next schedules auto liquidation procedure, provided the billing is not suppressed for the component.



Note the following:

- If you change the liquidation mode from manual to auto, then the system will liquidate the least amount of billed amount and due amount as part of that day's EOD batch provided 'Verify Billed Amount' is checked.
- You cannot amend the Verify Billed Amount as part of Contract Amendment.
- Even manually billed / re-billed amount, i.e., manually generated is considered for billed amount.
- In case if the billing (for the residual amount) is happens as part of next billing schedule then the liquidation will happen as part of next schedule.
- It is not applicable for Installment type of loans

### **Specifying Reversal of Components**

For a component the schedules you have defined for the product is applied to the fee, by default. You can reverse these schedules here.

#### **Rev**

Select the schedule types for revision from the list provided:

- P - Repayment of the various components.
- I – Auto step-up
- C - Commitment Reduction (Auto step-down)

- D –Disbursement
- R - Revision of interest rates for a loan with periodic interest rates

The I (which increases the commitment amount during EOD, through value dated amendment on schedule date by schedule amount)

For interest revision schedules, you have to provide the details only in the Start Date and Frequency fields subsequently. For a loan with an interest component that is defined with Floating Rate, applied periodically, at least one interest revision schedule should be defined.

*Refer 'Processing a Commitment' chapter to know more about Revolving/non Revolving types of commitments and reversal of commitment schedule details, which are present in this screen.*

#### 5.4.2 **Re-computing Late Payment Charges Online**

The latest value of the Basis Component, Grace Days or Fixed Rate/Flat Amount of late payment charge are used while re-computing late payment charges. System re-computes the late payment charges online in the following scenarios:

Event	Scenario	Processing
Amendment of past schedules (CAMD)	User revises past schedules where schedule is not settled and therefore late payment charges have been computed	System will re-compute late payment charges based on the newly defined schedules
Back value dated change in Interest Rate/Principal (VAMI)	VAMI for back value dated change made to Interest rate or principal amount that affects the basis for fixed rate late payment charge	System will re-compute late payment charges based on the new basis amount
Reversal of Value Dated Amendment (VAMC)	Reversal of a VAMI done earlier for principal/interest change	System will re-compute the late payment charges based on the value of basis amount prior to this VAMI
Current dated Value Dated Amendment (VAMI)	VAMI for change in special penalty component rate/flat amount	No effect. System will use the new updated rate/flat amount for future schedules only.
Reversal of Value Dated Amendment (VAMC)	Reversal of VAMI done earlier for Late payment fixed rate/flat amount change	System will re-compute the late payment charges based on the penalty rate/flat amount prior to this VAMI
Reversal of payment (REVP)	Payment done within grace period, Payment reversal done after grace period	System will compute late payment charges as part of payment reversal since grace period has expired

Event	Scenario	Processing
Back Value dated Payment (LIQD)	Payment done after grace period (back value date for payment is within grace period)	Late payment charge will initially be computed on grace period expiry, and will be treated as unsettled unless late payment charges are paid/waived
Reversal of Special Penalty Waiver (RSPW)	Late payment charge is waived and waiver reversed at a later date by user	Late payment charges will be recalculated on waiver reversal using the latest values of basis component, grace days and late payment charge fixed rate/flat amount.

### 5.4.3 **Processing the Late Payment Charges**

System identifies the loan contracts where grace period has expired and tracks due date, amount paid and amount settled for each component of the loan. If late payment charge component has been defined for a loan contract, i.e. if the 'Special Penalty Component' is checked for a component in a contract, then system does the following:

- System identifies the late payment charge basis components (components for which late payment charges are applicable) from the loan contract details.
- Since late payment charges are applicable for partially paid overdue schedules also, system validates if there is any outstanding amount due on the current date for components selected for late payment charges.
- If there is any outstanding amount, then system calculates the total outstanding amount on all components in this schedule and stores the value in the amount tag 'SCH\_AMT\_OS'. This will form the basis of calculating the late payment charge.
- System then calculates the late payment charge by multiplying the value of 'SCH\_AMT\_OS' with Fixed Rate or Flat Amount, based on the setup.
- Each late payment charge schedule is separately stored with the due date same as the original schedule due date.
- The calculation date (schedule date + grace days) of each late payment charge calculated is also stored for information and reporting purpose.
- System does not pass any accrual entries for the special penalty component.

### 5.4.4 **Processing Online Transaction between Loans module and MM Intellect**

For processing the online interface between Oracle FLEXCUBE Loans module and Intellect system, you need to maintain a UDF field to capture the User Rate.

*For more information about the MM Intellect interface, refer 'Intellect Money Market system Interface' chapter of the 'Intellect Money Market system' User Manual.*

### 5.4.5 **Maintaining System Derived Schedules**

To maintain system derived schedules for amortized contracts you must do the following maintenance:

In 'LD Product Maintenance' screen under the 'Product Preference' tab, select the 'Field Payment Schedule Type' as "Amortized". All other parameters to be maintained as required.

In 'Loan Contract Maintenance' screen, under the 'Schedule' tab, select the field 'Amortization Type' as "Reduced Balancing" or "Rule 78". All other contract parameters to be maintained as required.

You must also maintain Contract schedules parameters like 'Component', 'Start Date', 'Number', 'Frequency', 'Units', and other fields. The 'Amount' field will be disabled and it will be automatically derived by the system. Based on these parameters, installment amount of each payment schedule is derived.

### 5.4.6 **Maintaining User Input Schedule Amounts**

You can specify the payment schedule amount for amortized contract and adjust the difference amount (if any) to the bullet schedule of the contract. To do this, you need to maintain the following:

- The 'Allow User Input Installment' field is available at the product level in the 'Product Preference' screen. This box is enabled only for the schedule type 'Amortized'. During contract maintenance, can maintain the installment amount for an amortized contract only if this box maintained at product level is enabled.
- The 'Installment Amount' field is available in the 'Schedule Maintenance' tab of the 'Contract Online' screen and will allow you to input the installment amount for amortized contracts.
- The following validations are performed for the 'Installment Amount' field in the 'Contract Maintenance' screen:
  - This field will be enabled only if the 'Allow User Input Installment' box is checked at the product level.
  - 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.
  - System also validates that the bullet schedule has a non-zero principal schedule based on the user input installment amount.

System performs the following validations/processing:

- The 'Installment Amount' specified will be same for all schedules, however the bullet schedule may differ.
- The EMI computation function available in the system for amortized loan will pass the upfront EMI entered by the user.
- The main interest component amount of each installment is computed based on the principal balance.

- The principal portion of the payment is derived as, Principal = user input installment– Interest component.
- The iteration of reducing the Principal Balance with the above mentioned Principal component will continue till the penultimate schedule (assuming schedules are not exhausted before the bullet schedule).
- The Principal Component of the bullet schedule is derived based on the original loan amount and the total principal payout till the last calculated schedule.

### **Example**

The below example explains the user input instalment schedules. Assume that you have disbursed a loan with the following details:

- Principal – 10,000 USD
- Interest Rate – 2.25%
- Contract Start Date – 01-Dec-04, First due date is 31-Dec-04
- Contract Maturity Date – 30-Nov-05
- Term / Tenor {In Years} – 1.00
- Basis of Tenor – 365
- Tenor Frequency – 12
- User input instalment EMI – 700 USD ( In case of system driven is 843.51)

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

<b>Schedule Sl. No</b>	<b>Date</b>	<b>Interest</b>	<b>Principal</b>	<b>Principal o/s</b>	<b>EMI</b>
	1-Dec-04			\$10,000.00	
1	31-Dec-04	\$19.11	\$680.89	\$9,319.11	\$700.00
2	31-Jan-05	\$17.81	\$682.19	\$8,636.92	\$700.00
3	28-Feb-05	\$14.91	\$685.09	\$7,951.83	\$700.00
4	31-Mar-05	\$15.20	\$684.80	\$7,267.02	\$700.00
5	30-Apr-05	\$13.44	\$686.56	\$6,580.46	\$700.00
6	31-May-05	\$12.57	\$687.43	\$5,893.04	\$700.00
7	30-Jun-05	\$10.90	\$689.10	\$5,203.93	\$700.00
8	31-Jul-05	\$9.94	\$690.06	\$4,513.88	\$700.00
9	31-Aug-05	\$8.63	\$691.37	\$3,822.50	\$700.00
10	30-Sep-05	\$7.07	\$692.93	\$3,129.57	\$700.00

Schedule Sl. No	Date	Interest	Principal	Principal o/s	EMI
11	31-Oct-05	\$5.98	\$694.02	\$2,435.55	\$700.00
12	30-Nov-05	\$4.50	2,435.56	\$0	\$2,440.06

#### 5.4.7 Maintaining Schedule Adjustments on Interest Rate Revision

You can adjust either a bullet or an installment and make adjustments for any rate type contracts. To do this, you need to maintain the following:

- You must select an appropriate value for the 'On Rate Revision' field (LD Product Preference level). The options available are, 'Change Installment' and 'Change Bullet Schedule'. This field will be enabled only for Amortized products.
- The 'On Rate Revision' field in the 'Contract Maintenance' screen will be defaulted from the product level; however, you can modify it while creating a contract. Once the contract is saved and authorized, this field cannot be modified.

System performs the following validations/processing:

- In Oracle FLEXCUBE, Interest Rate changes can happen either through Rate Revision (REVN) or Value Dated Amendment (VAMI) events. For floating rate contracts, the rate change is possible through REVN and VAMI events. For fixed rate contracts, rate change can be done only through VAMI event. System performs the following enhanced validations/processing:
  - Change Installment:
    - The EMI re-computation function is stored upfront the prevailing EMI and check the preference is 'Change Installment' or 'Change Bullet Schedule'.
    - For 'Change Installment' preference, the current maturity date is kept constant and the EMI is re-generated.
  - Change Bullet Schedule:
    - The EMI re-computation function stores upfront the prevailing EMI and check if the preference is 'Change Installment' or 'Change Bullet Schedule'.
    - If the preference maintained is 'Change Bullet schedule', then in the event of 'REVN' or 'VAMI' an increase or decrease in the rate will increase or decrease the bullet schedule amount without affecting the EMI / Tenor. As a result, the EMI of the bullet schedule is below or above the other schedules.
    - The main interest component amount of each installment is re-computed based on the principal balance and the new rate.
    - The prevailing EMI will be kept constant. The EMI present in the current schedule of the transaction – System will not consider the EMIs of the previous schedules.
    - The iteration of reducing the Principal balance with the above Principal component of EMI will continue until the bullet schedule is reached.
    - The last EMI will have the remaining Principal amount and the interest as the EMI.

The below example explains change bullet schedule due to interest change option. Assume that you have disbursed a loan with the following details:

- Principal – 10,000 USD
- Interest Rate – 2.25%
- Contract Start Date – 01-Dec-04, First due date is 31-Dec-04
- Contract Maturity Date – 30-Nov-05
- Term / Tenor {In Years} – 1.00
- Basis of Tenor – Actual/360
- Tenor Frequency – 12
- System generated EMI – 843.65 USD

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

<b>Schedule Sl. No</b>	<b>Date</b>	<b>Interest</b>	<b>Principal</b>	<b>Principal o/s</b>	<b>EMI</b>
	1-Dec-04			\$10,000.00	
1	31-Dec-04	\$19.38	\$824.28	\$9,175.73	\$843.65
2	31-Jan-05	\$17.78	\$825.87	\$8,349.85	\$843.65
3	28-Feb-05	\$14.61	\$829.04	\$7,520.82	\$843.65
4	31-Mar-05	\$14.57	\$829.08	\$6,691.74	\$843.65
5	30-Apr-05	\$12.55	\$831.10	\$5,860.63	\$843.65
6	31-May-05	\$11.35	\$832.30	\$5,028.34	\$843.65
7	30-Jun-05	\$9.43	\$834.22	\$4,194.12	\$843.65
8	31-Jul-05	\$8.13	\$835.52	\$3,358.59	\$843.65
9	31-Aug-05	\$6.51	\$837.14	\$2,521.45	\$843.65
10	30-Sep-05	\$4.73	\$838.92	\$1,682.53	\$843.65
11	31-Oct-05	\$3.26	\$840.39	\$842.14	\$843.65
12	30-Nov-05	\$1.53	\$842.13	\$0	\$843.66

Assume interest is changed to 4% on 18th Mar, then schedules will be given below:

Schedule Sl. No	Date	Interest	Principal	Principal o/s	EMI
	1-Dec-04			\$10,000.00	
1	31-Dec-04	\$19.38	\$824.28	\$9,175.73	\$843.65
2	31-Jan-05	\$17.78	\$825.87	\$8,349.85	\$843.65
3	28-Feb-05	\$14.61	\$829.04	\$7,520.82	\$843.65
4	31-Mar-05	\$19.69	\$823.96	\$6,696.86	\$843.65
5	30-Apr-05	\$22.32	\$821.33	\$5,875.53	\$843.65
6	31-May-05	\$20.24	\$823.41	\$5,052.12	\$843.65
7	30-Jun-05	\$16.84	\$826.81	\$4,225.31	\$843.65
8	31-Jul-05	\$14.55	\$829.10	\$3,396.21	\$843.65
9	31-Aug-05	\$11.70	\$831.95	\$2,564.26	\$843.65
10	30-Sep-05	\$8.55	\$835.10	\$1,729.16	\$843.65
11	31-Oct-05	\$5.96	\$837.69	\$891.46	\$843.65
12	30-Nov-05	\$2.87	\$891.46	\$0	\$894.33

#### 5.4.8 Maintaining Schedule Adjustments on Prepayment

When the principal pre-payment is made for amortized contracts, system re-calculates the installment amount based on the outstanding principal maintaining the same tenor. System, now, retains the original installment amount on pre-payment and reduces the balances on LIFO basis. To do this, you need to maintain the following:

Select an appropriate option for the 'On Prepayment' field (LD Product Preference level). The options available are 'Change Installment' and 'Change Bullet '. This field is enabled only for Amortized products.

System performs the following validations/processing:

##### **Change Installment**

On prepayment for amortized contracts, the installment amount is re-computed and the new installment amount is re-distributed to the pending schedules maintaining the original tenor.



## Change Bullet

System performs the following validations/processing to retain the original installment amount when the pre-payment is done for an amortized contract.

If you select the 'Change Bullet' option, then the outstanding schedules for the principal component is reduced starting with the bullet schedule (LIFO), and the interest amount is re-computed accordingly.

If the pre-payment amount is sufficient to cover the bullet and prior schedules, then the amount due for these schedules equates to zero without changing the maturity date.

When a payment is being done in the middle of a cycle and the limit date is entered, system will compute the till date interest along with other components. The payment can be done for all or any specific component as required.

### 5.4.9 Re-Amortization

You can re-define the installment schedules of an amortized contract as if the maturity date of the contract has been extended for schedule re-calculation purpose. You can specify a new end date (temporary maturity date) for calculation purpose. The installment amount is re-calculated based on the remaining schedules and the new tenor, where the tenor is considered between the Re-amortization value date and the new end date. The installment schedules derived beyond the maturity date is added up and parked in the bullet schedule, this results in high payment amount in the bullet schedule. You need to maintain the following details for re-amortization:

- The 'Allow Re-amortization' box in the 'Product Preference' screen is enabled only if the Product schedule type is 'Amortized'.
- You can maintain the 'Re-Amort Date' in the 'Value Dated Amendment (VAMI)' screen.

System performs the following validations:

- It is not possible to amend the 'Re-Amort Date' 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 it should not be earlier than 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. In such instances, only the future outstanding principal schedules are considered for Re-amortization.
- Re-amortization request placed in the middle of the cycle will also consider the current schedule for re-amortization calculation.
- For example, if the contract schedule is monthly and re-amortization request is received in the middle of the month, it will also consider the current schedule.
- A Re-amortized product contracts can have only one frequency linked to a contract schedule in addition to the bullet schedule.

- For Example, Schedule maintenance with combination of monthly and Quarterly will not be allowed, It can either have all monthly or quarterly schedules and not combination of both.

System performs the following processing:

- Re-amortization processing happens during the save operation from the VAMI screen.
- It is possible to delete the un-authorized entries or reversal of authorized entries for a Re-amortization amendment details for the other existing fields in the VAMI screen.
- System validates the 'Value Date'. After all other validations are done, the re-amortization process is triggered during save operation.
- Re-Amortization is processed based on current principal outstanding balance.
- System derives the installment amount. System uses the following parameters to derive the new installment amount:
  - Calculation Start Date= Amendment value date
  - Calculation End Date= Re-Amort Date
  - Balance= Principal outstanding balance
  - Rate= Current rate applicable for the contact.
- System maintains an amortization table till the Re-amort end date, the new installment amount in this table will be retained till the original penultimate bullet schedule and the installment schedules beyond maturity date onwards will be added up and parked to the original bullet schedule. This may result in a very high balloon payment in the bullet schedule.
- Re-amortization process triggers a VAMI event. A version number and event sequence number is created during this operation.
- Rate change, CAMD, Principal amount change/maturity date change through VAMI will have an impact on the EMI; and the installment amount (and balloon payment on bullet schedule) will be calculated based on the 'Re-Amort Date'.

The following parameters are available at branch level (CSBRAPRM):

#### **Restore On Payment Reversal**

Check this box If if you wish to re-instate the original payment details rather than re-computing the details. For CCC branches, this check-box must be checked.

#### **Restrict Multiple VAMI**

Check this flag to indicate that multiple changes in a single VAMI operation are restricted. For CCC branches, this check-box must be checked.

#### **Restrict Multiple Freq**

For CCC branches, check this box. Re-amortization cannot be done if an amortized contract has different payment frequencies maintained, this will be restricted for CCC branches based on this parameter.

If the flag is checked, Schedule maintenance with combination of monthly and Quarterly payment frequencies will not be allowed, It can either have all monthly or all quarterly schedules.

**Example**

The following example explains Re-Amortization functionality. Assume that you have disbursed a loan with the following details:

- Principal – 10,000 USD
- Interest Rate – 2.25%
- Contract Start Date – 01-Dec-04, First due date is 31-Dec-04
- Contract Maturity Date – 30-Nov-05
- Term / Tenor {In Years} – 1.00
- Basis of Tenor – Actual/365
- Tenor Frequency – 12
- System generated EMI – 843.51 USD

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

Schedule SI. No	Date	Interest	Principal	Principal o/s	EMI
	1-Dec-04			\$10,000.00	
1	31-Dec-04	\$19.11	\$824.40	\$9,175.60	\$843.51
2	31-Jan-05	\$17.53	\$825.98	\$8,349.62	\$843.51
3	28-Feb-05	\$14.41	\$829.10	\$7,520.53	\$843.51
4	31-Mar-05	\$14.37	\$829.14	\$6,691.39	\$843.51
5	30-Apr-05	\$12.37	\$831.14	\$5,860.25	\$843.51
6	31-May-05	\$11.20	\$832.31	\$5,027.94	\$843.51
7	30-Jun-05	\$9.30	\$834.21	\$4,193.73	\$843.51
8	31-Jul-05	\$8.01	\$835.50	\$3,358.23	\$843.51
9	31-Aug-05	\$6.42	\$837.09	\$2,521.14	\$843.51
10	30-Sep-05	\$4.66	\$838.85	\$1,682.29	\$843.51
11	31-Oct-05	\$3.21	\$840.30	\$842.00	\$843.51
12	30-Nov-05	\$1.56	\$841.99	\$0	\$843.55

If we assume that Re-amort Request is triggered on 15-Apr-05, then the modified schedules will be as follows:

Schedule Sl. No	Date	Interest	Principal	Principal o/s	EMI
	1-Dec-04			\$10,000.00	
1	31-Dec-04	\$19.11	\$824.40	\$9,175.60	\$843.51
2	31-Jan-05	\$17.53	\$825.98	\$8,349.62	\$843.51
3	28-Feb-05	\$14.41	\$829.10	\$7,520.53	\$843.51
4	31-Mar-05	\$14.37	\$829.14	\$6,691.39	\$843.51
5	30-Apr-05	12.37	602.81	\$6,088.19	\$615.18
6	31-May-05	\$11.63	\$603.55	\$5,484.65	\$615.18
7	30-Jun-05	\$10.14	\$605.04	\$4,879.61	\$615.18
8	31-Jul-05	\$9.32	\$605.86	\$4,273.76	\$615.18
9	31-Aug-05	\$8.17	\$607.01	\$3,666.74	\$615.18
10	30-Sep-05	\$6.78	\$608.40	\$3,058.34	\$615.18
11	31-Oct-05	\$5.84	\$609.34	\$2,449.01	\$615.18
12	30-Nov-05	\$4.53	\$2,449.01	\$0.00	\$2,454.67

## 5.5 Processing Payment for Auto Funding Contract

The system creates a deposit contract automatically, when a loan contract is booked with funding type as 'Automatic'. Also, the system triggers payment in deposit contract when payment happens in the Auto-Funding Loan contracts.

The system liquidates the corresponding Deposit amount for the Auto Funding Contract. On Authorization of backdated and current dated principal pre-payments in Loans, the system triggers payment in the deposit side, for the same amount with current system date as value date.



Note the following:

- The system authorizes the Auto funding Deposit contract liquidation as part of Loan Payment Authorization.
- The system triggers the future dated principal-payments (in Loans) in the deposit side, on the value date of the payment.

- The system triggers the complete deposit-contract liquidation as part of full-pre-payment of the Loans.
- You have to manually handle the reversal and deletion of payment in Deposit contract side.

## 5.6 **Linking a Loan to Deposits, Commitments, or Accounts**

A loan can be linked to a deposit, commitment or an account. A linkage of this nature will mean:

Type of linkage	What it indicates
Linked to a deposit	<p>The entire principal of the loan, or a portion of it can be linked to the deposit. The outstanding amount in the deposit should always be greater than or equal to the amount of loan outstanding.</p> <p>A deposit can be linked to more than one loan provided funds are available in the deposit.</p>
Linked to a commitment	<p>You can utilize the entire amount of a commitment, or a portion of it for a loan. The available balance in the commitment will be reduced. You can also link a portion of the loan to a commitment.</p> <p>If contingent entries were passed when the commitment was initialized, they should ideally be reversed, when a loan is linked to it. This accounting entry should be defined for the INIT (initiation) event of the loan, for the loan product.</p> <p>A commitment can be linked to more than one loan, provided the amount is available for utilization.</p>
Linked to an account	<p>You can link the entire loan principal or a portion of it to a savings or current account. The available balance in the account should always be equal to or greater than the outstanding balance in the loan.</p>
Linked to a commitment in another branch	<p>You can link a loan in one branch to a commitment in another branch by selecting the commitment reference number across branches.</p>

An account can be linked to any number of loans provided, a balance greater than or equal to, the principal of the loan is available. A loan, or a portion of it, can be linked to any number of deposits, commitments, accounts or a combination of the three.

### 5.6.1 Specifying the Type of Linkage

You can specify the type of linkage in this screen. The loan can be linked to the following:

- Deposit
- Commitment
- Customer account

The screenshot displays the 'LD Contract Online [ESCCU01]' application window. The 'Linkages' tab is selected, showing a table for 'Linkage Details'. The table has columns: Linkage Type, Linked To Ref. No / Ac, Brn, Ccy, Available Amount, Potential Avl Amt, Ex. Rate, and Linked Amount. The first row is set to 'Commitment'. Below the table, there are summary fields for Deposit, Commitment, Account, and Uncovered Amount, all showing .00. A second table, 'Information Linkage Details', is also visible. The bottom of the screen shows a status bar with fields for Entry By, Entry Time, Auth By, Auth Time, Contract Stat, and Auth Status. The status bar indicates the contract is 'Active' and 'Authorized'.

Linkage Type	Linked To Ref. No / Ac	Brn	Ccy	Available Amount	Potential Avl Amt	Ex. Rate	Linked Amount
Commitment							

Linkage Type	Linked To Ref. No / Ac	Brn	Off no
Commitment			

Entry By	Entry Time	Auth By	Auth Time	Contract Stat	Auth Status
MURAUTH	31/12/2004 17:46:32	MUR	31/12/2004 17:47:02	Active	Authorized

### 5.6.2 Specifying the Details of the Linkage

If the linkage is with a commitment or a deposit, you should enter the Reference Number of the commitment or deposit in this field. This should be a valid contract in Oracle FLEXCUBE, with a Value Date that is earlier than or the same as the Value Date of the loan. The Maturity Date must also be the same as or later than that of the loan you are processing.

If the linkage is with an account, enter the account number to which the loan is linked. The account number has to be a customer account (a current account or a savings bank account). The loan amount being linked should be available in the contract or account, as the case may be.

The currency of the deposit, commitment or account to which the loan is being linked is also displayed once the linkage details are specified.

### **5.6.3 Projected Available Amount**

The system displays the projected available amount on the value date of the forward dated loan.

### **5.6.4 The Exchange Rate**

The currency of the loan can be different from the currency of the deposit, commitment or account to which it is being linked. In such a case mid rate for the day will be picked from the Exchange Rate Table and displayed in the screen.

### **5.6.5 Specifying the Linked Amount**

You should indicate the amount that has to be linked to the commitment, deposit or account, as the case may be. This amount can be the entire principal of the loan or a portion of it.

This amount should be available in the commitment, deposit or account. On the screen the amount available for linkage can be viewed in the specified commitment, deposit or account.

The available amount is arrived at taking into account the other linkages, uncollected and unauthorized balance (in the case of an account).

The system will display the following amounts, after the Linked Amount is specified:

- Amount linked to each contract or account
- The amount of principal not linked, in the case of a partial linkage

### **5.6.6 Linking a Loan in One Branch to a Commitment in another Branch**

Oracle FLEXCUBE facilitates linking of loan in one branch to a commitment in another branch. The system displays all commitment contract reference number across branches in the commitment contract reference number option list. You are allowed to select the required commitment reference number and save the contract.



Note the following:

- The loan counterparty is one of the listed borrowers in the commitment.
- The system blocks the inter branch linkage of the loan, if the commitment branch is not in Transaction Input state.

### 5.6.7 Linking Commitments to a Loan

You can link a commitment to a loan at any stage during the life cycle of the loan. However, when associating a commitment with a loan you cannot make changes to commitments already linked to the loan.

If the value date of the loan is earlier than the commitment value date, then the commitment utilization will happen on the commitment value date.

#### **For example**

Loan Value date - 31 July 2001

Commitment Value Date - 15 August 2001

On 31 August 2001 you associate the commitment with the loan. The commitment outstanding will be reduced from 15 August 2001.

You can also link a commitment to a loan, if the commitment maturity date is less than the loan maturity date. You can extend maturity date such that the new maturity date is greater than the commitment maturity date. However, when the commitment maturity date is increased and if the existing loan contracts have a maturity date greater than the old maturity date, then the Unused Commitment Fees (UNUTIL) should be re-computed again for the period between the old maturity date and the new maturity date.



This linkage will be applicable for non-revolving commitments only.

### 5.6.8 Modifying a Loan Disbursement

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

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

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

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

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



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



### 5.6.9 Financial Details that can be Changed

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

- Takedown Account/Drawdown Account, if the loan disbursement has not yet been initiated
- Maturity Account if the loan 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 contract
- Tax details, if tax has not yet been liquidated



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

### 5.6.10 Viewing the Other Details of a Loan


Using the buttons that are displayed in the Contract Online screen you can view the following details of a loan:

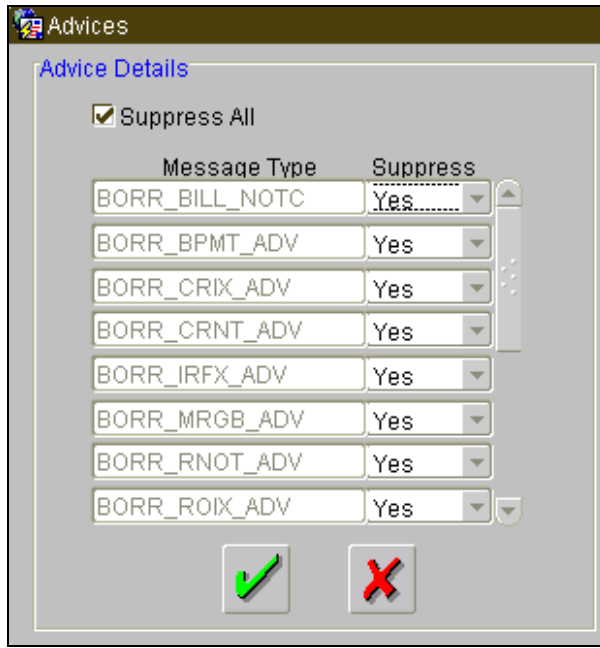
- The advices that you can suppress or prioritize
- ICCF details
- The settlement details
- The tax details
- MIS details
- View Events for the loan
- The Annual Effective Rate (AER) of interest for the loan

### 5.6.11 Advices for Loan Disbursement

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

- When a loan 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 loan disbursement, you can suppress the generation of any of these advices. Click  to invoke the Advices screen to make these changes.



The image shows a screenshot of the 'Advices' window, specifically the 'Advice Details' tab. At the top, there is a checkbox labeled 'Suppress All' which is checked. Below this is a table with two columns: 'Message Type' and 'Suppress'. The table lists eight message types, each with a corresponding 'Yes' value in the 'Suppress' column. At the bottom of the window, there are two buttons: a green checkmark button and a red 'X' button.

Message Type	Suppress
BORR_BILL_NOTC	Yes
BORR_BPMT_ADV	Yes
BORR_CRIX_ADV	Yes
BORR_CRNT_ADV	Yes
BORR_IRFX_ADV	Yes
BORR_MRGB_ADV	Yes
BORR_RNOT_ADV	Yes
BORR_ROIX_ADV	Yes

Specify the following details.

### **Suppress All**

Check this box to indicate that the system can suppress all the messages.

### **Suppressing the generation of an advice**

By default, all the advices that have been defined for a product will be generated for a loan. However, you can suppress the generation of an advice, for a loan 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. By default, the priority of all advices is marked as Normal. You have the option to prioritize a payment message to one of the following options:

- Normal
- Medium
- High

## 5.7 Levying Transaction Charges on a Loan

For each loan that you process, you can specify the charges that apply. The characteristic feature of a charge is that it is always booked in advance and is not accrued, as a charge is collected only when it is due. You also have the facility to waive charge for a specific contract.

The charge details are maintained in the Contract ICCF screen. You can click the  button in the Contract Main screen to invoke the Contract ICCF Screen.

*For details relating to levying charges on a contract, refer the Charges and Fees User Manual.*

## 5.8 Posting the Manual Journal Entries

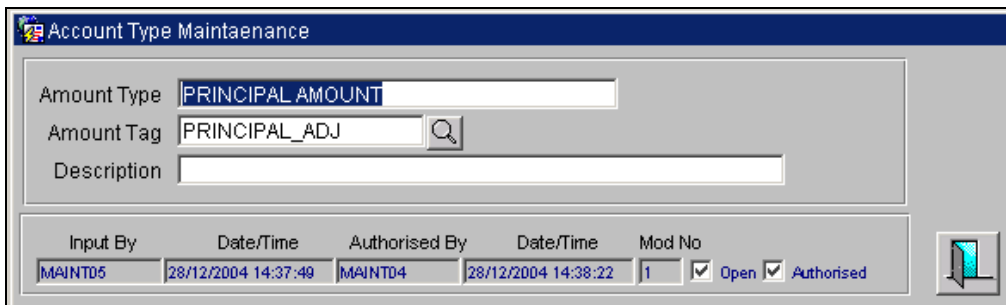
You can book Manual/Excel upload Adjustment entries at the contract level. To do this you have to do the following.

- Maintain the Amount Types
- Map the Accounts and the Amount type
- Post Manual Adjustment Entry
- Upload Excel for Adjustment entry posting

### 5.8.1 Maintaining the Amount Types

You can maintain the amount types in 'Account Type Maintenance' screen. To invoke this screen, choose **Loan & Commitment Maintenance** from the Application Browser. Thereafter, choose **Amount Type Maintenance** and **Detailed** under it.

You can also invoke this screen by typing '**LDACTMNT**' in the field at the top right corner of the Application tool bar and clicking on the adjoining arrow button.



#### **Amount Type**

Specify the amount type which you wish to maintain.

## Amount Tag

Specify the amount tag corresponding to the amount type. The system uses this amount tag while maintaining the product level entry and accounting entry posting.

## Description

Specify a short description of the maintenance.



You are allowed to perform actions namely, New, Save, Authorize and Delete before the first authorization.

## 5.8.2 Mapping the Accounts and the Amount Type

You can map the accounts and amount type in 'Account - Amount Type Transaction Mapping' screen. To invoke this screen, choose **Loan & Commitment Operations** from the Application Browser. Thereafter, choose **Account Transaction Mapping** and **Detailed** under it.

You can also invoke this screen by typing '**LDADJMNT**' in the field at the top right corner of the Application tool bar and clicking on the adjoining arrow button.

Input By	Date/Time	Authorised By	Date/Time	Mod No
MAINT04	28/12/2004 14:41:21	MAINT05	28/12/2004 14:41:44	1

## Account Number

Specify the Account Number which you wish to map with the amount type.

## Amount Type

Specify the amount type corresponding to the Account Number.



Note the following:

- You are allowed to perform actions namely, New, Save and Authorize before the first authorization.
- You have to maintain the Accounting entry for the CADJ event and the Debit/Credit accounting entry for the following Amount tags at the Product Maintenance level:
  - Principal-adj
  - Contra-Int-adj
  - Reserve-Amt-adj

- WriteOffAmt
- FacilityFeeamt
- Accr-Int-Amt
- CMT-Fee-amt
- UnamortizedFee
- ContingentAmt
- UnusedComm

### 5.8.3 Posting Manual Adjustment Entry

You can post manual adjustment entry in 'Contract Adjustment' screen. To invoke this screen, choose **Loan & Commitment Operations** from the Application Browser. Thereafter, choose **Contract Adjustment** and **Detailed** under it.

You can maintain the following details in this screen:

#### Contract Reference Number

Select the contract reference number from the adjoining option list. The list displays the contract reference numbers that are maintained in the system.

Once the contract reference number is selected, the following contract details are displayed:

- User Reference Number
- Expense Code
- Counterparty
- Branch
- Amount
- Event Sequence Number

#### Contract Ccy

Specify the contract currency.

**Booking Date**

Specify the booking date of the contract.

**Value Date**

Specify the value date of the contract.

**Adjustment Ccy**

Select the adjustment currency from the adjoining option list. All the adjustment entries will be posted only using the currency specified here.



Note the following:

- Access to this screen will be restricted based on user, branch and department code restrictions.
- Adjustment entry posting for LS module will allow such entries to be posted for borrower tranche and drawdown contracts as well.

**5.8.3.1 Details**

On selecting the New Operation, You have to specify the following details

**Adjustment Amount**

Specify the adjustment amount of the contract

**CR Acc Branch**

The system defaults the contract branch. However, you can modify it by selecting a branch from the adjoining option list.

**Credit Account**

Select the account that is to be credited from the adjoining option list.

**Credit Account Type**

The system defaults the credit account type once the credit account is selected.

**DR Acc Branch**

The system defaults the contract branch. However, you can modify it by selecting a branch from the adjoining option list.

**Debit Account**

Select the account that is to be debited from the adjoining option list.



Note the following:

- You are allowed to post Multiple Adjustments accounting entry for a contract in an Adjustment activity.
- The Debit and Credit Account types can be different from each other.

### **Debit Account Type**

The system defaults the debit account type once the debit account is selected.

### **Adjustment Type**

Select the adjustment type from the adjoining drop-down list. The list displays the following values:

- Fincon
- Operation

If you have selected the adjustment type as 'Operation', the system will not allow the following for an adjustment entry:

- Value date which is less than current application date
- Auto reversal

### **Recon ID**

Specify the recon id.

### **Instrument No**

Specify the instrument number. This field is mandatory if the debit account or credit account is a Miscellaneous Debit/Credit GL.

### **Remarks**

Specify the remarks for each adjustment entry, if any.

### **Component**

Select an appropriate component from the adjoining option list. System displays the following options in the list:

- The components maintained using Static Maintenance screen where the Field Type is ESC1, ESC2, ESC3, or ESC6
- The Interest and Fee components maintained for the contract



Note the following:

- The generic component 'PRINCIPAL' will not be available as a component in the 'Contract Adjustment' screen. You can maintain generic components such as 'PRIN\_SUSP' using the 'Static Maintenance' screen.
- The Component selected for each adjustment entry will be stored in along with existing contract adjustment details for reporting, notice and balance purposes. It is not mandatory to specify value in this field for adjustment transactions.
- Adjustment entry posting is not restricted only to accounts that are linked to the contract using the 'Escrow Account Maintenance' screen.

## Reversal

Check this box to indicate that the reversal of adjustment entries can be done. Once the adjustment entries are posted, you cannot reverse it. The transaction date for the reversals will be the date on when the entries are posted.

If the reversal of adjustments is posted on a working day, the system will do the following:

- For all the adjustments posted on a working day and marked for auto-reversal, the entries will be reversed during the beginning of day process on the next application date.
- The value date of the reversal entries will be the next adjustment date compared to the transaction date of the actual adjustment posting. If adjustment maintenance is not available or next adjustment date is not maintained, then the current application date will be used as the value date for the reversals.
- Any exceptions as part of adjustment reversals would be logged as part of the batch.
- If the reversal of adjustments is posted on a holiday, the system will do the following:
- For all the adjustments posted on a holiday and marked for auto-reversal, auto-reversal will be initiated as part of the 'Adjustments Handoff' screen which is used to mark closure of adjustments for the day.
- The value date of the reversal entries will be the next adjustment date as per the 'Adjustment Days Maintenance' screen. If next adjustment date is not maintained, then the current application date will be used as the value date for the reversals
- Any exceptions as part of adjustment reversals would be logged as part of the reversal process.

You are allowed to perform actions namely New, Delete, Save and Authorize in this screen.

### 5.8.3.2 Validation

The system does the following validation while capturing contract adjustment.

- The value date and book date can not be in future
- The back value dated contract adjustment is allowed
- The adjustment amount can not be more than the contract amount



- The Debit and Credit account is validated against the account type mapping table
- The Adjustment entry is not allowed to post into period, which is closed.
- The Event CADJ will trigger at contract level when the adjustment activity is getting saved.
- The contract Adjustment entries are authorized when the Adjustment Activity is authorized.

During posting of adjustments through 'Contract Adjustment' screen or the 'Contract Adjustment Upload' screen, the following validation would be added to restrict the posting of adjustments:

- If the adjustment is of type 'Fincon' adjustment, then adjustment posting will be allowed only if the value for UDF 'INDIRECTGL' for the GL is maintained as FINCON/BOTH
- If the adjustment is of type 'Operation' adjustment, then adjustment posting will be allowed only if the value for UDF 'INDIRECTGL' for the GL is maintained as OPERATION/BOTH
- If no value or any other value than these three are maintained for the UDF, then the restriction of posting adjustments will be done based on the Indirect flag, not the UDF, at the GL level, for both adjustment types



Using this screen, you can also post the adjustment entries for agency (LS) participant contracts and trading (SLT) position contracts.

#### 5.8.4 Uploading Excel for Adjustment Entry Posting

You can post the adjustment entry by selecting the excel sheet and uploading it into Contract adjustment upload table using 'Contract Adjustment Upload' screen. To invoke the '**Contract Adjustment Upload**' screen, choose **Loan & Commitment Operations** from the Application Browser. Thereafter, choose **Contract Adj Upload** under it.

You can also invoke this screen by typing 'LDDXLUPD' in the field at the top right corner of the Application tool bar and clicking on the adjoining arrow button.

Contract Adjustment Upload

Batch No  Book Date

Upload to flexcube

XL File to be uploaded

Total no of records in XL

No of records in error

Serial #	Contract Ref No	Cusip No	Firm Acct Mnemonic	Ccy	Expense Code	Adj Value Date	Adjustment Amount	Status Desc	Dr Acc Branch	Remarks
1	CT2BLD1043666013			USD		31-DEC-2004	100.00	Processed	CT2	
2	CT2BLD1043666013			USD		31-DEC-2004	400.00	Processed	CT2	

Exception Details

Exceptions

Error Log

Maker Id  Maker Dt Stamp  Checker Id  Checker Dt Stamp

## XL File to be uploaded

Choose the Excel File to be uploaded into Oracle FLEXCUBE.

On save the system uploads the excel sheet and validates the data uploaded from the excel sheet. On upload the system displays the message.

Upload Successful

On authorize, the system processes the data and triggers the corresponding event 'CADJ' and accounting entries for the validated records.

The following fields are displayed.

- Batch Number
- Book Date
- Total Number of Records in XL
- Number of Records in Error
- Contract Reference Number
- CUSIP No
- Firm Acct Mnemonic
- Adjustment Value Date

- Adjustment Amount
- Dr GL Account
- Cr GL Account
- Status Description
- Currency
- Expense code of the contract
- Debit Account Branch
- Credit Account Branch
- Adjustment Type
- Recon ID
- Instrument Number
- Component
- Remarks
- Reversal

### **Exceptions**

In case of any validation error and processing error, the system marks the entry status as an error and displays the error reason in this field.

When you save the adjustment entries, the system will display a message with the following details:

- The number of entries that have been validated
- The number of validation errors


When you authorize the adjustment entries, the system will display a message with the following details:

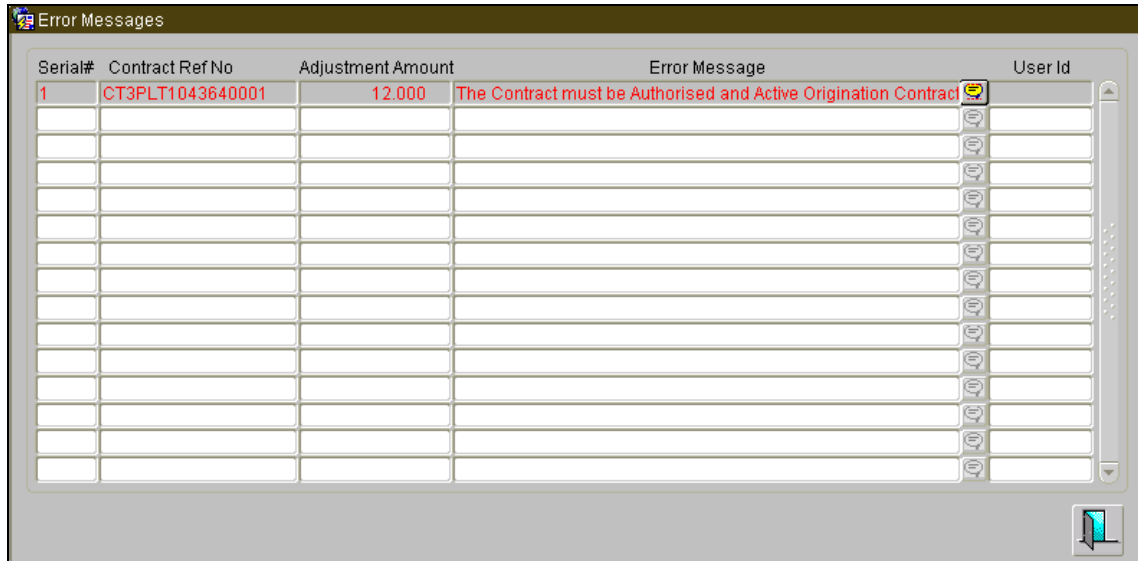
- The number of entries that have been uploaded
- The number of failed errors



Using this screen, you can also post the adjustment entries for agency (LS) participant contracts and trading (SLT) position contracts.

## 5.9 Error Log Details

You can view the error details that have been incurred during validation or upload processing in the 'Error Messages' screen. You can access this screen by clicking  button in 'Contract Adjustment Upload' screen.




The screenshot shows a window titled "Error Messages" with a table containing the following data:

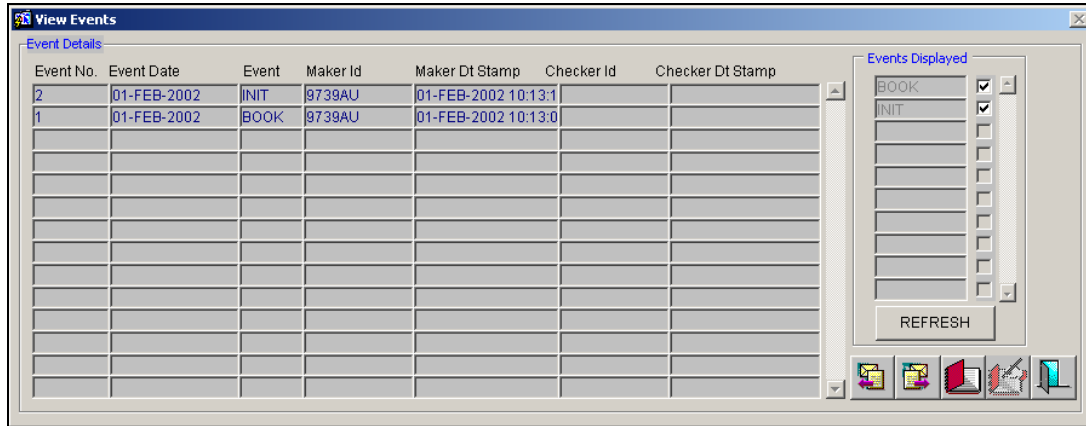
Serial#	Contract Ref No	Adjustment Amount	Error Message	User Id
1	CT3PLT1043640001	12.000	The Contract must be Authorised and Active Origination Contract	

The system displays the following details:

- Serial #
- Contract Ref No
- Adjustment Amount
- Error Message
- User ID

## 5.10 Viewing Event Details


You can view all the events that have take place on a loan through the View Events screen. You can access this screen by clicking the  View Events button from any of the Contract Online screens.

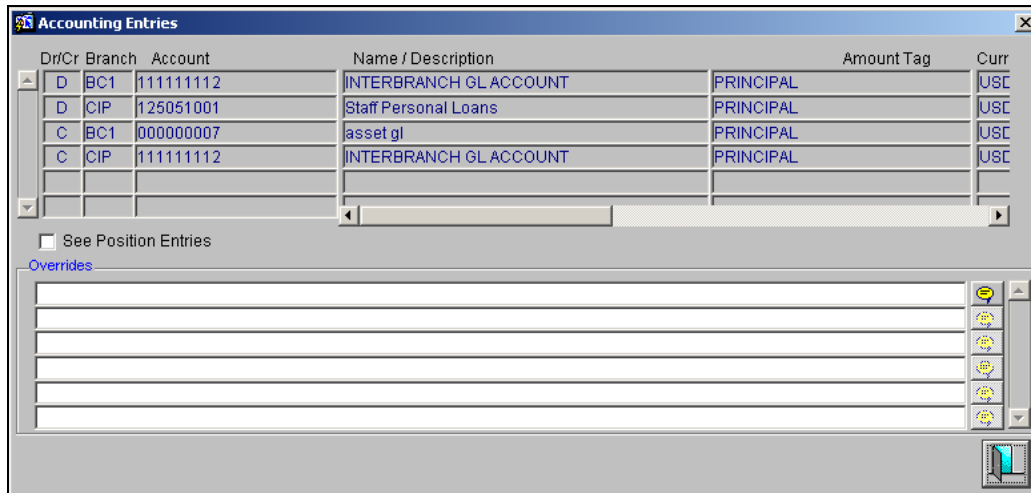


All the events that have taken place on the contract so far will be listed in this screen according to the sequence in which they have taken place. The Date on which the event took place will also be displayed.

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

### 5.10.1 Viewing Accounting Entries for Loan disbursement

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 the  button in this screen. The accounting entries and overrides for that event will be displayed.



The screenshot shows a window titled "Accounting Entries". It contains a table with the following columns: Dr/Cr, Branch, Account, Name / Description, Amount Tag, and Curr. The table has four rows of data:

Dr/Cr	Branch	Account	Name / Description	Amount Tag	Curr
D	BC1	111111112	INTERBRANCH GL ACCOUNT	PRINCIPAL	USD
D	CIP	125051001	Staff Personal Loans	PRINCIPAL	USD
C	BC1	000000007	asset gl	PRINCIPAL	USD
C	CIP	111111112	INTERBRANCH GL ACCOUNT	PRINCIPAL	USD

Below the table, there is a checkbox labeled "See Position Entries" which is unchecked. Underneath is a section titled "Overrides" with a list of five empty rows. To the right of these rows are five small icons (a speech bubble, a lightbulb, a magnifying glass, a trash can, and a refresh icon). At the bottom right of the window is a small icon of a computer monitor.

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

## 5.11 Levying Tax on a Loan Contract


The tax details specified for the product to which the loan is associated will be automatically applied to the loan. However, while processing a loan, you can waive the application of tax.

You can invoke the Tax Details screen by clicking  from the Contract Online screen.

*For details relating to levying tax on a contract, please refer the Tax User Manual.*

## 5.12 Specifying the Interest Details


Numerous interest rates and fees can be defined for a product through the ICCF (Interest, Commission, or Fee) screen. By default, all these will be applied on the loan involving the product. However, while processing a loan, you can waive the application of interest.

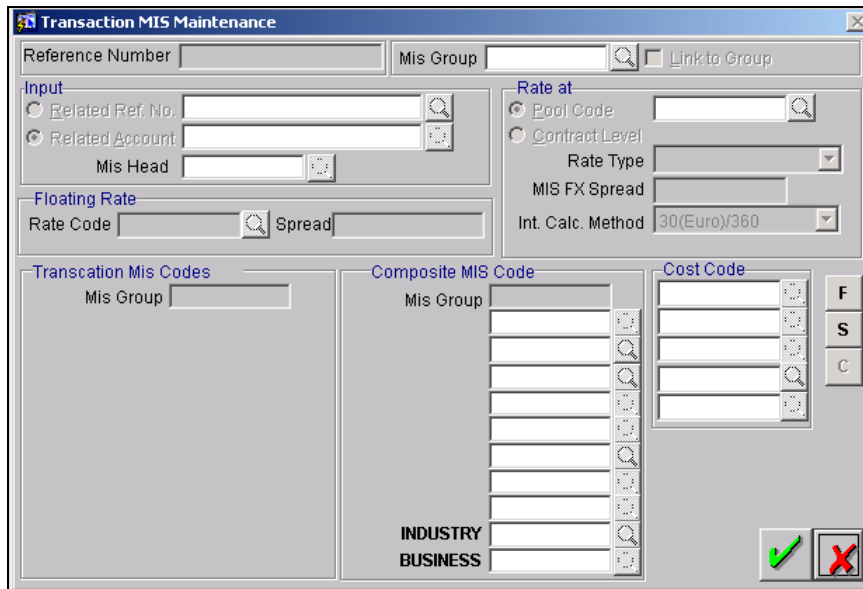
The interest details are maintained in the Contract ICCF screen. You can click the  button in the Contract Main screen to invoke the Contract ICCF Screen.

*For details relating to interest on a contract, please refer the Interest User Manual.*

## 5.13 Maintaining Transaction-specific MIS Refinancing Rates

You can choose to perform MIS Refinancing on a daily basis for all loan 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 contract.

Click the  button in the contract online screen. The Transaction MIS screen is displayed.



The screenshot shows the 'Transaction MIS Maintenance' window. It contains several sections:
 

- Reference Number** and **Mis Group** fields at the top, with a 'Link to Group' checkbox.
- Input** section with radio buttons for 'Related Ref. No.' and 'Related Account', and a 'Mis Head' dropdown.
- Rate at** section with radio buttons for 'Pool Code' and 'Contract Level', a 'Rate Type' dropdown, 'MIS FX Spread' field, and 'Int. Calc. Method' dropdown (set to '30(Euro)/360').
- Floating Rate** section with 'Rate Code' and 'Spread' fields.
- Transaction Mis Codes** section with a 'Mis Group' dropdown.
- Composite MIS Code** section with a 'Mis Group' dropdown and a list of codes with search icons.
- Cost Code** section with a list of codes and search icons.
- Buttons 'F', 'S', and 'C' on the right side.
- Green checkmark and red 'X' buttons at the bottom right.

In this screen, 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.

### 5.13.1 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 the **F** 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.

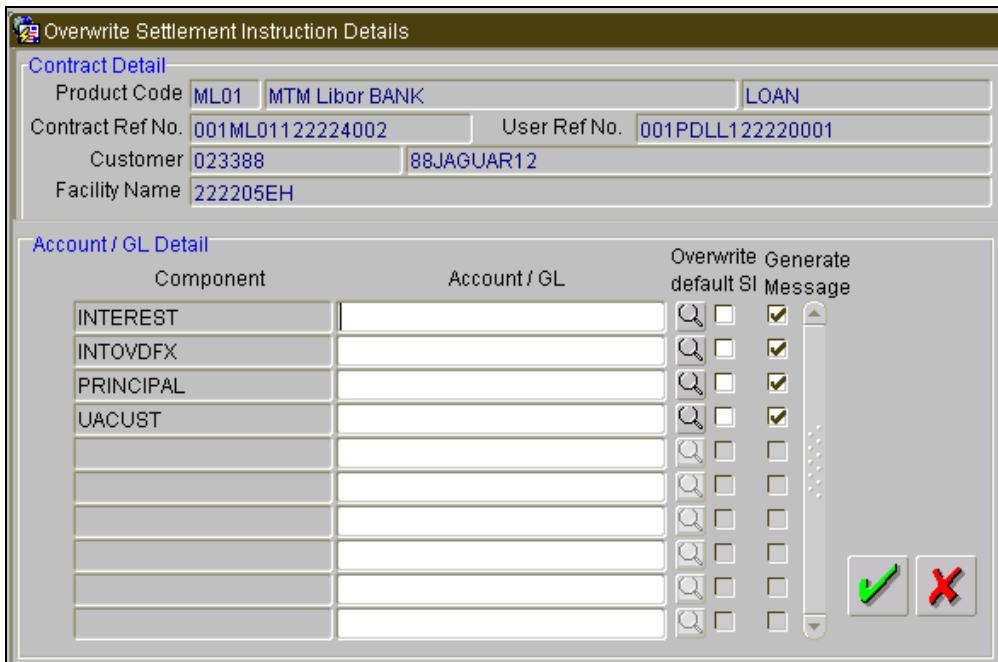


If the Rate Type you have specified is either Floating Automatic or Floating Periodic the system automatically calculates and populates the effective date and refinancing interest rate in the respective fields after the EOD processes have been run successfully.

## 5.14 Maintaining Overwrite Settlement Details

You can maintain the overwrite settlement instructions during contract booking or amendment for a component and the same is applicable for all amount tags for that component. Overwrite Settlement instructions that are captured during contract booking or amendment will be applicable for all the future events performed on that contract like Liquidations, Value dated amendments, and fee liquidations.

Click the  button in the LD Contract Online screen to invoke the following screen.



Component	Account / GL	Overwrite default SI	Generate Message
INTEREST		<input type="checkbox"/>	<input checked="" type="checkbox"/>
INTOVDFX		<input type="checkbox"/>	<input checked="" type="checkbox"/>
PRINCIPAL		<input type="checkbox"/>	<input checked="" type="checkbox"/>
UACUST		<input type="checkbox"/>	<input checked="" type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>
		<input type="checkbox"/>	<input type="checkbox"/>

Specify the following details:

### Account/GL

Specify the customer account or general ledger account number. If you have checked 'Allow all accounts in Overwrite SSI' box in 'Loans Parameters' screen, then the adjoining option list will display all the customer accounts and GL accounts maintained in the system. You can select the appropriate one.

If you have not checked the box, only general ledger accounts will be displayed.

### Overwrite Default SI

The system will use the account / GL maintained in this screen only if this box is checked for the component.

### Generate Message

The system defaults this option from the settlement instructions. However, you can modify it.

The system will generate the payment messages that are applicable for the component only if this box is checked. Otherwise the payment message will be suppressed.


During contract loan booking, if 'Generate Message' box is checked, then the payment message will be sent to customer. In case, if it is not checked, but overwrite account is maintained, then the payment message will be suppressed.

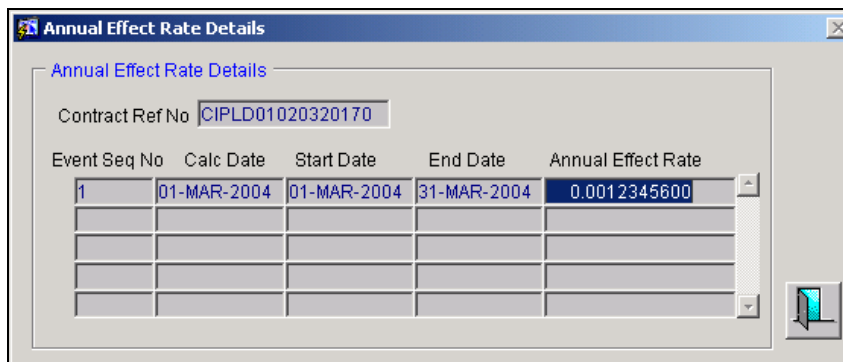
The Overwrite SI accounts maintained or amended for the commitment will be restricted to the Commitment only. They will not be defaulted/propagated to the Linked Loan contracts.

If any amendments done in the 'Settlement Instruction Maintenance' screen and necessary SSI propagation online job is configured, then the system will propagate to all the contracts online excluding those contracts where Overwrite SSI is applicable.

SSI Propagation batch in EOD process will pick up all the contracts including those contracts where Overwrite SSI is applicable and propagate the SSI changes. The system will exclude only those components in a contract where SSI Overwrite is chosen as 'Yes'.

## 5.15 Viewing Annual Effective Rate (AER) of Interest for a Loan

For loans involving products marked for AER Calculation, you can view the AER through the 'Annual Effect Rate Details' screen. Click the  button in the LD Contract Online screen to navigate to the AER screen:



Event Seq No	Calc Date	Start Date	End Date	Annual Effect Rate
1	01-MAR-2004	01-MAR-2004	31-MAR-2004	0.0012345600

Oracle FLEXCUBE calculates the AER using the interest rate applicable to the main interest component of the loan. The AER will be printed in the LD Contract Advice, Amendment Advice and Loan Statements.



AER will not be calculated for Special Interest.

In addition to the AER value, the following details are also displayed in the screen:

- The event sequence number
- Date of AER Calculation

- Start date and End date of the period for AER calculation

The AER for a loan is given by the following expression:

$$[(\text{Contract Rate}/100) \times (\text{Tenor}/D) + 1]^{(D/\text{Tenor})} - 1$$

Where,

- Tenor is expressed in days
- D = Actual / 360 / 365, depending on the day count method applied on the loan
- Contract Rate = Interest Rate applicable to the main interest component of the loan

The calculation of AER is done when the following conditions are satisfied during the lifecycle of the loan contract:

**For Fixed Rate Contracts and Floating Rate Contracts with auto rate revision (Contracts without any rate revision schedules):**


- On booking of the contract
- In the event of any change in the rate or tenor of the contract. In this case, the AER is re-calculated for the entire tenor of the contract
- For Floating Rate Contracts with periodic rate revision schedules
- On booking of the contract
- Every time a rate revision takes place. In this case, AER is calculated for the revision period
- In the event of any change in the rate or tenor of the contract. In this case, the AER is re-calculated for the current rate revision period



Note the following:

- Every instance of AER computation is displayed in this screen
- The Denominator Day Count method is taken to be '365' if your specification is 'Actual'

## 5.16 Maintaining Status Rates for a Contract

You can maintain different refinance rates for a contract for different statuses through the Status Rates screen. To invoke this screen, click  in the Transaction MIS Maintenance screen for the contract. The unit reference number which is displayed is with reference to the contract.

### Status level

For LD and MM contracts, Oracle FLEXCUBE allows you to maintain refinance rates for different status levels. You need to indicate the status for which you are defining the refinance rates.

### Rate Code

You can maintain different rates for forward and backward status movements. Indicate the Rate Code for calculating the Refinance Cost.

### Spread

This is applicable only if the Rate Type selected for the contract is floating.

### Rate

This is applicable if the Rate Type selected for the contract is 'Fixed'. Enter the rate at which the system has to calculate the Refinance Cost due to change in status whether forward or backward.

### Effective Date

Each RAC rate that is defined for a Rate Code should have an Effective Date associated with it. This is the date on which the rate comes into effect. Once a rate comes into effect, it will be applicable till a rate with another Effective Date is given for the same Rate Code.

Enter the date from which the rate should become applicable.

### Rate

You need to specify the RAC rate applicable for the corresponding Effective Date.

## 5.17 Changing the Status of a Loan

The status change of a loan can either be automated or manual.

### Automated change of status


The change of status will be carried out during the beginning of day processes on the day the change falls due. The movement from one GL to another, if it has been specified, will be done. Further, any advice specified for the event will be generated. Reversal entries for accruals will be passed if it has been specified so.

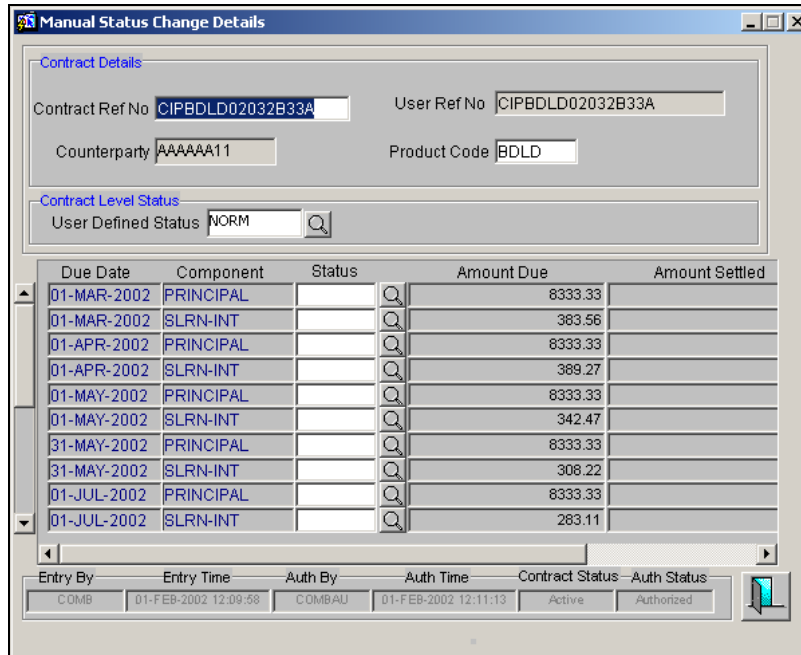
### Status of a contract manually

In the Manual Status Change Details screen, you can:

- Manually change the status of a contract (provided status processing for schedules has not been defined for the product involving the contract), OR,
- Manually change the status of any schedule defined for the contract (provided status processing for schedules has been defined for the product involving the contract)

You can invoke this screen from the Application Browser under L & D Operations and thereafter under Manual Status Change.

 In case of contracts for products with schedule level processing, if you change the status of any of the schedules, the contract status is determined by the system as the worst status among the individual statuses of the schedules.



The screenshot shows the 'Manual Status Change Details' window. It contains fields for Contract Ref No (CIPBDLD02032B33A), User Ref No (CIPBDLD02032B33A), Counterparty (AAAAAA11), and Product Code (BDLD). Below these is a 'Contract Level Status' section with a 'User Defined Status' dropdown set to 'NORM'. The main part of the screen is a table with columns: Due Date, Component, Status, Amount Due, and Amount Settled. The table lists 10 rows of data for various dates from March to July 2002, with components 'PRINCIPAL' and 'SLRN-INT'. At the bottom, there is a summary bar with fields for Entry By (COMB), Entry Time (01-FEB-2002 12:09:58), Auth By (COMBAU), Auth Time (01-FEB-2002 12:11:13), Contract Status (Active), and Auth Status (Authorized).

Due Date	Component	Status	Amount Due	Amount Settled
01-MAR-2002	PRINCIPAL		8333.33	
01-MAR-2002	SLRN-INT		383.56	
01-APR-2002	PRINCIPAL		8333.33	
01-APR-2002	SLRN-INT		389.27	
01-MAY-2002	PRINCIPAL		8333.33	
01-MAY-2002	SLRN-INT		342.47	
31-MAY-2002	PRINCIPAL		8333.33	
31-MAY-2002	SLRN-INT		308.22	
01-JUL-2002	PRINCIPAL		8333.33	
01-JUL-2002	SLRN-INT		283.11	

Entry By	Entry Time	Auth By	Auth Time	Contract Status	Auth Status
COMB	01-FEB-2002 12:09:58	COMBAU	01-FEB-2002 12:11:13	Active	Authorized

To select a contract in this screen, you can either enter the reference number, or the code of the product that the contract uses. For the contract that you select, the status details are displayed.

If you have chosen a contract involving a product for which status processing for schedules has been allowed, then you can only change the status of any of the schedules, as required, and not for the contract. Select the new status in the Status field, for the schedule.

If you have chosen a contract involving a product for which status processing for schedules has not been allowed, you can only change the status of the contract, and not for individual schedules. Select the new status for the contract in the User Defined Status field.

In this screen, if the contract you have selected is a commitment and you have selected the 'Propagate Status To Loan' (at the product or contract level), then the status change that you specify here for the commitment will be assigned to all the active contracts underlying the commitment. If the contract selected is a loan and you select a status that does not match the status of the commitment, the system will display an error message.

For instance, if the commitment status is 'Performing', the status of the corresponding loan will also be 'Performing'. You cannot change the status of the loan from 'Performing' to 'Non-performing'. Similarly, if the commitment status is 'Non-performing', the corresponding loan will also have the 'Non-performing' status. You cannot change it from 'Non-performing' to 'Performing'. Cost to credit valuation is applicable for performing and non-performing commitments and loans underlying them. However, the nature of the valuation differs based on the status of the contract – performing or non-performing. Once the loan becomes non-performing, the system performs certain validations during the EOD batch as part of cost to credit valuation. However, if the loan status changes to 'performing' subsequently, the system will amend the validation applicable for cost to credit valuation. In order to achieve this, the system checks the value of the backend static parameter 'ALLOW\_REPERFORMING\_LOAN\_FUNC'. If the value for this parameter is 'Y' then the system will perform the applicable validations on the contract during cost to credit valuation based on the loan status. Additionally, the system will also perform the following during status change of loan and commitment contracts:

- Memo interest reversal – This will be done irrespective of whether the 'Cost of Credit' box is checked for the contract or not. This will be applicable to loan status change.
- Release of FAS114 for loan - If FAS 114 reserve balances exist for the loan, they will be reversed only if 'Cost of Credit' box is checked for the loan contract.
- Restart of amortization fee accrual – This will be done irrespective of whether the 'Cost of Credit' box is checked for the contract or not. This will be applicable to commitment status change.
- Release of FAS114 for commitment – If FAS 114 reserve balances exist for the commitment, they will be reversed only if 'Cost of Credit' box is checked for the contract.

If the value of the parameter is 'N', the system will not perform the aforementioned processes during status change of the contract. Changes to the user-defined status received from RAPID for uploaded commitment contracts are also propagated to the loan contracts that fall under the respective commitment.

*Refer the section 'Transferring Memo Interest to FAS 19 fee' in the chapter titled 'Processing Upfront Fee Accruals' in this User Manual for details about fee liquidation.*

## 5.18 Enquiry for Interest and Principal Projections

You can view the projected interest accruals and principal on a loan 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

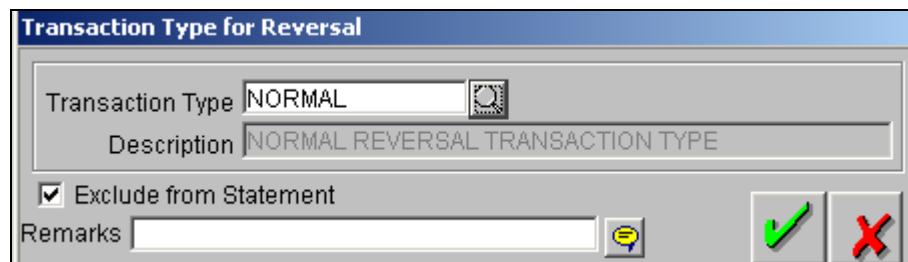
### 5.18.1 Reversal of Accruals during Contract Reversal

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.

### 5.18.2 Reversal of Events during Contract Reversal

During a contract reversal, the system will display the Transaction Type for reversal screen where you can specify the transaction type for the event being reversed.



The screenshot shows a window titled "Transaction Type for Reversal". It contains a "Transaction Type" field with the value "NORMAL" and a small icon to its right. Below this is a "Description" field with the text "NORMAL REVERSAL TRANSACTION TYPE". There is a checked checkbox labeled "Exclude from Statement". At the bottom, there is a "Remarks" field with a small icon to its right. On the far right, there are two buttons: a green checkmark and a red X.



In this screen, the default reversal transaction type maintained for the product is displayed. You can choose to retain the default value or select a new transaction type from the list of transaction types maintained through the Product Definition.

Once you choose the transaction type, the system will reverse all the accounting entries. If you have associated new transaction codes to an old transaction code in the Transaction Type Details screen for the product, the system will replace the old transaction codes with the corresponding (new) transaction codes. In case no new transaction codes are associated for the old transaction code, the entries are passed with the old transaction code.



Check the field, 'Exclude from Loan Statement' to make the reversal details not available in the Loan Statement.

#### **Example**

Suppose, an auto liquidation schedule of USD 1000 has made an account to go into a overdraft of 100 USD. The bank decides to reverse the payment so as to make the account in positive, and later inform the client about the unavailability of funds for auto liquidation. If you check the field, 'Exclude from Statement' during this reversal then the auto liquidation and its reversal do not appear in loan statement.

You may add remarks if you wish to, in the field, 'Remarks'.

## **5.19 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  to view the settlement details of the contract. During authorization, if you click  without viewing the settlement details, system will display a message 'Settlement Details not visited'.

Settlement Details							
Contract Ref No		Component	Ccy	Branch	Account	Acc ccy Pay /Receive	Gen. Msg
CIPSFN7012060304		PRINCIPAL	EUR	CIP	2222222222	EUR Pay	Y
		PRINCIPAL_LIQD	EUR	CIP	2222222222	EUR Receive	Y
		SLPN-INT_LIQD	EUR	CIP	2222222222	EUR Receive	Y

50: Ordering Customer	52: Ordering Institution	71A: Details of charges
Citibank International PLC		Receiver 001114
PO Box 78, 225 Strand		Receiver of Cover N
London WC2R 1LS		70: Payment Details
54: Receiver's Correspondent	55: Interim Reimbursement Institution	72: Sender To Receiver Info
56: Intermediary	57: Account With Institution	
58: Beneficiary Institution	59: Ultimate Beneficiary	Payment By Message
	001129	Instrument Type
	XXXXXX	Instrument No
	XXXXXX	
	XXXXXX	
	XXXXXX	
	XXXXXX	

## 5.20 Viewing the Different Versions of a Loan

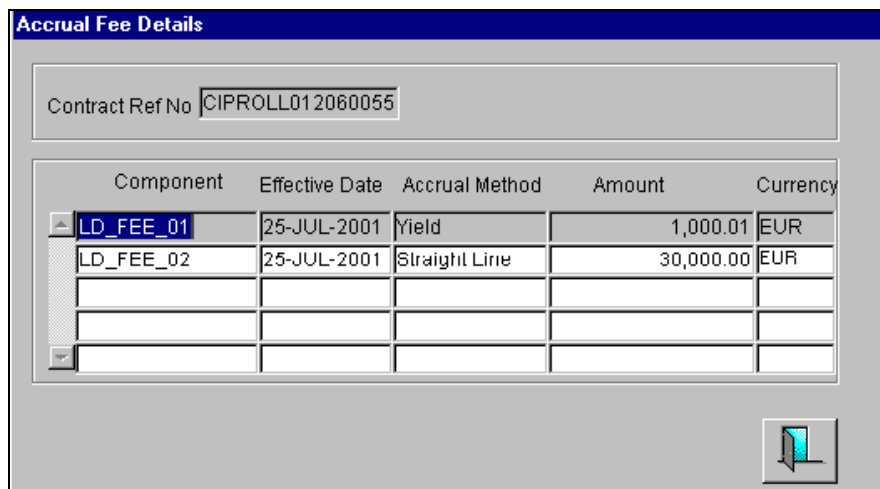
When a loan is input, it is assigned the version number '1'. Each amendment of the loan results in it being assigned the next version. The Detailed View Screen for a loan displays the latest version. To see the previous version, click on the  button. Click on  to view the next version.

## 5.21 Viewing the Accrual Fee Details for a Loan

While processing contracts in Oracle FLEXCUBE, you can choose to accrue fee components at the time of booking the contract. The upfront fee involved in a contract will be accrued by the system over the tenor of the contract.

During contract processing, you need to enter the details of the fee if you are collecting a fee from the customer. You can specify the fee details in the 'Accrual Fee Input' screen available in the Application Browser.

In the Contract Online screen, click on the  button to view the upfront fee details associated with a loan.



Component	Effective Date	Accrual Method	Amount	Currency
LD_FEE_01	25-JUL-2001	Yield	1,000.01	EUR
LD_FEE_02	25-JUL-2001	Straight Line	30,000.00	EUR

The following details are available in this screen:

- **Component:** The fee components associated with the product under which the contract is being processed
- **Effective Date:** The date on which the accounting entries for the fee amount specified at the product level is to be posted to the customer account
- **Accrual Method:** The method used to accrue the fee amount. It can be either by Straight-line method or Yield Basis method
- **Amount:** The amount that is to be collected as fee from your customer
- **Currency:** This is the currency of the fee amount or refund amount




For more details on Upfront Fee Accrual, refer the chapter - Processing Upfront Fee Accruals of the Loans User Manual.

## 5.22 Viewing Entity Details

Oracle FLEXCUBE facilitates sending messages (for advices only) to multiple entities. You can view the entity details of the customer to whom the bills has to be sent through the 'Customer Entities' screen. The entity details in the 'Customer Entities' screen is defaulted from the customer entity details maintained at the Customer Maintenance level.

*For more information on 'Customer Entity Details' refer the 'Core Entities' User Manual.*

You can view the entity details of the customer to whom the bills is sent through the 'Customer Entities' screen. Click the  button to invoke the screen.



The system enables the Entity subsystem only for LD contracts.

Contract Detail		
Product Code	LBN1	Bearing Loan 01
Contract Ref No.	CIPLBN1043638001	User Ref No. CIPLBN1043638001
Customer	CITUS01	CITIBANK US

Entity Details		
Entity	Entity_Desc	Primary
ADM-UK	Administration	<input checked="" type="checkbox"/>
ADM-US	Administration	<input type="checkbox"/>
FIN-UK	Finance	<input type="checkbox"/>
FIN-US	Finance	<input type="checkbox"/>
SAL-UK	Sales	<input type="checkbox"/>

Here the system defaults the Contract Details of the customer from the maintenance done at the Customer Maintenance level.

#### 5.22.1.1 Specifying the Entity Details

##### **Entity**


Select the appropriate entity from the adjoining option list.

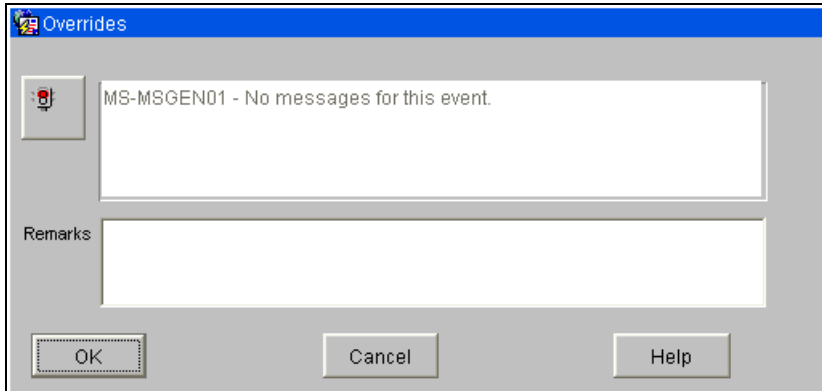
##### **Entity Desc**

Specify the entity description for the selected entity.

##### **Primary**

Check this box to select an entity as the primary one. The system sends the primary message to the primary entity, while a copy of the bill is sent to other entities.

If a notice is attached to any event then the system will send message to all the entities of the counter party. You can view the entities to which the message is sent through the events screen by clicking .



Here the system displays an override message with the details of the messages sent to the entities to which a notice is attached for the event.

The 'Message Details' screen provides the details of the advice being generated, including the entities to which the message is being sent.



Outgoing / Archival	Message type	Receiver	Entity	Ccy	Amount	Status
OUTGOING	BORR_BILL_NOTC	AIRBS01	TEC-US	GBP		UNGENERATED
OUTGOING	BORR_BILL_NOTC	AIRBS01	TEC-UK	GBP		UNGENERATED
OUTGOING	BORR_BILL_NOTC	AIRBS01	SAL-US	GBP		UNGENERATED
OUTGOING	BORR_BILL_NOTC	AIRBS01	SAL-UK	GBP		UNGENERATED
OUTGOING	BORR_BILL_NOTC	AIRBS01	FIN-US	GBP		UNGENERATED

Name	AIRBUS US
Location	
Address	


Exception

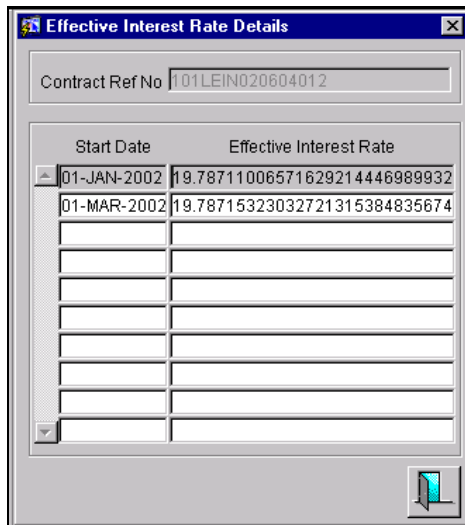
  

View  
Print / Spool  


Here you can view the message details sent to the entity.

## 5.23 Viewing the Effective Interest Details for a loan

You can view the effective interest rates applied for the contract through the Effective Interest Rate details screen. Click the  button to invoke the screen.




The screenshot shows a window titled "Effective Interest Rate Details". At the top, there is a text field for "Contract Ref No" with the value "101LEIN020604012". Below this is a table with two columns: "Start Date" and "Effective Interest Rate". The table contains two rows of data:

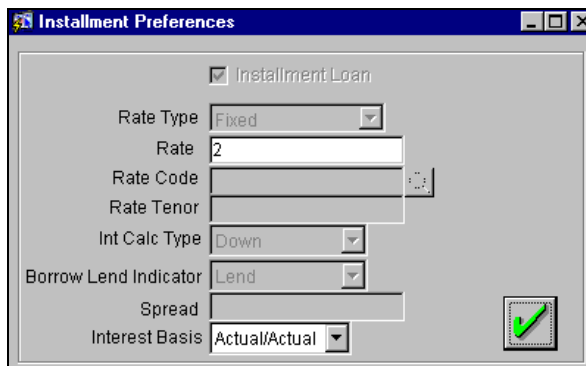
Start Date	Effective Interest Rate
01-JAN-2002	19.78711006571629214446989932
01-MAR-2002	19.78715323032721315384835674

At the bottom right of the window is a small icon of a computer monitor.

In this screen you will be able to view the Effective Interest Rate and the date from which interest rate is effective.

## 5.24 Specifying the Installment Preferences for a Loan

Click  button in the 'Contract Online' screen to modify the unearned interest calculation parameters.



The screenshot shows a window titled "Installment Preferences". It contains several fields and a checkbox:

- ☒ Installment Loan
- Rate Type: Fixed (dropdown)
- Rate: 2 (text field)
- Rate Code: (text field)
- Rate Tenor: (text field)
- Int Calc Type: Down (dropdown)
- Borrow Lend Indicator: Lend (dropdown)
- Spread: (text field)
- Interest Basis: Actual/Actual (dropdown)


At the bottom right of the window is a green checkmark icon.

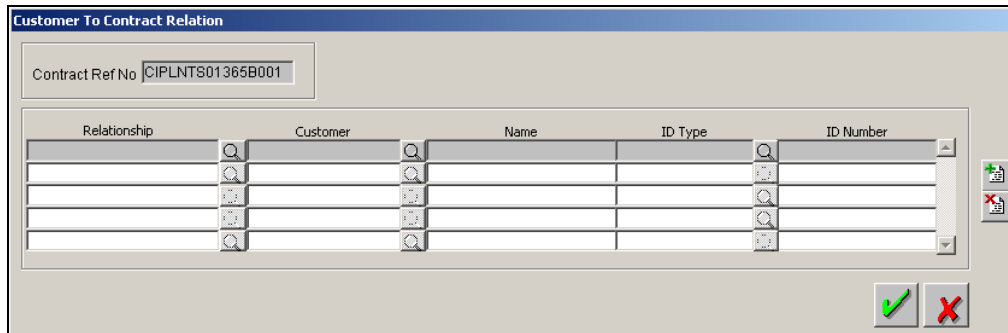
The calculation parameters defined for the product will get defaulted to the contract.



For more details on Installment Loans, refer the chapter - Annual Rest Loans of the Loans User Manual.

## 5.25 Capturing customer relationships for every loan

To capture the relationships for every loan input, click  in the Contract Online screen to invoke the Customer to Contract Relation screen.



The screenshot shows a software window titled "Customer To Contract Relation". At the top, there is a text field labeled "Contract Ref No" containing the value "CPLNTS01365B001". Below this is a table with five columns: "Relationship", "Customer", "Name", "ID Type", and "ID Number". Each column has a small magnifying glass icon next to it, indicating a search function. The table has four empty rows for data entry. To the right of the table, there are three small icons: a green plus sign, a red minus sign, and a red X. At the bottom right of the window, there are two buttons: a green checkmark and a red X.

You can capture the relationship between the loan contract and any other customer of your bank through this screen. Relationships of this nature could be joint account holders, co-debtors, main account holders and so on.

Specify the following details in this screen:

- The nature of the relationship
- CIF and name of the customer of your bank with whom the relationship exists
- Type of identification of the customer, and the identification number

The relationships that you can maintain should already have been defined in the Relationship Maintenance.

### 5.25.1 Capturing Currency Sub-limits

You can define the sublimit for a combination of Customer, Currency, and Products for commitment contract. Click 'Borrower' button in the contract online screen to invoke the 'Borrower Detail' screen.

**Borrower Detail**

**Contract Detail**

Product Code: COM1 Long Term - Commitment COMMITMENT

Contract Ref No: CIPCOM104363I0SP User Ref No: CIPCOM104363I0SP

Customer: AMEXU01 AMEX US

**Borrower Details**

Borrower: AMEXU01 Borrower Name: AMEX US

**Loan Product**

Loan Product	Loan Description
LBN1	Bearing Loan 01

**Currencywise drawing limit**

Currency	Currency Description	Limit Amount	FM Ref Number	Facility ID	Modified Date
EUR	EURO	20000.00	CIPCOM363I0SP	FAC-123	28-DEC-2004
USD	USA DOLLAR	10000.00	CIPCOM363I0AR	FAC-896	28-DEC-2004

You can maintain the list of products for a borrower and the combination of product and currency wise limits in this screen.

The following details are displayed here from the parent contract screen:

- Product Code
- Contract Reference Number
- User Reference Number
- Customer

#### **Borrower Details**

You can specify the list of borrowers here.

#### **Borrower**

Select the name of the borrower for whom you want to maintain the sublimit from the option list.



## **Loan Product**

You can specify the loan details here.

### **Loan Product**

Select the loan product you want to map the borrower from the option list. The description of the selected loan product gets displayed in the adjacent text box.

## **Currency Wise Drawing Limit**

You can specify the currency and amount here.

### **Currency**

Select the currency for which you want to maintain the limit amount. The description of the currency gets displayed in the adjacent text box.

### **Limit amount**

Specify the limit amount for the currency selected against the loan product combination.



The limits can be defined for individual contract currency and the limit amount is specified in the commitment currency.

During the Loan Linkage, at the contract Level system validates whether the loan linkage amount is exceeding the sub limit defined at the commitment level, for the combination of Borrower, product and currency. This validation is run during Loan Booking also.

In case of counterparty change system validates that transfer amount is within the available sub limit amount defined for the new counterparty for the contract currency.

If you want to maintain the limit across products for a particular Borrower, the same can be maintained against "ALL" Product. In this case, you cannot define sublimit for the individual product.

Similarly, if you want to maintain the limit across currencies for a particular borrower and product combination, the same can be maintained against "ALL" Currency. In this case, you cannot define sublimit for the individual currency.

Revolving and Non – Revolving attribute of the commitment is considered for tracking the utilization against the limit maintained for the combination of borrower, product and currency.

Sub-limit validations will also be done during value dated amendment, payment reversal (for non-revolving), exchange rate amendment and split reprice (for the additional amount, if any).

**Example**

The maintenance given below is done at the commitment level

Borrower	Product	Currency	Amount
B1	D1	USD	50MM
	D3	GBP	100MM
B2	D5	USD	75MM

As per the maintenance given above, borrower B1 will have a limit of EUR 50MM for the product D1 and currency USD. For the product D3 and currency GBP, he will have a limit of EUR 100 MM. Commitment currency in the above case is EUR.

**FM Reference Number**

Specify the FM Reference Number for the sub limit.

**Facility ID**

Specify the Facility Identification for the sub limit.

**Modified Date**

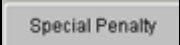
The system displays the date on which the sub limit is created or modified.



The system uploads the fields FM Ref number and Facility ID during new sub limit upload and sub limit amendment. It updates the Modified Date whenever a sub limit is created or modified through upload.

## 5.26 Specifying the Special Penalty Components

You can select components to which late payment charges are applicable for both commitment and loan contracts using the 'Special Penalty Components' screen. To invoke this screen, click

the  button in 'LD Contract Online' screen.



The screenshot shows a window titled "Special Penalty Components". Inside, there is a section "Components for Special Penalty" containing a table with two columns: "Component" and "Apply Special Penalty". The "Component" column has a list box with "LD-FL-INT" selected and "PRINCIPAL" below it. The "Apply Special Penalty" column has checkboxes, with the one for "PRINCIPAL" checked. At the bottom right of the table area are two buttons: a green checkmark and a red X.

Component	Apply Special Penalty
LD-FL-INT	<input type="checkbox"/>
PRINCIPAL	<input checked="" type="checkbox"/>
	<input type="checkbox"/>
	<input type="checkbox"/>
	<input type="checkbox"/>

Specify the following details:

### **Component**


System defaults the components selected for late payment charge application at the product level. However, you can modify the components during contract input and contract amendment. In case of contract amendment, the modified components are applicable to future schedules only.

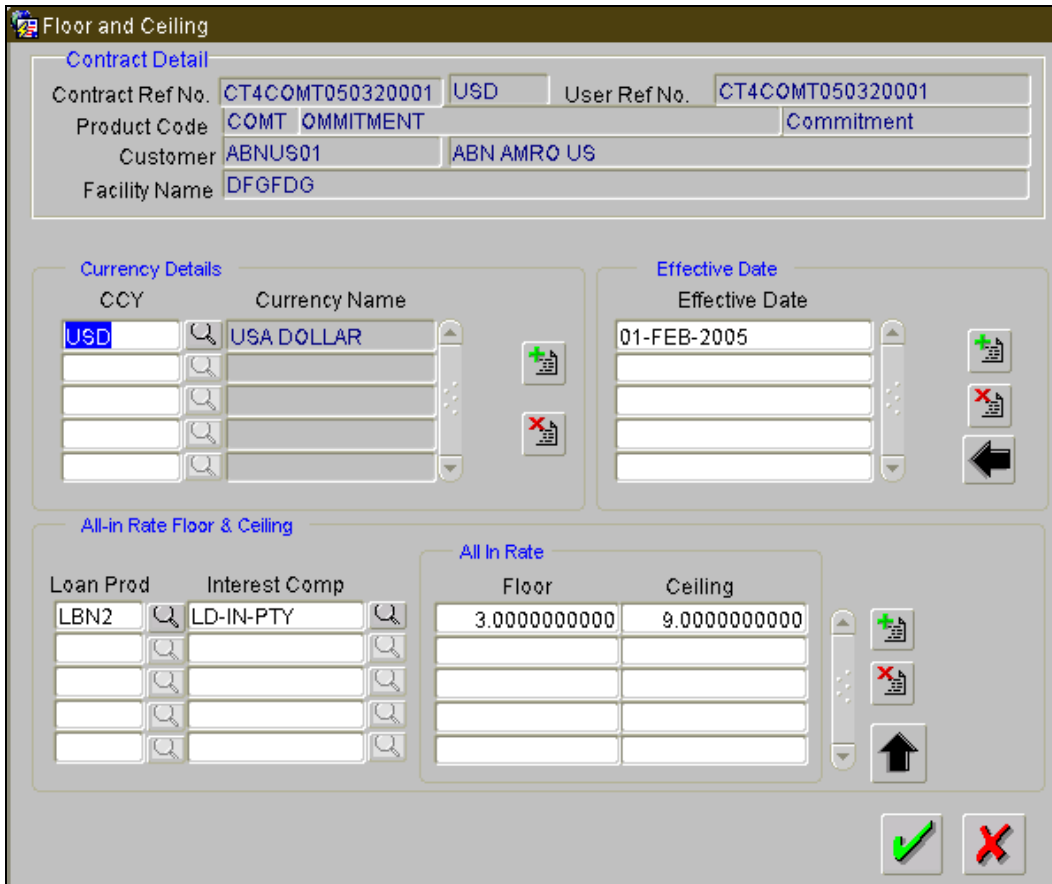
If you perform a back value dated change for any component due to which late payment charges are applicable, then on recalculation of late payment charges, system considers the new list of components for late payment charge computation.

### **Apply Special Penalty**

Check this box to indicate that system should apply special charges to the penalty component.

## 5.27 Maintaining Floor and Ceiling Initial Details

You can maintain the floor and ceiling initial details for all-in-rates of the interest components associated with Loan contracts in the 'Floor and Ceiling' screen. Click on  button to access this screen.



**Contract Detail**

Contract Ref No.	CT4COMT050320001	USD	User Ref No.	CT4COMT050320001
Product Code	COMT	OMMITMENT	Commitment	
Customer	ABNUS01	ABN AMRO US		
Facility Name	DFGFDG			

**Currency Details**

CCY	Currency Name
USD	USA DOLLAR

**Effective Date**

Effective Date
01-FEB-2005

**All-in Rate Floor & Ceiling**

Loan Prod	Interest Comp	Floor	Ceiling
LBN2	LD-IN-PTY	3.0000000000	9.0000000000

You can specify the following details in this screen:

### **Contract Ref No**

The system displays contract reference number.

### **Product Code**

The system displays the product code.

### **Customer**

The system displays the customer name.

**Facility Name**

The system displays the facility name.

**User Ref No.**

System generates and displays the user reference number.

**5.27.1 Specifying Currency Details****CCY**

Specify the currency details.

**Currency Name**

The system displays the name of the currency selected.

**5.27.2 Specifying Effective Date****Effective Date**

Specify the effective date for each currency you have selected.

**5.27.2.1 Specifying All-In Rate for Floor and Ceiling****Loan Product**

Select an appropriate loan product from the adjoining option list.

**Interest Comp**

Select the applicable interest component from the adjoining option list.

**Floor**

Specify the floor all-in rate.

**Ceiling**

Specify the ceiling all-in rate.



The button to launch this sub-screen is enabled only for commitments; hence, this screen is available only for initial Floor and Ceiling maintenances during commitment booking. Subsequent Floor and Ceiling maintenance/amendments must be done using the 'Floor and Ceiling Maintenance' screen explained in this chapter.

## 5.28 Maintaining Escrow Account Details

You can link escrow accounts to a contract using the 'Escrow Account Maintenance' screen. Click **ESC** button in the 'LD Contract Online' screen to access this screen.

Account Number	Account Desc	Escrow Type	Escrow Balance in LCY
LI00000008	LS Interest Suspense	ESC6	.000
LP00000001	Principal Suspense	ESC6	.000

You can specify the following details in this screen:

### Account Number

Select the account number of the customer from the adjoining option list.

### Account Desc

System displays the description of the account number.

### Escrow Type

System displays the Escrow type.

### Escrow Balance in LCY

System displays the available escrow balance in local currency.



Note the following:

- You can select the escrow account from the option list, which will list all customer and GL accounts where Escrow Type UDF has been specified. Account Number is assumed to be unique across branches.
- System validates if the escrow account is a customer account (i.e. Escrow Type UDF = 'ECS3'). Such accounts can only be linked to a single loan contract. However, if the escrow account is a GL account, then it can be linked to multiple loan contracts.
- You can delink a previously linked escrow account using the contract amendment option. When you click Delete button, system validates that there is no balance in the account for this contract.

- When you perform contract liquidation or a reversal, system validates that there are no balances in linked escrow accounts.
- Rollover can be processed only if the balance in all the linked escrow accounts for the contract is zero. Thus during rollover, balances in the escrow account will not be automatically transferred to the new contract.
- If escrow balances exist for the contract, then during rollover instruction input, system alerts the user.
- Rollover instructions can be captured even if escrow balances exist, however before rollover is processed you must ensure that all such balances are nullified. Rollover will fail for a contract if the escrow balances have not been nullified.
- If a contract is marked for auto rollover, and if there is pending balance in any of the linked escrow accounts, then the rollover of the contract will fail.
- Escrow maintenances are not be copied to the rolled-over contracts from the parent contract. However you can amend the rolled-over contract and capture the Escrow accounts to be linked.
- When you launch the sub-screen from the contract main screen, system will fetch the EOD balance for the Contract Reference Number and Escrow Account combination for each linked Escrow Account. All entries posted during the day up to the time of the query are considered. Thus the balance displayed in 'Escrow Balance' field for each Escrow Account will be the current balance in real time for the contract.
- Impounding escrow components for tax and insurance are collected as per the payment schedule using the manual payment screen and liquidated into the escrow account mapped at the product level. Such Escrow accounts must be separately linked to the contract using 'Escrow Account Maintenance' screen so that the balance of such escrow accounts are displayed at contract level along with other Escrow balances.
- Back date adjustment entries are considered only after linking escrow account at contract.

**Example**

01-Jan-2005: Adjustment entries are posted for contract (No Escrow Accounts)

02-Jan-2005: Attached Escrow accounts for which adjustment entries are posted on 01-Jan-2005, these entries are not considered.

01-Jan-2005: Adjustment entries are posted with value date 01-Jan-2005 then this entries are considered.

## **5.29 Booking Loans Contracts in Offshore Branches**

While processing loans/deposits booked in an offshore branch the System ensures that the following validations in respect of the counterparty of the contract are performed in sequence:

The counterparty must be an offshore customer for any of the valid onshore branches for the offshore branch

The counterparty is recognized as a non-resident customer in the offshore branch

For customers that are not financial institutions, the principal amount of the contract should be greater than the threshold amount and the tenor should be greater than the minimum tenor.

If a validation fails at any stage in the sequence, the System prompts for an override. On accepting the override, the next validation is performed.

### **Maintenance for Offshore Validations**

To configure the System to perform these checks, you must ensure that the following UDFs have been maintained:

- Financial Institution – This UDF is to be associated with the Customer Maintenance (STDCIF) screen. Your specification in this field (during CIF maintenance) enables the System to determine whether the customer is a Financial Institution or not.
- Minimum Tenor, Threshold Amount and Threshold Currency – These UDFs are to be associated with the Branch Parameters (STDBRANC) screen. The minimum tenor specifies the tenor required for loans/deposits for customers that are not financial institutions. The Threshold Amount is the minimum amount required for loan/deposit contracts against non-financial institution customers. The Threshold Currency is the currency in which the threshold amount is expressed.

*For details about maintaining UDFs refer the User Defined Fields manual.*

## **5.30 Booking Re-Price Transactions**

You have the option of re-pricing fixed rate contracts to floating rate contracts and vice-versa. When you enter a contract under a product that allows re-pricing, (for which you have checked the box 'Reprice Product' in the Loans and Deposits – Product Preferences screen) you will have to do so through the Re-price Transaction screens. Such products will not be available for contract booking through the LD Contract Online screen.



You cannot carry out a re-pricing (splitting) and a consolidation simultaneously.

When you re-price a contract, the amount will be taken from the parent contract into the Re-Price Suspense GL that you have specified in the Preference screen (Branch Parameters – Detail View). The status of the parent contract will remain 'Active' even though it has been liquidated completely. The contract will be closed on confirmation from the customer.







Only those contracts with no overdue schedules can be re-priced.

### **Product**

The product code linked to the contract reference number will be displayed here.

### **Book Date**

This is the book date with which the re-pricing will be processed.

### **Value Date**

This is the value date with which the re-pricing will be processed.

### **Liquidate Principal and Interest**

Check this box to indicate the outstanding principal or interest amount is to be liquidated for the parent contract at the time of re-pricing.



This box will be checked by the system if the total amount of the child contracts is greater than the outstanding principal balance.

### **Capitalize Interest**

Check this box to indicate if the interest due has to be capitalized to the child contract. Capitalization of Interest including the overdue interest is calculated into the child contract on the maturity date.



If Capitalization of Interest is applicable, then "Transfer Parent Main Interest' and 'Liquidate principal & Interest' will not be applicable. Capitalization of interest is allowed in case of single split reprice (One to One) only.

### **Transfer Unamortized Fee (FAS91 Accrual)**

Select this check box to transfer the unamortized fee of the contract to child contract. The amount will be amortized over the tenor of the child contract. Amortization starts from EOD of the Application date.

During the transfer, system checks if the unamortized fee component has selected for both 'Discount Accrual and 'Apply for Re-price' before transferring the amount from parent contract to child. An error message throws up otherwise and system will not save the transaction.

The unamortized amount which is available for transferring gets displayed in the 'Unamortized FAS91 Fee' field. Discount accrual for the transferred amount is impacted as per the child contract.

During Reprice transaction, SPTI event is triggered in the parent contract.

Accounting Role	Dr. / Cr.	Amount Tag
EIMDISC_PARENT_RIA	Dr.	EIMDISC_TRFR
Wash Account GL	Cr.	EIMDISC_TRFR

The entries triggered for fee as part of INIT in the child contract for inheriting the unamortized fee are given below:

Accounting Role	Dr. / Cr.	Amount Tag
Wash Account GL	Dr.	Component_TRIN
EIMDISC_CHILD_RIA	Cr.	Component_TRIN



Note the following:

- Discounted Accrual will be only applicable for Fixed Maturity type of Loans.
- Discount Accrual is applicable only for Advance type of User Input fees.
- In case of split reprice to many contracts, partial reprice or merge reprice, transfer of fees will not be allowed
- The transfer of fees accrued based on Yield Accrual is for the whole contract and not at the component level.
- If a child contract has inherited a discount accrual component and it itself has a discount accrual component, then a subsequent liquidation of the fees will impact the total yield accrual.
- For calculating the IRR, the main interest component, principal and fee (if marked for discount accrual) will be considered as Cash flow.

#### Transfer of Unamortized Fee (Straight Line Method)

The system displays the unamortized fee amount which is accrued based on the straight line method. The system triggers the event SPTI as part of re-price in the parent contract. The system posts only the accounting entries for the transferred of unamortized fee from parent to child contract:

Accounting Role	Dr / Cr	Amount Tag
ComponentPARENT_RIA	Dr.	Component_TRFR
Wash Account GL	Cr	Component_TRFR

The following are the entries triggered for fee as part of INIT in the child contract for inheriting the unamortized fee are:

Accounting Role	Dr / Cr	Amount Tag
Wash Account GL	Dr.	Component_TRIN
ComponentCHILD_RIA	Cr.	Component_TRIN



Note the following:

- Component PARENT refers to each component available at the Parent Product.
- Component CHILD refers to the components which have 'Apply for reprice' flag checked at the child product level.

### Prepayment Schedule Processing

Indicate the type of payment schedule processing that you want to maintain. You can select one of the following options:

- FIFO
- LIFO

## 5.30.1 Child Re-Price Transaction (Split)

In this section, you can enter details of the child contracts.

### Product

Select the product under which the child contract is to be created during re-pricing. The option list will include those products for which you have checked the box 'Re-Price Product' in the Loans and Deposits Product – Preferences screen.

### Amount

Enter the amount of the split contract.

The sum total of the amounts of all the child contracts can be lesser than, or greater than the amount of the parent contract. If the total amount of the child contracts is greater than the outstanding principal balance, the system will display an override. If you click on the 'OK' button, there will be an additional disbursement, and the difference amount will be added to the principal amount before re-pricing is done. If 'Capitalize Interest' is selected then the outstanding principal is defaulted to 'Amount' field for child contract and you cannot modify the same.

### Currency

The currency of the child contract is displayed here. You will not be allowed to change the same. The currency of all child contracts will be the same as that of the parent contract.

## Maturity Type

Select the maturity type of the contract from the drop down list. You can select one of the following options:

- Call – Select this option to re-price a term loan into a demand loan.
- Fixed – Select this option to re-price a demand loan into a term loan.



The system defaults 'Fixed' as maturity type. However, you are allowed to change it.

You can differentiate a demand loan and a term loan through the maturity type of the transaction. The maturity type of a term loan will be 'Fixed' and for demand loan will be 'Call/Notice'.



The system does not allow capitalized schedule type of demand loans to be re-priced to other non capitalized schedule type of products. It is applicable for Merge Re-price where only the parent contract is a demand loan. But it is not applicable for Notice type of loans.

## Reprice Amount

The total reprice amount is displayed here and you cannot modify the same.

## Maturity Date

Enter the Maturity Date of the child contract here.

## Transfer Parent Main Interest

If you have checked the box 'Liquidate Principal and Interest', the interest amount can be acquired by a child contract. If you have not checked the box, the interest amount will remain with the parent contract.

The interest amount that can be acquired can be passed to one child contract only. You will not be allowed to split the acquired interest amount among multiple child contracts. Check the box 'Transfer Parent Main Interest?' against a child contract to indicate the interest from the parent contract will be acquired by that child contract.

When you check the Transfer Parent Main Interest, the system transfers the interest amount due or the difference of amount paid and amount due (if any overpayment exists) to the child contract. The transferred interest is due on the first schedule due date of interest. However the acquired interest, of the child contract is allowed for liquidation before the schedule due date.



Note the following:

- Transfer of fees is only allowed for Advance type of fees
- Transfer of Fees flag is disabled for back valued re-price.
- Transfer of Fees is not allowed in case of split re-price into many contracts, partial re-price or merge re-price. The system does not perform any catch up accrual done for fee transferred as part of re-price.

- If the parent contract has overpayment of interest, then the system will transfer only the difference of amount paid and amount due into the child contract. This amount is not allowed for refund after the re-price is performed.
- In case of back valued activity, the system performs a catch up accrual of fee before transferring the amount to the child contract. However the amount displayed in 'Unamortized Amount' will vary from the actual amount transferred and accordingly the system displays an override.
- The system displays an override in case of future dated re-price with transfer of unamortized fee amount.

#### **Child Contract Ref. No**

The reference number of the child contract will be displayed here.

#### **Total Split Amount**

The total amount of all child contracts will be displayed here.

In the Product Components section, specify the following:

#### **Component**

Select the component to be associated with the child contract. The option list will include all the components linked to the product.

#### **Rate Type**

Select the rate type of the component.

#### **Rate Code Usage**

The system defaults the rate code usage from the product. You are not allowed to amend it. The possible values are periodic and automatic. It is applicable only for floating rate.

#### **Rate Revision Method**

Select the rate revision method from the drop down list. You are allowed to amend it for Floating Periodic type of loans.

*For more information on Rate Revision Schedules refer 'Maintaining Rate Revision Schedules' topic earlier in this chapter.*

#### **Reset Tenor**

The tenor of the parent contract will be defaulted here, for the child contract. You can change the same.

#### **Rate Code**

Select a rate code to be applied to the child contract.

### Base Rate

The base rate for the child contract will be displayed here.

### Spread

Enter the spread for the contract.

### Final Rate

The final rate will be computed by the system based on the base rate and the spread you have entered. This will be applied to the component.

### Remarks

You can enter remarks for the split transaction you have entered, in the space provided.



Note the following:

- When you enter a future dated re-pricing transaction, the system will not process any event (such as accrual, liquidation which has an effect on the outstanding balance of the parent contract) linked to the parent contract, till the re-pricing has been completed. Child contracts will be created on the value date and not on the date that you enter the contract. Accounting entries will be passed on the value date.
- Re-pricing will not have any effect on a revolving commitment linked to the parent contract
- Advices to customers involved in child contracts, will be sent from the parent contract
- MIS details of the parent contract will be propagated to all child contracts
- When renewing a contract with non-performing status, all the child contracts created will inherit the non-performing status of the parent contract with the contra balance and reserve amount applicable for the parent contract being distributed among the child contracts. In case of multiple child contracts, the contra balance (and reserve amounts where applicable) will be calculated based on the outstanding for each child contract and in the order in which the child contracts were created during the renewal/re-pricing.
- For a split re-price of non-performing loan with reserve and contra amounts, first the reserve amount is apportioned based on principal outstanding for each child contract, then the contra amount.

## 5.30.2 Authorizing Override for Split Re-Pricing

If the UDF 'RATE-VARIANCE' is maintained as a non-zero value for a commitment contract to which the loan is linked, dual authorization is required.

*For more details, refer the section 'Dual Authorization' in this chapter of this User Manual.*

### 5.30.3 Fixing Rate during Reprice

For floating periodic manual type of Loans, the rate can be fixed during reprice. Click 'Rate fixing' button in the screen.

*Refer 'Capturing Rate Fixing' in Interest User Manual to know more about 'Rate Fixing'.*

Following validations are performed while specifying the rate for the new reset period:

- Current reset date will be the Next reset date of the previous revision.
- Next Rate reset date will be mandatory
- Current Reset Date <= Reset Value date<=Next Reset Date
- During rate revision, 'RCHG' event is triggered for resetting value date and rate and during batch if the new rate reset value date is in the future, 'RTFX' event is triggered. Its triggered online if the rate reset value date is back valued or current dated.
- Following validations are performed while amending the current reset period:
  - Reset value date is allowed for modification only if the reset value date is in the future.
  - Next Reset Date is allowed for modification
  - Rate change is allowed if reset value date is greater than or equal to the Last paid schedule date or value date whichever is later.
- Current Reset Date <= Reset Value date<=Next Reset Date

During the rate amendment, RTAM event is triggered. After the first authorization of the Loan Contract, the Rate revision method of the Floating Periodic type of Loans can be changed through Value Dated Amendment (VAMI).

### 5.30.4 Floating Periodic Manual Contracts

You can amend the following options for the rate fixed in the past:

- Interest Rate
- Spread
- Reset End Date
- Current reset date (in new mode)
- Reset Value date (only when the reset value date is in future)

RTAM and RTFX are registered for this modification. Reset end date for the past period is allowed for modification. However, the same is not allowed to be increased if the rate is already fixed for the next period.

If the reset end date is reduced, the system calculates the fixing a rate for the interim gap created due to end date reduction. In such cases RCHG and RTFX events are fired for the new rate fixing. Reset value date cannot be less than the current reset date.



Reset value date can be beyond the last payment date when the rate is being fixed for the interim gap created due to the reduction of reset end date.



contract. CAMD event has to be triggered for the child contract to define the schedules.

## Consolidating Re-Price Transactions

the **Application Browser**, and then click on the **Consolidate Details** under **Reprice Transaction**.

Re-Price Transaction (Consolidation Details)							
Parent Re-Price Transaction (Consolidation)							
Contract Ref No.		CT1LBN4050030020	User Ref No.		MERGE-P-03	Merge Serial No.	1
Product		LBN4 Bearing Loan 04	Counterparty		AIRBS01	AIRBUS US	
Book Date		03-JAN-2005	Currency		USD	USA DOLLAR	
Value Date		31-DEC-2005	Outstanding Principal		200,000.00		
Child Re-Price Transaction (Consolidation)							
Sr. No.	Contract Ref No.	User Ref No.	Value Date	Amount	Currency		
1	CT1LBN4050030021	MERGE-C-06	03-JAN-2005	80,000.00	USD		
2	CT1LBN5050034001	MERGE-C-07	03-JAN-2005	40,000.00	USD		
Total Merge Amount				120,000.00			
Remarks							
Entry By	Date/Time	Auth By	Date/Time	Mod No			
JOELD1	03/01/2005 20:50:18	JOELD2	03/01/2005 20:52:00		<input checked="" type="checkbox"/> Open	<input checked="" type="checkbox"/> Authorised	

Specify the following details:

**Contract Ref. No.**

Select or enter the reference number of the contract with which various child contracts are being consolidated. When you enter the reference number, the following details will be displayed for the parent contract:

- User Reference Number
- Counterparty
- Currency
- Outstanding principal amount

The Merger Serial No. gives you the number of merger transactions carried out on the parent contract.

**Book Date**

This is the book date with which the re-pricing will be processed.

**Value Date**

This is the value date with which the re-pricing will be processed.

In the Child Re-Price Transaction (Consolidation) section, you can enter details of the child contracts. Specify the following:

**Contract Ref. No.**

Select the reference number of the child contract which will be merged with the parent contract.



Note the following:

- The child contracts being merged should have the same maturity date and this date should be lesser than the maturity date of the parent contract.
- For a consolidation, it is mandatory that the underlying commitments of a child contract are the same as that of the parent contract.
- If there is an overdue schedule linked with a child contract, the system will not include the same during the merger.

**User Ref. No.**

The user reference number of the child contract will be displayed here.

**Value Date**

The value date of the child contract will be displayed here. This will also be the maturity date of the child contract.

## Amount

The amount of the child contract which will be re-priced and consolidated with the parent contract, will be displayed here. This is the outstanding principal amount of the child contract. You will not be allowed to change the same.

## Currency

The currency of the child contract will be displayed here. Only those child contracts with the same currency as the parent contract can be merged with the parent contract.



Note the following:

- When you enter a future dated re-pricing transaction, the system will not process any event (such as accrual, liquidation) linked to the child contract, till the re-pricing has been completed. The consolidation will be done on the value date and not on the date that you enter the contract. Accounting entries will be passed on the value date.
- You will be allowed to enter a back-value dated consolidation transaction
- Interest liquidation can happen on all child contracts before consolidation. You can only merge the outstanding principal amount with a parent contract. The principal amount will be moved to the Re-Price Suspense GL you have specified. The interest amount of a child contract will be adjusted with the customer involved in the child contract.

## Remarks

You can enter remarks for the consolidation transaction you have entered, in the space provided.



Note the following:

- You cannot carry out a re-pricing (splitting) and a consolidation simultaneously.
- The contra amounts (and the reserve amounts, if applicable) for the child loans will be merged and made part of the parent loan, when you merge child contracts.
- If the UDF 'RATE-VARIANCE' is maintained as a non-zero value for a commitment contract to which the loan is linked, dual authorization is required.

*For more details, refer the section 'Dual Authorization' in this chapter of this User Manual.*

## 5.32 Maintaining Loan Loss Reserve

You can change the reserves for the various transaction types for loans and commitments in the 'Loan Loss Reserve' screen. You can invoke this screen by selecting **Loan Reserve** under **Loan & Commitment Operations** in the Application Browser.

The screenshot shows the 'Loan Loss Reserve' application window. It contains several input fields and buttons. The top section includes fields for Contract Ref No (CT4TDP1050294002), User Ref No (CT4TDP1050294002), Custom Ref No (TD0081), Counterparty (RCIT01), Userdefined Status (NORM), Contract Status (Hold), Outstanding Balance (2,000.00), Maturity Date (30-JAN-2005), Department Code (DEP), Branch Code (CT4), and Treasury Source (TRS01). The bottom section includes fields for Value Date, Contract Ccy, Transaction Type, Transaction Amount, and Penalty Amount. There are also fields for Total Reserve Amount and Total FAS114 Reserve Amt. A table at the bottom shows columns for Entry By, Entry Time, Auth By, Auth Time, Contract Status, Auth Status, and Workflow Status. A button labeled 'E' is visible on the right side of the Transaction Amount field.

In this screen, enter the following details:

### Contract Reference No

Enter the reference number of the loan or commitment contract for which you wish to change the transaction type.

Based on your choice, the system will display the following details:

- User Ref No
- Custom Ref No
- Counterparty
- Userdefined Status
- Contract Status
- Outstanding Balance
- Maturity Date
- Department Code
- Branch Code

- Treasury Source
- Value Date
- Total Reserve Amount
- Contract Currency
- Total FAS114 Reserve Amt
- Penalty Amount

### **Transaction Type**

Select the transaction type from the adjoining option list. The options are:

- Write-off
- Recovery
- Complete Writeoff
- FAS114 Increase
- FAS114 Decrease

You can select the FAS114 increase or the FAS114 decrease option only if the contract you have selected is a commitment contract.

### **Transaction Amount**

Enter the amount for the transaction type selected.

## **5.33 Amending the Exchange Rate**

When you book a new loan contract and link it to the commitment, the system defaults the exchange rate captured in contract linkages to exchange rate fixing table, for cross currency loans.

You can amend this exchange rate and specify a new effective date for a chosen contract using, 'Exchange Rate Amendment' screen. To invoke this screen, choose **Loan and Commitment Operations** from the Application Browser. Thereafter, choose **Exchange Rate Amendment** and **Detailed** under it.

**Exchange Rate Amendment**

**Exchange rate Master**

Contract Ref No.   Counterparty

Value Date

Maturity Date  Linked to Currency

Loan Currency  Linked To Ref

**Exchange rate Details**

Effective Date	Exchange Rate	Process Status
16-NOV-2008	2.00000000	Processed
16-NOV-2008	3.00000000	Processed
18-NOV-2008	4.00000000	Processed

Entry By  Date/Time  Auth By  Date/Time  Mod No  ☒ Open ☒ Authorised

### Contract Reference Number

Choose the reference number of the contract whose exchange rate you wish to amend from the list of Contract Reference Numbers.

The following fields are displayed:

- Counterparty
- Contract Currency
- Value Date
- Maturity Date
- Commitment Reference
- Commitment Currency

### 5.33.1 Exchange Rate Details

#### Effective Date

Specify the new effective date for the contract.

You can specify the effective date multiple times, so that the system triggers link/delink event on the commitment with effective date as loan value date. However, the 'Effective Date' should not be,

- before loan value date
- before last loan payment date
- before last amendment value date of loan
- before last commitment fee liquidation date
- after loan maturity date
- If any of the above conditions are not satisfied for 'Effective Date', then the system displays the following error messages:
- If the effective date is before loan value date, then the system displays

Effective date cannot be earlier than the value date of the contract

- If the effective date is before last loan payment date, then the system displays

Effective date cannot be earlier or equal to last liquidation date

- If the effective date is before last amendment value date of loan, then the system displays

Effective date cannot be earlier or equal to VAMI date

- If the effective date is before last commitment fee liquidation date, then the system displays

Effective date cannot be earlier than the last commitment fee liquidation date

- If the effective date is before after loan maturity date, then the system displays

Effective date cannot be later than the maturity date of the contract

#### Exchange Rate

Specify the new exchange rate for the contract. You cannot specify the back dated exchange rate beyond the last processed effective date and you are not allowed to amend the exchange rate for processed contract. You can enter upto 15 decimal points.

#### Process Status

The status of the contract is displayed as Processed/Unprocessed.



Note the following:

- You can do the exchange rate amendment by contract amendment also.
- You are allowed to delete Unprocessed Exchange rate and for future dated exchange rate, the system processes it in batch.
- You can define the exchange rate revision only for active loan contracts.

## 5.34 **Classifying LC Sublimit**

LC Sublimit is classified at Originations (LD) Commitment level from HFI to HFS account based on the Origination trade ratio. System performs the following processing/validations for the LC Sublimit classification:

- LC Sublimit reclassification happens online for the commitment, when a trade event is authorized
- Available LC sublimit balance at the commitment level is considered for HFI to HFS movement
- Reclassification for the HFS balance is done for the traded ratio, by computing the HFS balance using the trade ratio and the LC Sublimit balance
- Reclassification is done on zero-basis, as done for commitment balance and loan/LC loan outstanding, recomputed HFS balance is compared with the previous day HFS balance and reclassified accordingly
- Necessary accounting entries must be setup for TRCL event for the commitment product for LC sublimit reclassification. See 'Annexure-A' document for details.
- New amount tags for LC Sublimit reclassification is available in the system

### 5.34.1 **Updating LC Sublimit HFS Balance**

System performs the following processing/validations for updating the LC Sublimit HFS balances:

- For Trade Booking, TRCL for LC Sublimit reclassification from HFI to HFS is triggered on the commitment, and the amount tag LCLMT\_HFS\_INCR. LC Sublimit HFS balance is increased accordingly
- For Trade Settlement, TRCL for LC Sublimit reclassification from HFS to HFI will be triggered with the amount tag LCLMT\_HFS\_DECR. LC Sublimit HFS balance is decreased accordingly
- For Trade amendment, if there is a change in trade amount, then TRCL for LC Sublimit reclassification is triggered to increase/decrease the LC Sublimit HFS balance
- For Trade reversal/cancellation, TRCL for LC Sublimit reclassification from HFS to HFI is triggered on the commitment and the amount tag LCLMT\_HFS\_DECR. LC sublimit HFS balance is decreased accordingly



- For Trade settlement reversal, the TRCL event for LC Sublimit reclassification from HFI to HFS is triggered with the amount tag LCLMT\_HFS\_INCR. LC Sublimit HFS balance is increased accordingly
- if any of the processing for LC Sublimit HFS balance update or posting of LC Sublimit HFS accounting fails , then the authorization of the trade event will fail and an error message 'LC Sublimit processing failed' will be displayed,

### 5.34.2 Updating LC Sublimit HFI Balance

System performs the following processing/validations for updating the LC Sublimit HFI balances:

- The LC Sublimit balance is computed and updated as part of the VAMB/VAMI for the commitment. The VAMB/VAMI is triggered as a result of STP from agency for the trade settlement
- 'LC Sublimit balance Reduction' is computed by applying the PRAM transfer percentage on the current LC Sublimit balance
- LC Sublimit balance is updated by reducing the current LC Sublimit balance by the computed 'LC Sublimit Balance Reduction'
- As a result of this, the necessary update for LC Sublimit balance is done based on the Minimum of (Latest LC Sublimit balance, Commitment Availability)
- If any of the processing for LC Sublimit HFI balance update or posting of LC Sublimit accounting fails , then the processing of the STP event VAMB/VAMI will fail and the error message 'LC Sublimit processing failed' is displayed,
- The necessary LC Sublimit accounting entries for reducing the LC Sublimit is posted, as a part of the VAMI event,

## 5.35 Maintaining Special Penalty Component Waiver Details

You can waive late payment charge schedule(s) for a component using 'LD Special Penalty Component Waiver' screen. To invoke this screen, select **Loan and Commitment Operations** in the Application Browser. Thereafter, select **Special Penalty Waiver** and then click **Detailed** under it.

**Contract Detail**

Contract Ref No: CT3LBN4050321001 CUSIP/ISIN: 1005LN01  
 External CUSIP: 1005LN01  
 Module Code: LD CCY: USD User Ref No: CT3LBN4050321001  
 Department Code: DEP Treasury Source:  
 Product Code: LBN4 Bearing Loan 04  
 Counterparty: AMEWA03 AMERICAN BANK - WT  
 Facility Name:

**Penalty Waiver Detail**

Penalty Comp	Due Date	Grace Days	Penalty Calc Date	Penalty Amount Due	Penalty Amt Settled	Basis Amount Due	Basis Amount Settled	Remarks	Waive
LD-PENALTY	01-MAR-2004	0	02-MAR-2004	125.00	.00	103,972.60	.00		<input checked="" type="checkbox"/>
LD-PENALTY	01-JUN-2004	0	02-JUN-2004	125.00	.00	111,342.48	.00		<input checked="" type="checkbox"/>
									<input type="checkbox"/>
									<input type="checkbox"/>

**Audit Detail**

Entry By: SUNDAR01 Entry Time: 01/02/2005 20:36:16  
 Auth By: SUNDAR02 Auth Time: 01/02/2005 20:36:49  
 Auth Status: Authorized Contract Stat: Active

Specify the following details:

### **Contract Ref No**

Specify the reference number of the contract for which the late payment charge schedules should be waived.

System displays the following details based on the specified contract reference number:

- Module Code
- CCY
- Department Code
- Product Code
- Counterparty
- Facility Name
- CUSIP/ISIN
- External CUSIP
- Treasury Source

### **Penalty Comp**

Select the penalty component from the adjoining option list. This list displays all the late payment charge schedules for the contract which are not fully paid or waived.

### **Due Date**

System displays the due date for the penalty component selected.

System displays the following details based on the selected penalty component:

- Grace Days
- Penalty Calc Date
- Penalty Amount Due
- Penalty Amt Settled
- Basis Amount Due
- Basis Amount Settled

### **Remarks**

Specify a brief description regarding the waiver for late payment charges for a schedule.

## Waive

Check this box to indicate that the late payment charge schedule should be waived for a component. You can save the waiver operation only if the 'Waive' box is checked for all schedules.

You can waive a partially paid late payment charge schedule. In this case, the unpaid amount is treated as waived and the already paid amount is treated as settled. No further dues are tracked for this schedule.

Before allowing the waiver of each schedule, system checks that all preceding schedules have been paid or waived. If there are any unpaid schedules preceding this schedule, then system displays the following override message:

**Prior schedules are unpaid for this component. Please pay/waive all such schedules before proceeding**

On waiving a late payment charge, the previously calculated charges will no longer be due.

The accounting entries are posted against the event 'SPWV' (Special Penalty Waiver). If multiple schedules are waived as part of the same waiver operation, then system triggers a single 'SPWV' event with separate accounting entries for each schedule. The accounting entries are posted for information and tracking purposes only.

### 5.35.1 Reversing the Waiver of Late Payment Charges


You can reverse the waiver of late payment charges by selecting the original waiver record using the 'Special Penalty Component Waiver Reversal' screen. You can invoke this screen by clicking the 'Reversal' button in the 'Special Penalty Component Waiver' screen.

Special Penalty Comp	Due Date	Waived
LD-PENALTY	01-JUN-2004	<input checked="" type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>

If multiple schedules are waived as part of the original waiver operation, then system allows you to select any or all of such waived schedules for waiver reversal and uncheck the 'Waive' box. Reversal can be done only if the 'Waive' box is unchecked for at least one schedule.

System allows you to undo the waiver operation only if the basis component for the late payment schedule is unpaid/partially paid. If basis component for the late payment charge schedule is fully paid, then you cannot undo the waiver operation.

Waiver reversal accounting entries are posted against the event 'RSPW' (Reversal of special penalty waiver). If waiver reversal of multiple schedules is performed simultaneously, then system triggers a single RSPW event with separate accounting entries for each schedule. The accounting entries are posted for information and tracking purposes only.

 At the loan product level, system validates to check that event 'SPWV' is mandatorily maintained for a component for which 'Special Penalty Component' is checked. System also validates to check that no account entries are maintained for the RSPW event at the loan product level. System automatically associates the reversal event 'RSPW' for such products.

You can view current status of all unpaid late payment charge components for a contract using 'LD Special Penalty Component Waiver Summary' screen. To invoke this screen, select **Loan and Commitment Operations** in the Application Browser. Thereafter, select **Special Penalty Waiver** and then click **Summary** under it.

In this screen, you can view the following details:

- 5-123

- Penalty Calc Date
- Penalty Amt Due
- Penalty Amt Settled
- Waive Stat
- Basis Amount Due
- Grace Days
- Basis Amount Settled
- Remarks

## 5.37 Maintaining Floor and Ceiling Details

You can capture floor and ceiling details for all-in rates. You can maintain/amend Floor and Ceiling at the commitment level for the combination of currency, effective date, loan product and interest component.

To invoke the 'Floor and Ceiling Maintenance' screen, select **Loan and Commitment Operations** in the Application Browser, and click **Floor and Ceiling Maintenance** option under it.

**Floor and Ceiling Maintenance**

**Contract Detail**

Contract Ref No. CT4COMT050250003 USD User Ref No. CT4COMT050250003

Product Code COMT Long Term - Commitment

Customer ABNUS01 ABN AMRO US

Facility Name SDFS

**Currency Details**

CCY	Currency Name
USD	USA DOLLAR

**Effective Date**

Effective Date
01-FEB-2005

**All-in Rate Floor & Ceiling**

Loan Prod	Interest Comp	Floor	Ceiling
LBN2	LD-FX-INT	2.0000000000	10.0000000000
LBN2	LD-IN-PTY	3.0000000000	10.0000000000

**Maker Id** SANGHA1 **Maker Dt Stamp** 01/02/2005 18:22:32 **Checker Id** SANGHA2 **Checker Id** 01/02/2005 12:26:37 **Mod No** 2 ☒ Open ☒ Authorized

You can specify the following details in this screen:

**Contract Ref No**

The system displays contract reference number.

**Product Code**

The system displays the product code.

**Customer**

The system displays the customer name.

**Facility Name**

The system displays the facility name.

**User Ref No.**

The system displays the user reference number.

### **5.37.1 Specifying Currency Details**

**CCY**

Select an appropriate currency from the adjoining option list... The list displays all currencies that are allowed for the commitment product.

**Currency Name**

The system displays the name of the currency you have selected.

### **5.37.2 Specifying Effective Date**

**Effective Date**

The current application date is defaulted as the effective date. Since the effective date cannot be modified, back valued or future value dated Floor and Ceiling maintenance cannot be done.

#### **5.37.2.1 Specifying All-In Rate for Floor and Ceiling**

**Loan Product**

Select an appropriate loan product from the adjoining option list.

**Interest Component**

This list displays all fixed, floating, and agency type of interest components associated with the loan product, for all interest component except type 'Special'.

## Floor

Specify the floor all-in rate.

## Ceiling

Specify the ceiling all-in rate.



Note the following:

- Floor and Ceiling propagation will happen for the loan contracts, based on the Floor/Ceiling maintenance at the Originations (LD) Commitment level, irrespective of the loan being booked through an agency (STP) or booked manually.
- STP of Floor/Ceiling propagation of drawdown from Agency (LS) will happen to the underlying loan contract as well as per current functionality. But the loan contract all-in-rate will be validated with the floor/ceiling maintained at the linked commitment
- If there is any interest rate mismatch between the mapped components of Drawdown and Loan based on Floor/Ceiling maintenance in a commitment, then STP processing will fail for the Drawdown contracts and such mismatches must be manually handled

### **5.37.3 Processing All-In Rate Floor and Ceiling rates**

System validates if all-in rate of the interest component for the loan contract is within the Floor and Ceiling for the below scenarios:

#### **Online activities**

- New Loan booking
- Value dated amendment for rate changes
- While capturing Re-price instruction rate details
- While processing Re-price transaction
- While manually linking loan with a commitment through Linkage Amendment screen

#### **Batch activities**

- Rate revision for floating rate loan contracts

The Min/Max rates maintained for the base rate in Interest limits (product currency level) will not be validated for a loan contract, if all-in rate maintenance is available for the loan product at the linked commitment contract level.

For online activities, if all-in rate of the interest component for a loan contract is not within the floor and ceiling limit, the system displays the following override message:

All-in rate is less/more than the maintained Floor/Ceiling value

If you click OK button, Floor/Ceiling propagation will be processed as follows:

- If the calculated all-in rate is less than the maintained Floor value of all-in rate, system will consider the Floor value as the all-in rate for interest computation
- If the calculated all-in rate is more than the maintained Ceiling value of all-in rate, system will consider the Ceiling value as the all-in rate for interest computation

System will not allow you to save the transaction if you cancel the override.

Rate Amendment (RTAM) event is registered for the loan during floor and ceiling propagation, however no accounting entries are posted for the RTAM event.

During online transaction or End of Day batch process, if the Floor and Ceiling propagation happens for multiple interest components associated with a loan, then RTAM will be registered individually for the propagation of Floor/Ceiling of each interest component.

For batch activities, overrides are not logged; however system validates all-in rate based on the Floor/Ceiling and apply the necessary Floor/Ceiling all-in rate to the loan contract for interest computation, as part of the batch activity.

Floor and Ceiling validation and propagation is done only for the active loans. Uninitiated loans will be ignored. However, the validation and propagation will happen during initiation of an uninitiated loan.

Floor and Ceiling validation and propagation is done only for current or back value dated transactions. System will not do any validation/propagation during the above mentioned online/batch activities if the value date of the transaction is in future.

#### **5.37.4 Validating and Propagating All-In Rates for Re-Price Transactions**

While saving split Re-Price instructions, system will provide necessary over-ride stating that all-in rate of the interest component is not within Floor / ceiling limit, if the all-in rate for the child product and interest components are not within the maintained Floor/Ceiling for the child loan product and interest components:

- On click of OK, all-in rate will be systematically changed based on Floor and ceiling maintenance and system will not register any event for such systematic rate changes
- On click of Cancel, system will not allow to save the renewal instruction

Split Reprice instructions, having split value date as current application date, the all-in rate for the child contract is validated and updated during the online child contract creation/initiation.

Split Re-price instructions, having split value date greater than current application date, validations happen online during the save of the Split Re-price instructions. Also, the validations and necessary defaulting with the floor or ceiling rate (if all-in rate of interest component is not within floor/ceiling limit) will happen while initiating the child contract during batch process as per the propagation mentioned above.



Propagation will always be based on the latest Floor and ceiling maintenance as of the renewal processing date (split value date)

### **5.37.5 Manual Linking of Standalone Loans with Commitments**

Floor and ceiling propagation happens when standalone loan is getting linked with the commitment, or the loan is delinked and linked to a different commitment, through the 'Linkage Amendment' screen.

While saving linkage amendments, system will provide necessary over-ride stating that all-in rate of the loan interest component is not within Floor / ceiling limit maintained for the newly linked commitment, if all-in-rate of any of the component under the loan is not within the maintained Floor/Ceiling

- On click of OK, all-in rate propagation will be done based on Floor and ceiling maintenance and system will register Rate Amendment (RTAM) event for the propagation
- On click of Cancel, Commitment linkage amendment will fail

The Rate Amendment (RTAM) event will get authorized along with the 'Linkage Amendment' (LAMD) authorization.

Floor/Ceiling validations will not be done if the loan is delinked from a commitment and converted to a stand-alone loan from the 'Linkage Amendment' screen.

### **5.37.6 All-In Rate Batch Propagation for new Floor/Ceiling Maintenance or Amendment**

Floor/Ceiling validation and propagation for loan contracts will happen in a batch, if:

- Floor/Ceiling is newly maintained at commitment level for any of the interest component associated with the loan contract which is linked to the commitment
- Existing current dated floor/ceiling maintenance is amended at the commitment level for any of the interest component associated with the loan contract which is linked to the commitment, and there is no online propagation for the loan after the floor/ceiling amendment

If the underlying loan contract's all-in rate for any of the interest component is not within the Floor or Ceiling limit, then system will do the floor/ceiling propagation as mentioned in the section 'Processing All-In Rate Floor and Ceiling rates' of the User Manual.

For Split Re-price Instruction which is already captured but yet to be processed (split value date in future), system will not update the all-in rate in the Split Reprice instructions during batch

Floor/Ceiling propagation will not happen in batch, in the following scenarios:

- If the propagation has already happened online for the current day floor/ceiling maintenance/amendment

- Floor/ceiling maintenance has not been changed after online propagation for the loan

## 5.38 Specifying the Disclosure Schedule Details

You can specify the disclosure schedule details of a contract using the 'Contract Disclosure Schedule Details' screen. To invoke this screen, select **Loan and Commitment Operations** in the Application Browser, click **Contact Disclosure** in the sub-menu and then click the **Detailed** option under it.

**Contract Disclosure Schedule Details**

**Contract Details**

Contract Ref No

**Disclosure Details**

Disclosure Code	Disclosure Description	Parent Disclosure Code
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

**Schedule Details**

Start Date	Period End Date	No.	Frequency	Unit
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Input By  Date Time  Auth By  Date Time  Mod No  ☒ Open ☐ Authorised

Here you can specify the following details:

### Contract Details

You can specify the contract details here.

#### **Contract Ref No**

Specify the contract reference number of the contract for which the reporting requirement details to be linked.

## **Disclosure Details**

You can specify the disclosure code, its description and can add notes about the disclosure code here.

### **Disclosure Code**

Specify the code for the reporting requirement. The reporting requirement is captured as disclosure code. The adjoining option list displays the disclosure codes and you can choose the required disclosure code.



UCC disclosure code linked to a commitment contract will not be defaulted to linked loan contracts. You can manually attach a UCC disclosure code to individual loan contracts.

### **Disclosure Description**

The description of the reporting requirement is displayed here.

### **Parent Disclosure Code**

Select the parent disclosure code if the disclosure code is to be associated as a sub-event. The adjoining option list displays the disclosure codes that are already linked to the contract. For a UCC disclosure code, this field is disabled.



Note the following:

- If a disclosure code is linked to a parent disclosure code, then you cannot define schedule for this disclosure code and the schedule defined for the parent disclosure code is automatically propagated to the child disclosure code.
- Once a disclosure code is linked to a parent disclosure code, the same cannot be linked as a parent to another disclosure code, i.e. a child cannot be selected as a parent. However, multiple disclosure codes can be linked to the same parent.

### **Notes**

Click 'Notes' button to add any notes for the disclosure codes.

## **Schedule Details**

You can specify the start date, end date of the schedule and its frequency here.

### **Start Date**

Specify the start date from which the schedule commences. The start date can only be a date in the future and it cannot be a back dated date.

For a UCC disclosure code, system automatically defaults the current date as the start date.

## Period End Date

Specify the end date on which the schedule ends. For a UCC disclosure code, system automatically defaults the expiry date maintained in the 'UCC Details' screen.

*For details on the 'UCC details' screen, refer the heading 'Maintaining UCC Details' under the section 'Maintaining the Disclosure Details' in the chapter 'Defining Attributes Specific to Loan product'.*

## No

Specify the number of schedules that are required.

For example, if 3 quarterly schedules are required starting from 15-Dec-06 (i.e. 15-Dec-06, 15-Mar-07, 15-Jun-07), enter the Start Date as '15-Dec-06' and No. as '3' and Frequency as 'Quarterly'.

For a UCC disclosure code, system sets this field as '1' and disables it.

## Frequency

Select the frequency of the disclosure schedule from the drop-down list. The list displays the following values:

- Daily
- Monthly
- Quarterly
- Half Yearly
- Yearly
- Weekly
- BULLET

For a UCC disclosure code, system sets the frequency as 'BULLET' and disables it.

## Unit

Specify the value of unit of the frequency selected.

For example, if the schedule should be once in two months for a Frequency 'Monthly' then the value for unit is '2'.

For a UCC disclosure code, system sets this field as '1' and disables it.



Note the following:

- While generating the schedule, the system does not check whether the due date falls on a holiday.
- The system does not perform any validation associated with the contract start date.
- However, validation is performed to ensure that schedule date is not beyond the Contract Maturity Date.
- It is mandatory to maintain Schedules for each disclosure code unless the disclosure code is linked to a parent.
- For a UCC disclosure code, you cannot add a schedule or delete the automatically generated disclosure schedule.

- If you click on 'Add' button in the Schedule Details section, system will display the following error message:

Multiple schedules are not allowed for UCC disclosure codes.

- If you click on 'Delete' button in the Schedule Details section, system will display the following error message:

Cannot delete the schedule for UCC disclosure codes

- You can only modify 'Start Date' and 'Period End Date' fields for the contract.

## 5.39 Viewing the Contract Disclosure Schedule Status Details

The individual disclosure codes for each due date can be viewed from the 'Contract Disclosure Schedule Status Details' screen. To invoke this screen, choose **Loans and Commitment Operations** from the Application Browser. Thereafter, choose **Contract Disclosure Status** under it.

**Contract Disclosure Schedule Status Details**

**Contract Details**

Contract Ref No

Disclosure Code

**Schedule Status Details**

Due Date	Period End Date	Closure Date	Notes	Closure Flag
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="button" value="Notes"/>	<input type="checkbox"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="button" value="Notes"/>	<input type="checkbox"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="button" value="Notes"/>	<input type="checkbox"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="button" value="Notes"/>	<input type="checkbox"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="button" value="Notes"/>	<input type="checkbox"/>

Input By  Date Time  Auth By  Date Time  Mod No

☒ Open ☐ Authorised

You can specify the following details:

### **Contract Details**

#### **Contract Ref No**

Specify the contract reference number for which you want to query the disclosure code details. This adjoining option list displays the all the contracts to which the disclosure codes are linked. You can select the required contract.

#### **Disclosure Code**

Specify the disclosure code for which you want to query the details. This adjoining option list displays the all the disclosure codes that are linked to the contract and you can choose the appropriate one.

### **Schedule Status Details**

#### **Due Date**

The system displays the date on which the schedule is due.

#### **Period End Date**

The system displays the end date on which the schedule ends.

#### **Closure Date**

The system displays the closure date here.

#### **Closure Flag**

Check this box to indicate that closure is applicable for the schedule.

## **Specifying the Notes Detail of Contract Disclosure**

Notes pertaining to the contract disclosure can be added in the 'Contract Disclosure Schedule Details - Notes' screen. You can invoke this screen by clicking the 'Notes' button in the 'Contract Disclosure Schedule Status Details' screen.

Contract Disclosure Schedule Details- Notes		
Contract Ref No CT4BLD1043630041 ddretest		
Disclosure Code DCODE 10 Disclosure Code 10		
Notes		
Notes	User	Propagate Future Schedules
1 VAMI Scheduled.Document needed	KVN1	<input checked="" type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>
		<input type="checkbox"/>

You can specify the following details:

### **Notes**

Specify the follow-up notes to be added about the contract disclosure.

### **User**

Specify the identification name or code of the user.

### **Propagate Future Schedules**

The system checks this box to indicate that the notes are created using 'Contract Disclosure Schedule Details - Notes' screen.

#### 5.40 Viewing Summary Details of a Loan

You can view the summary details of loans issued by your bank in the 'Loans and Deposits Contract summary' screen. You can invoke the screen,

[illegible]

Following details are displayed here:

- Auth Status
- Cont Stat
- Dept Code
- Branch Code
- Treasury Code
- Commitment Reference Number
- Reference No
- EG Number
- GFCID
- Facility Name
- Workflow Status
- Revision Status



- Custom Reference No

The system allows you to perform a case-independent query (upper, lower, or mixed case) using the following fields:

- Commitment Ref No
- Reference No
- Custom Reference No
- Counterparty
- Agent CIF
- Ccy
- Product
- User Reference No



You can perform a case independent search only if the parameter, 'CASE\_SENSITIVITY' in CSTB\_PARAM, is set to 'Y'.

## 5.41 **Dual Authorization**

Variance Rate Cap 'RATE- VARIANCE' is a UDF defined for commitment products. This represents the maximum rate change (both upper and lower limit) for contracts processed under the commitment product.



This UDF is not maintained for loan products.

You need to perform dual authorization, if the UDF 'RATE-VARIANCE' is maintained as a non-zero value for commitment or commitment linked to the loan contract for any of the following operations:

- Commitment contract booking/amendment  
During commitment contract amendment, if the above UDF value is modified (zero to non-zero, non-zero to zero, or original value is changed) an override is displayed for dual authorization.
- Loan contract booking  
During loan contract amendment, no override is displayed for dual authorization as the variance rate cap maintenance is done only at commitment level.
- Manually changing rate or spread for commitment/loan contracts in the following scenarios:
  - Rate changed for fixed rate contracts through Value Dated Amendment (VAMI) screen.
  - Rate code changed for floating rate contracts through VAMI screen
  - Spread changed for fixed and floating rate contracts through VAMI screen.

- Re-pricing of loan contracts in the following scenarios:
  - Consolidation Re-price
  - Split Re-price

If any of the aforementioned operations are performed, the system will display the following override message:

**Variance rate cap <value> is maintained for this contract, dual authorization required.**

If the override is selected as 'Yes', the contract will be saved for further processing. If the override is selected as 'No', the save operation will fail.

Once the contract is saved successfully, the contract reference number with override details will appear in the dual authorization screen for the first authorization.

*For more details on the 'Dual Authorization' screen, refer the section 'Authorizing the overrides for tranche' in the chapter titled 'Loan Syndication Contracts - Part 1' of the Loan Syndication User Manual.*

Once the contract is authorized in the dual authorization screen, final authorization is done.



If the UDF 'RATE-VARIANCE' is not maintained or maintained as zero, dual authorization is not required.

### 5.41.1 Relaxing Dual Authorization

The system allows you to mark dual authorization relaxed for non-Lead type of contracts and to payments and fee liquidations.

Dual auth relaxation is provided for some messages based on the certain conditions. Below mentioned are the messages for which Dual authorization is relaxed.

ERR_CODE	MESSAGE	TYPE
LS-PMT-404	Participant share amount not matching with the fax send. Please Resend the fax.	D
LS-PMT-402	Investor side amounts have been changed due to trade activity resend the message before making the payment	D
LS-PMT-804	Participant share amount not matching with the fax send. Please Resend the fax \$1	D
CF-CUS-001	Borrower/Counterparty is Classified.	D
CF-CUS-002	Investor/s are Classified	D

The fee liquidation and payments done through the system and for incoming FpML processing, the system checks for the below mentioned conditions before applying dual authorization:

- If a contract has only self-participants with non-zero ( $\neq 0$ ) position, when fee liquidation or the payment processing encounters the messages mentioned above system will NOT apply Dual Authorization process. In case of incoming FpML consumption, status in incoming browser will NOT be updated as Pending Authorization
- If a contract has self-participants with non-zero ( $\neq 0$ ) position and external participants with zero (0.0) position, when fee liquidation or the payment processing encounters the messages mentioned above system will NOT apply Dual Authorization process. In case of incoming FpML consumption, status in incoming browser will NOT be updated as Pending Authorization
- If there are non self-participants with non-zero ( $\neq 0$ ) position brought into the tranche at a later date, fee liquidation or the payment processing will be on Dual Authorization process, based on any dual authorization condition is met.
- If the bank entity that do not reflect as self participant OR external participant exists with non-zero ( $\neq 0$ ) position in the contract, fee liquidation or the payment processing will be of Dual Authorization screen populating, based on any dual authorization condition is met.

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## 6. Processing Upfront Fee Accruals

### 6.1 Introduction

A fee is a payment that you levy on your customer in exchange for advices or services rendered by your bank. While processing contracts in Oracle FLEXCUBE, you can choose to accrue fee components at the time of booking the contract. The upfront fee involved in a contract will be accrued by the system over the tenor of the contract.

In Oracle FLEXCUBE, you can define the manner in which fees that apply on a product should be accrued. The following are the two methods by which you can opt to calculate the fee accrual amount:

- Straight Line Method
- Yield Basis Method

#### **Straight Line method of calculating the accrued fee amount**

In this method of fee accrual, the fee amount is equally spread over the tenor from the fee calculation start date to the fee calculation end date of the loan or commitment.

The example given below illustrates the Straight Line method of calculating accruals wherein the fee amount is equally spread across between the Start and End date for fee calculation.

#### **Example**

Consider a loan with the following details:

Value Date: 01-Jan-2002

Accrual Start Date: 01-Jan-2002

Fee Amount: USD 365,000

Accrual Frequency: Monthly

Let us assume that the current working date of your bank is 28<sup>th</sup> February 2002.

Therefore, the previous accrual date will be 31<sup>st</sup> January 2002 as the accrual frequency is 'Monthly'.

The fee accrual amount as of 01-Jan-2002 (which is the previous accrual date) = USD 31,000 (for 31 days between 1<sup>st</sup> January 2002 and 31<sup>st</sup> January 2002).

On 28<sup>th</sup> February 2002 (which we have assumed as the current working date of your bank), the system will calculate the gross fee amount that has to be accrued as: USD 31,000 (previous accrued amount) + USD 28,000 (fee amount accrued for 28 days for the month of February) = USD 59,000.



For contracts where a Principal amount has not been specified the Upfront Fee details can be maintained. Accruals will take place only on straight line basis.

**Yield Basis method of calculating accrued fee amount**

In the Yield Basis method of fee accrual, accruals are done based on the balance and the repayment schedules of the contract.

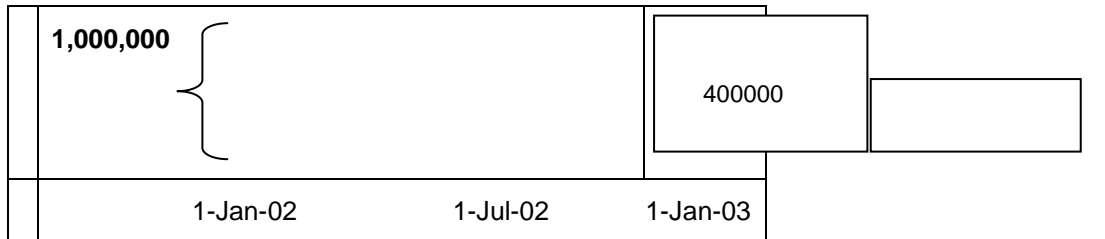
### Example

#### Case1: Yield Basis method of accrual for loan contracts

Assume that your bank has disbursed a loan with the following details:

- Value Date: 1-Jan-2002
- Maturity Date: 1-Jan-2003
- Principal: 1,000,000.00
- Currency: USD
- Fee Amount: 2000
- Fee Currency: USD

The detail of the loan contract is diagrammatically represented as shown:



According to the above illustration, the loan contract has a repayment schedule on 1<sup>st</sup> July 2002 and we are assuming that the customer has repaid USD 400,000 of the loan amount and therefore the outstanding balance will be USD 600,000.

Oracle FLEXCUBE will calculate the fee accrual amount for the above loan contract as follows:

Start Date	End Date	Basis Amount	No of Days	Total Accrual Amount	Daily Avg Accrual Amount
1-Jan-02	1-Jul-02	1000000  For loans, the basis amount is always the expected principal balance.	181	2000x [181x1, 000,000]  [181x1, 000,000 + 184x400000] = 1,421.84  The denominator is called the 'Yield Factor' and is always the sum of (No of Days x Basis Amount) for both loans and commitments.	1,421.84/181= 7.85549544
1-Jul-02	1-Jan-03	400000  This will be the expected balance as we are assuming that the customer has paid back USD	184	2000x [184x1, 000,000] [181x1, 000,000 + 184x400000]  =578.16	578.16/184= 3.142183818

		600000.			
--	--	---------	--	--	--

**Case 2: Yield Basis method of accrual for revolving type of commitments with utilized facility amount**

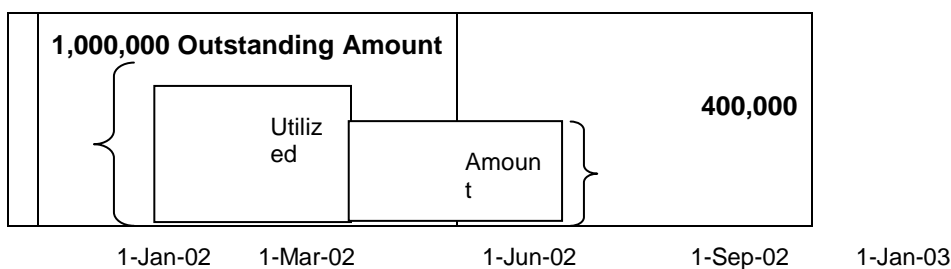
Let us assume that your bank has processed a revolving commitment with the following details:

- Value Date: 1-Jan-2002
- Maturity Date: 1-Jan-2003
- Commitment Amount: 1,800,000.00
- Currency: USD
- Fee Amount: 2,000
- Fee Currency: USD

Details of the loan linked to the above commitment

- Value Date: 1-Mar-2002
- Maturity Date: 1-Sep-2002
- Principal Amount: 1,000,000.00
- Currency: USD

The details of the commitment are diagrammatically represented below:



In the above representation, the shaded area represents the outstanding amount of the commitment and non-shaded area represents the amount utilized by the customer.

With reference to the above illustration, we are assuming that the schedules for the commitment are on 1<sup>st</sup> march 2002, 1<sup>st</sup> June 2002 and 1<sup>st</sup> September 2002. Further, we will assume that the utilized amount between 1<sup>st</sup> September 2002 and 1<sup>st</sup> January 2003 is USD 400,000.

Keeping these details in view, system will calculate the fee accrual amount as shown below:

Start Date	End Date	Basis Amount	No of Days	Total Accrual Amount	Daily Avg Accrual Amount
1-Jan-02	1-Mar-02	0.00 Basis Amount = Utilized Amount	59	0.0	0.00
1-Mar-02	1-Jun-02	1,000,000.00	92	$2,000 \times [1,000,000 \times 92]$ $[92 \times 1,000,000 + 92 \times 400,000]$ $= 1,428.57$	$1,428.57/92$ $= 15.52795031$



Start Date	End Date	Basis Amount	No of Days	Total Accrual Amount	Daily Avg Accrual Amount
1-Jun-02	1-Sep-02	400,000.00  (We are assuming that this is the utilized amount)	92	2,000 x [400,00x92]  [92x1,000,000+92x400,00] =571.43	571.43/92= 6.211180124
1-Sep-02	1-Jan-03	0.00	122	0.00	0.00

## 6.2 Applying a Fee

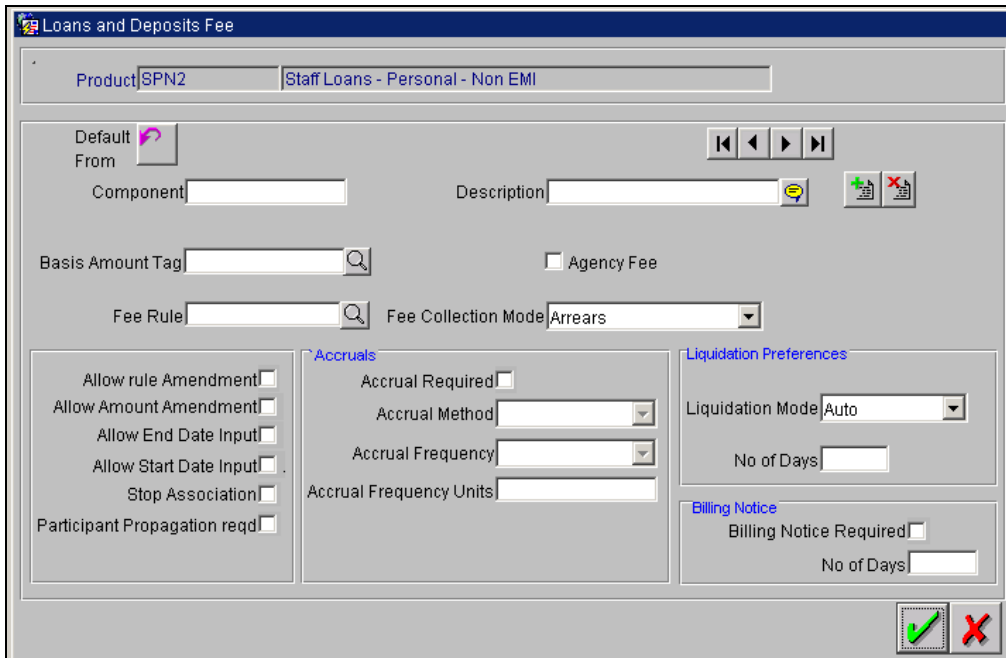
Given below is the sequence of steps you need to follow to apply and process fees levied on a contract:



- Maintain a Fee Rule through the Fee Rule – Definition screen
- Define the attributes of a Fee Rule through the Fee Rule Maintenance screen
- Once you have defined the attributes of a Fee Rule, you have two options:
  - Define a Fee Class through the Fee Class screen. If you define a Fee Class, you will be able to associate it with a Product directly (through the Loans and Deposits Fee screen) and the Product will inherit all the attributes of the Fee Class.
  - Do not define a Fee Class, instead, associate a Fee Rule directly with a Product and define the other properties through the Loans and Deposits Fee screen.
- The contracts booked under various products, inherit the properties of the product. For each contract, you can add, edit or remove fee components through the Fee Components screen.
- Enter schedules for the fee components through the Fee Schedules screen
- Liquidate the fee components through the Fee Liquidation screen


### 6.2.1 Associating the Component with the Product

After defining a fee component, you need to link the fee component to a product in Oracle FLEXCUBE. Consequently, you can collect and accrue fees on all contracts associated with that product.

Click  in the Product Definition screen to invoke this screen.



Click  to add fee components. Click  to associate the required fee component with the product. System defaults the parameters of the selected fee component. However, you can change the parameters according to your requirements.

 For further information Fee Details refer to the chapter Processing Charges and Fees in the Loans Syndication User Manual.

## 6.2.2 Specifying the Accounting Roles

For each of the fee component that you associate with the product, Oracle FLEXCUBE generates the following accounting roles:

- COMPONENT\_FIA: You can use this accounting role to map to a Liability GL for the unearned fee income
- COMPONENT\_FIN: You can use this accounting role to map to an Income GL for the fee earned

Refer to the chapter on 'Setting up a product in Oracle FLEXCUBE' for further details on 'Account Role to Head Mapping'.

### 6.2.3 **Specifying Discount Accrual**

For the fee component you associate with product you can specify if the component is considered for discount accrual. Discounted Accrual is applicable for both Fixed and Floating type of Fixed Maturity type Loan and Advance type of User Input fees. The discount accrual selected here for the product gets defaulted to the contract level.

Select 'Consider as Discount' check box for applying discount accrual to the component.

For further information Fee Details refer to the chapter Processing Charges and Fees in the Loans Syndication User Manual.

### 6.2.4 **Specifying Re-Price**

Among the fee components you associate with product one of the fee components can be used to transfer the unamortized fee amount in the contract to the child contract. Applying for Re-price has no impact on the schedules of the fees.

Select 'Consider as Discount' and 'Apply Reprice' check box for transferring the unamortized amount of the contract to another child contract. While transferring the amount system shows an error if both the options are not selected for the component.

For further information Fee Transfer Re-pricing Details refer to the chapter Re-pricing in the Loans Syndication User Manual.

#### **Specifying the events**

In addition to the various events that are available, you need to associate the following events for processing the fee components in Oracle FLEXCUBE:

- Event FELR

This event will be triggered whenever you associate a new upfront fee component with a contract or when you amend the financial details of a fee component.

You can define relevant accounting entries that need to be passed during this event. This is discussed in the subsequent sections of this manual.

- Event FACR

The accrual entries for the fee amount will be passed when this event is triggered. You can specify the relevant accounting entries that need to be passed during this event. This is discussed in the subsequent sections of this manual.



You should maintain the following set up for charges if the option 'Consider as Discount' has been selected:

Event of association	Event of Application	Event of Liquidation
----------------------	----------------------	----------------------

Event of association	Event of Application	Event of Liquidation
BOOK	BOOK	INIT
BOOK	VAMB	VAMI
BOOK	CAMD	CAMD
BOOK	LIQD	LIQD
BOOK	ROLL	ROLL

### Specifying the accounting entries for the associated fee components

For every event associated with the product, you can specify the accounting entries that need to be posted to the respective GL's. Oracle FLEXCUBE provides the following amount tags for each of the fee component associated with the product.

- **COMPONENT\_LIQD:** You can use this amount tag to pass entries at the time of collecting a new fee or an additional fee from the customer. This amount tag contains the fee liquidation amount.
- **COMPONENT\_DECR:** This amount tag contains the fee refund amount. This amount tag is used to pass an accounting entry if you want to refund a fee amount
- **COMPONENT\_ACCR:** This amount tag contains the fee amount that will be accrued

### Specifying event-wise accounting entries

You can specify the accounting entries that need to be posted to the respective GL's during each event that is associated with the product. As discussed earlier, the events that are associated for processing fee accruals are FELR and FACR. These are the accounting entries that you need to pass during each of these events.

### Accounting entries for the event FELR

During collection of a new upfront fee, you need to pass the following accounting entries:

Accounting Role	Amount Tag	Debit/Credit Indicator
CUSTOMER	COMPONENT_LIQD  This contains the fee liquidation amount that is collected as new fee.	Dr
COMPONENT_FIA  This is the accounting role, which is mapped to an Unearned Income GL/ Liability GL. At the time of collecting a fee, you will credit the Unearned Income GL. You will credit the actual Income GL at the time of fee accrual.	COMPONENT_LIQD	Cr

If your bank is refunding the fee amount to the customer, you need to pass the following accounting entries:

Accounting Role	Amount Tag	Debit/Credit Indicator
COMPONENT_FIA  This is the accounting role which is mapped to a Liability GL.	COMPONENT_DECR  This contains the fee refund amount	Dr
CUSTOMER	COMPONENT_DECR	Cr

#### Accounting entries for the event FACR

This event is triggered as part of accrual processing of the upfront fee components associated with the product. This event is triggered as part of LD automatic daily batch for those contracts that have been set up for up-front fee accrual. The accounting entries that you need to pass during this event are shown below:

Accounting Role	Amount Tag	Debit/Credit Indicator
COMPONENT_FIA  This is the accounting role which is mapped to a Liability GL.	COMPONENT_ACCR  This contains the fee amount being accrued	Dr
COMPONENT_FIN  This accounting role is mapped to an Income GL. You will credit this GL with the fee amount.	COMPONENT_ACCR	Cr

#### Specifying the advices

Your bank might want to generate messages on collection of a new fee or during fee refund operation (Event FELR). Accordingly, Oracle FLEXCUBE will generate a Debit Payment Advice if you are collecting a new fee. In case of fee refund operation, system will generate a Credit Payment Advice.

#### Indicating the values of the fee amount to be rekeyed during authorization

You can specify the parameters of the fee whose values have to be rekeyed at the time of

authorizing a fee input for a particular contract. To invoke this screen, click the button in the 'Product Preference' screen.

Rekeys

**Authorize Rekey Fields**

Main	Accrual Fee	Rollover
<input type="checkbox"/> Currency	<input type="checkbox"/> Currency	<input type="checkbox"/> Currency
<input type="checkbox"/> Value Date	<input type="checkbox"/> Fee Amount	<input type="checkbox"/> Value Date
<input type="checkbox"/> Contract Amount	<input type="checkbox"/> Refund Amount	<input type="checkbox"/> Rollover amount
<input type="checkbox"/> Maturity Date	<input type="checkbox"/> Value Date	<input type="checkbox"/> Maturity Date
<input type="checkbox"/> Interest Rate	<input type="checkbox"/> Start Date	<input type="checkbox"/> Interest Rate
	<input type="checkbox"/> End Date	<input type="checkbox"/> Refinance Rate

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

- Fee Currency
- Fee amount
- Refund Amount
- Value Date
- Fee Calculation Start Date
- Fee Calculation End Date

### Specifying the status of an upfront fee

In Oracle FLEXCUBE, the status of a fee component depends on the payments made towards the fee amount. For movement to each status, you can define processing parameters, such as whether further accruals of the fee component has to be stopped, or fee related accruals already made must be reversed out, and if the reporting GL must be changed when the status changes.

You can transfer the overdue accrued fee amount to a different GL. In case of fee components falling overdue, you can specify the following:

- For the accounting role COMPONENT\_FIA (which is mapped to a Unearned Income/Liability GL), you can specify that the amount in the Unearned Income/Liability GL be transferred to another GL.
- For the accounting role COMPONENT\_FIN (which is mapped to an Income GL), you can specify that the amount in the Income GL be transferred to another GL.

### 6.2.5 **Processing Lock-ins**

In a structured finance business scenario, your bank may encounter a situation wherein you agree upon a commitment and allow the customer to borrow/repay any amount any number of times within a pre-defined period. At the end of the period, you can consolidate the unsettled loans into a single loan and agree upon a payment schedule. This is referred to as 'Lock-in'. Till the lock-in takes place, the unsettled amount as of a given date is not predictable as the customer might return a loan or borrow an additional amount. Therefore, Oracle FLEXCUBE uses only the Straight-line method of accrual for such contracts. However, after lock-in takes place, you can instruct the system to accrue the fee amount based on yield basis method.

If you want to change the method of accrual from Straight-line method to Yield Basis method after lock-in, it is advisable to transfer the fee amount from the commitment contract to the loan contract. This is because, in Oracle FLEXCUBE, status control is available only for loans. If you wish to track the fee amount (that is if you do not want status control), you can change the accrual method to yield basis for the commitment contract only and the system will accordingly accrue the fee amount based on yield basis method.

### 6.2.6 **Generating Fee Accrual reports**

You can generate reports to view the accrual details of the upfront fee components for loans and commitments. The report will display the following:

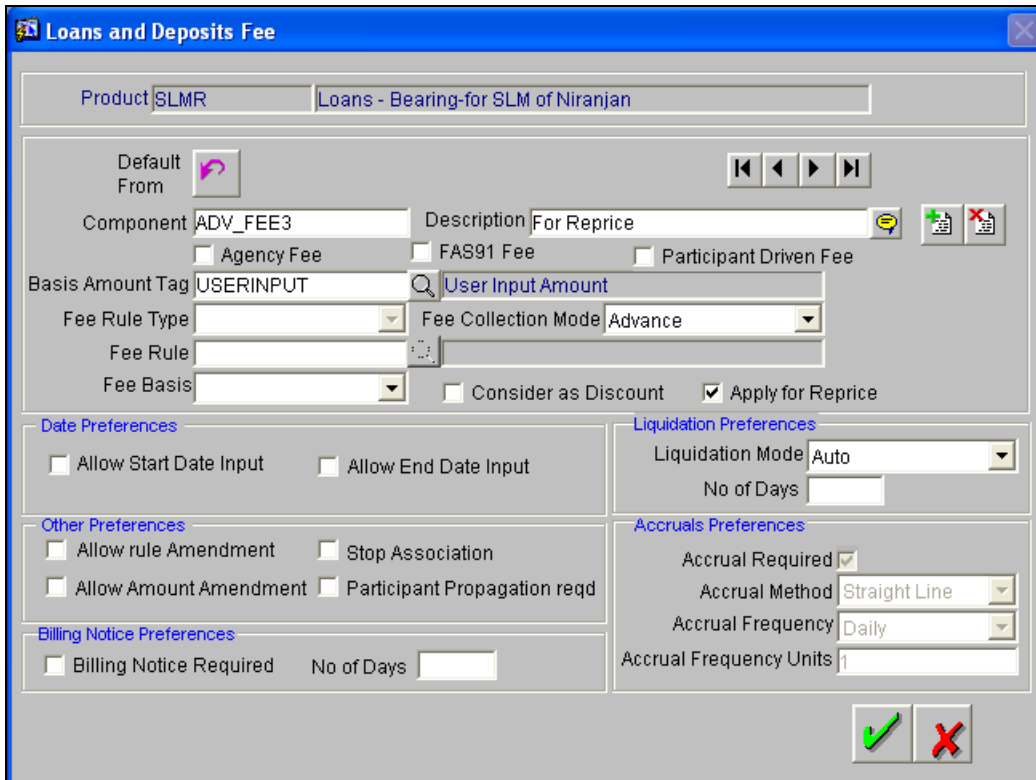
- Contract Reference Number
- Fee component
- Previous Accrual Date
- Till Date Accrual
- Outstanding Accrual

*Refer to the manual 'Generating Reports' for further details on report generation.*

## 6.3 FASB Fees Amortization Using Straight Line Method

Oracle FLEXCUBE facilitates transfer of unamortized fees to the child contract. You have to select the accrual method as 'Straight Line' to accrue the fee using straight line method. To accrue the fee using straight line method, you have to select the accrual method as 'Straight Line' in the 'Loans and Deposits Fee' screen.

Click  in the Product Definition screen to invoke this screen.



You have to maintain the fee rule at the product level for computing the fee. To transfer the unamortized straight line fee to the child contract, you have to check both 'Apply for Re-price' and 'Accrual Required' option.

For the fee component you associate with product you can specify if the component is considered for straight line accrual. Straight line accrual selected here for the product gets defaulted to the contract level.

Select 'Accrual Required' check box for applying straight line accrual. The accrual method should be selected as 'Straight Line' for the fee to be accrued using straight line method.

You are allowed to attach multiple fee components to the product. For the fee component which you associate with product, you have to specify if the component is considered for straight line accrual. The straight line accrual is selected for the product to get defaulted to the contract level.



During transfer, the system checks if the unamortized fee component has selected for both 'Apply for Re-price' and 'Accrual Required' before transferring the amount from parent contract to child. An error message throws up otherwise and the system does not save the transaction.

*For further information Fee Details refer to the chapter Processing Charges and Fees in the Loans Syndication User Manual.*

For arrear or advance type of fee, the 'Daily Straight Line' accrual is calculated based on the number of days between the start date and end date.

### **Example**

Let us assume the following:

- Arrear/Advance Fee Calculated – 1000
- Start Date – 01-Apr-2005
- End Date – 01-May-2005
- No of Days – 30

The Daily Straight Line is calculated based on the number of days between the start date and end date. Therefore the Accrual Amount is 33.333.

## **6.3.1 Maintaining Fee Rule Details**

In the 'Fee Rule Maintenance' screen, you can define the slab ranges and the fee amount or rate for each slab for each of the fee components like 'Loan Fee' and 'Commitment Fee'.

The screenshot shows the 'Fee Rule Maintenance' window with the following sections:

- Contract Details:**
  - Module: LD (Loans and Deposits)
  - Contract Ref No: ALL
  - Counter Party: ALL (ALL CUSTOMERS)
  - Fee Rule: LOAN-FEE (Loan Fee)
  - Facility Ref No: ALL FACILITY
  - User Ref No: ALL CONTRACTS
  - Book Date:
  - Value Date:
- Component Type:** Slab (selected), Tier, Amount, Rate, Amount, Percentage
- Currency Details:**
  - CCY: EUR (selected), GBP, USD
  - Currency Name: EURO, POUND STERLING, USA DOLLAR
- Effective Dates:**
  - Effective Date: 01-JAN-2004
- Fee Details:**

Amount From	Amount To	Fee Rate
.00	20,000,000.00	1.12250
20,000,000.00	40,000,000.00	1.75250
40,000,000.00	60,000,000.00	2.01250
60,000,000.00	80,000,000.00	2.22750
80,000,000.01	100,000,000.00	2.51850
- Input by:** MADHAN01, **Date Time:** 28/12/2004 19:07:51, **Checked By:** MADHAN02, **Date Time:** 04/05/2006 20:40:51, **Mod No:** 1, **Open:** ☒, **Authorised:** ☒

*For further information Fee Rule maintenance refer to the chapter Processing Charges and Fees in the Loans Syndication User Manual.*

### 6.3.2 Associating Fee at Contract Level

You can associate the fee by clicking the **FEE** button in the 'LD Contract Online' screen.

The screenshot shows the 'LD Contract Online' interface for CITIBANK US. The main window displays contract details for Contract Ref Number CT1MLON050301001. The sidebar on the right contains a vertical list of buttons: E, L, Q, S, T, M, E, N, L, **FEE**, H, SP, W, B, WT, M, PFE, BFE, and FRM. The 'FEE' button is highlighted.

For more information on Contract details, refer chapter Disbursing a Loan in Loans User Manual.

On clicking the **FEE** button, the 'Fee Component' screen is displayed.

The screenshot shows the 'Fee Components' screen. It includes a 'Contract Detail' section at the top and a table of fee components below.

Component	Fee Rule	Ccy	Association Date	Start Date	End Date	Liquidation Mode	Comp Status	Fee Basis	Nc
LOAN-FEE	LOAN-FEE	USD	28-OCT-2005	28-OCT-2005	26-JAN-2006	Auto	Active	Actual/360	
UNUSED_FEE		USD	28-OCT-2005	28-OCT-2005	26-JAN-2006	Manual	Active		

Here, the system defaults the loan fee, unused fee and commitment fee components which are maintained at the product level with which this contract is associated.

The system defaults the following details:

- Fee Component
- Fee Rule
- Currency
- Association Date
- Start Date
- End Date
- Component Status

You can define the fee payment schedules in the LD Contract Online screen under 'Schedules' tab.

**LD Contract Online [ CUSCT02 ]**

Template:  NORM Contract Ref Number: CT4ACC1053010001  
 Product: ACC1 Bearing Loan B001 Facility Name:   
 Branch: CT4 Department: DEP Treasury User Ref Number: CT4ACC1053010001 12,000,000.00  
 Reprgm Cnt:  Custom Ref No: TESTINGFEE

**Schedules**

**Schedule Preferences**  
 Contract Sch Type: NORMAL Amortisation Type: ☒ Reducing Balan ☐ Rule 78  
 Holiday Treatment for Schedules: ☒ BOTH ☐ Ignore Holidays ☐ Move Across Months ☐ Move Backward  
☐ Cascade Schedules ☐ Rate Code Ccy ☐ Move Forward

**Holiday Treatment for Rate Rev Schedules**  
☒ CURRENCY ☐ Apply payment holiday treatment ☐ Move Backward  
☒ Ignore Holidays ☐ Cascade Schedules ☐ Move Forward  
☐ Move Across Months ☐ Rate Code Ccy

**Holiday Treatment for Maturity Date**  
☒ BOTH ☐ Ignore Holidays ☐ Rate Code Ccy ☐ Move Backward  
☒ Move Across Months ☐ Move Forward

**Schedule Details**

Rev	Component	Start Date	No.	Frequency	Unit	Amount	Reset Tenor
P	LD-FL-INT	26-JAN-2006	1	Bullet	1		
P	LOAN-FEE	28-NOV-2005	2	Mnthlv	1		
P	PRINCIPAL	26-JAN-2006	1	Bullet	1	12,000,000.00	
P	UNUSED_FEE	28-OCT-2005	2	Monthlv	1	1,000.00	

Here the fee payment schedules are defined under Schedule Details as seen above.

You are allowed to amend the above preferences in future through the 'Fee Amendment' screen.

**Fee Amendment [ CUSCT02 ]**

Contract Details

Contract Reference No [CT4ACC1053010001] User Reference No [CT4ACC1053010001]

Product Code [ACC1] Bearing Loan B001

Customer [CUSCT02] [CUSCT02]

Branch [CT4] Department [DEP] Treasury Source [ ]

Settlements  
Events

Component Details

Component	Fee Rule	Ccy	Association Date	Start Date	End Date	Liquidation Mode	Comp Status	Fee Basis
LOAN-FEE	LOAN-FEE	USD	28-OCT-2005	28-OCT-2005	26-JAN-2006	Auto	Active	Actual/360
UNUSED_FEE		USD	28-OCT-2005	28-OCT-2005	26-JAN-2006	Manual	Active	

Entry by [TEST08] Entry Time [28/10/2005 16:36:24] Auth By [MADHU01] Auth Time [28/10/2005 16:53:02] Contract Status [Active] Auth Status [Authorized]

For further information on Fee Amendment details refer to the chapter Processing Charges and Fees in the Loans Syndication User Manual.

To amend the preferences set click on  button, the 'Fee Schedules' screen is invoked.

**Fee Schedules**

Component Details

Contract Ref No [CT4ACC1053010001] Component [LOAN-FEE]

Currency [USD] Fee Rule [LOAN-FEE]

Start Date [28-OCT-2005] End Date [26-JAN-2006]



Collection Mode [Arrears] Basis Amount [PRINCIPAL]

Schedule Details

Sch Start Date	No	Frequency	Unit	Amount
28-NOV-2005	2	Monthlv	1	

Amount Due

Due Date	Amount Due
28-NOV-2005	11,599.16
28-DEC-2005	11,225.00

Here you can amend the schedules of a particular component of a contract if required.

For further information on Fee Schedules details refer to the chapter Processing Charges and Fees in the Loans Syndication User Manual.

The system posts the following entries in case of Fee Liquidation:

- Fee collected in Advance
  - At Fee Collection ( FLIQ):

Accounting Role	Dr / Cr	Amount Tag
-----------------	---------	------------

CUSTOMER	Dr.	Component_LIQD
Component_RIA	Cr.	Component_LIQD

- At Fee Accrual (FACR):

Accounting Role	Dr / Cr	Amount Tag
Component_RIA	Dr.	Component_ACCR
Component_INC	Cr.	Component_ACCR

- Component\_RIA - Fee Component Received in Advance
- Component\_INC - Fee Component Income
- CUSTOMER - Borrower
- Component\_FLIQ - Fee Component Liquidated
- Component\_FACR - Fee Component Accrued.
- Fee collected in arrears

- At Fee Accrual (FACR):

Accounting Role	Dr. / Cr.	Amount Tag
Component_REC	Dr.	Component_ACCR
Component_INC	Cr.	Component_ACCR

- At Fee Collection ( FLIQ):

Accounting Role	Dr. / Cr.	Amount Tag
CUSTOMER	Dr.	Component_LIQD
Component_REC	Cr.	Component_LIQD

- Component\_REC - Fee Component Receivable
- Component\_INC - Fee Component Income
- CUSTOMER - Borrower
- Component\_LIQD - Fee Component Liquidated
- Component\_ACCR - Fee Component Accrued

## 6.4 Liquidating Fee Components

You can manually liquidate the fee schedules defined for fee components in the 'Fee Liquidation' screen. You can liquidate even future dated schedules through this screen.

**Contract Detail**

Product Code: BLF1 BORROWER FACILITY PRODUCT - 01 Facility  
Contract Ref No: CT1BLF1050094001 User Ref No: IT  
Customer: 0001000 AIR BUS  
Facility Name:  
Branch: CT1 Department: DEP Treasury Source:

Value date: 09-JAN-2005 Limit Date: 09-JAN-2005 Populate

**Payment Breakup**

Component	CCY	LIQD Mode	Amount Due	Amount Paid
ADHFEE-ARR	USD	Manual	15,000.00	15,000.00
AGYFEE-ADV	USD	Manual	15,000.00	0
AGYFEE-ARR	USD	Manual	15,000.00	0

**Payment Breakup For - ADHFEE-ARR**

Due Date	Amount Due	Amount Paid	Pending Amt Due
15-OCT-2004	5,000.00	5,000.00	.00
15-NOV-2004	5,000.00	5,000.00	.00
15-DEC-2004	5,000.00	5,000.00	.00

**Fee Ratio**

Participant	Participant Name	Component Ratio	Component Amount
ABNUS01	ABN AMRO US	030.0000000000	4,500.00
CITUK02	CITIBANK UK	040.0000000000	6,000.00
CITUS01	CITIBANK US	030.0000000000	4,500.00
		100.00000	15,000.00

**Maker Id** **Maker Dt Stamp** **Checker Id** **Checker Dt Stamp** **Contract Status** **Auth Status** **Participant Process Status**

KAMTHA02 09/01/2005 13:37:48 KAMTHA01 09/01/2005 13:38:00 Active Authorized

For more details on this screen, refer to the section, 'Liquidating fee components' in the chapter, 'Processing Charges and Fees' of the 'Loan Syndication' User Manual.

## 6.5 Transferring Memo Interest to FAS91 Fee

When the status of a loan contract status changes from non-performing to performing, the system performs FAS91 fee liquidation for the commitment contract after processing status change for the underlying loan contract. Fee Liquidation (FELR) event is registered at the commitment contract for the deferred interest component with effective date as status change date. The fee liquidation amount that is moved from the Memo GLs to the Real GLs during status change is tracked as the deferred interest amount for FELR event.

Oracle FLEXCUBE processes fee liquidation as under for batch and online status change:

As mentioned before, in case of manual status change, FELR event is registered at the commitment contract level individually for each loan contract, when the status change happens.

In case of automatic status change for a loan contract wherein 'Propagate Status to loan' box is not checked for the linked commitment, FELR event is registered at the commitment contract level individually for each loan contract, when the status change happens during the day. If there is a systematic status change during end of day batch process for multiple loans under a commitment contract, then one single consolidated FELR event will be registered at the commitment contract by summing up the memo interest across all the loans under a commitment that were changed from non-performing to performing.

If 'Propagate Status to Loan' box is checked for the commitment and its status is changed to 'Performing', then all underlying loan contracts which are in 'Non-performing' status will be systematically moved to 'Performing' status during End of Day. For such status change for the loan contracts, one single consolidated FELR event will be registered at the commitment contract by summing up the memo interest across all the loans that have changed from 'Non-performing' to 'Performing'. If loans under the commitment are booked with multiple currencies, then memo interest for foreign currency loans will be converted into commitment currency.

### **6.5.1 Restarting Amortization Fee Accrual**

When a commitment changes from 'Performing' to 'Non-performing', un-amortization fee accrual stops. When the status of the commitment changes to 'Performing', the system does an amortization of fees as though the fees were received on the date of the status change. This process of amortization restart happens in the following steps:

- The system computes the outstanding fee amount for each component as Total Fee Liquidation Amount - Total Fee Refund Amount - Till Date Accrual.
- The system refunds the outstanding fee amount (Unamortized).
- The system liquidates the outstanding fee amount (Unamortized) with start date as status change date and end date as old fee end date.

The aforementioned process is performed for each individual amortization fee component, including FAS 91 fee, Marks Fee and Deferred Interest Fee component.


The system performs the following validations for each fee component after commitment status change:

- Status change date should be less than the fee end date
- Status change date should be less than the commitment maturity date

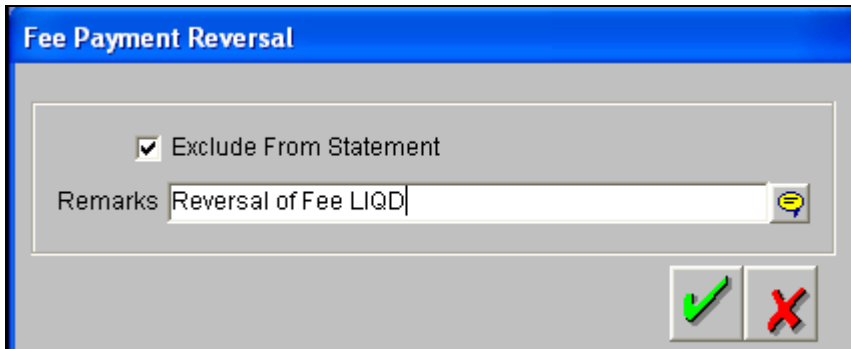
If any one of the above validation fails, then system will not perform amortization fee accrual restart for that component. In such cases, the system will catch up the accrual for the component for the non-performing period during the status change from 'Non-performing' to 'Performing'.

After the systematic refund and liquidation, the actual accrual process begins for each amortization fee component of performing commitment, by taking into account the current outstanding fee amount.

### 6.5.1.1 Reversal of Fee Payment

You can initiate fee payment reversal using 'Fee Payment Reversal' screen. To invoke this screen, click  icon in the 'Fee Liquidation' screen.

When you initiate the fee payment reversal, you can exclude it from loan statement.



The image shows a 'Fee Payment Reversal' dialog box. It has a blue title bar with the text 'Fee Payment Reversal'. Inside the dialog, there is a checkbox labeled 'Exclude From Statement' which is checked. Below the checkbox is a text field labeled 'Remarks' containing the text 'Reversal of Fee LIQD'. To the right of the text field is a small icon of a speech bubble. At the bottom right of the dialog are two buttons: a green checkmark button and a red 'X' button.

#### **Exclude From Statement**

Check this field to not allow the fee payment and its reversal appear in the Loan Statement.


#### **Remarks**

You may add remarks, if you wish to, in this field.



### 6.5.2 Associating the Accrual Fee Component


After defining a fee component, you need to link the fee component to a product in Oracle FLEXCUBE.



Click  in the 'Product Definition' screen to invoke the 'Accrual Fee Component Association' screen.



Click  to add fee components. Click  to associate the required fee component with the product. System defaults the parameters of the selected fee component. However, you can change the parameters according to your requirements.

 For further information on Fee Details, refer to the chapter 'Processing Charges and Fees' in the Loans Syndication User Manual.

You need to specify the following details:

### Accrual Method

Specify the accrual method from the adjoining drop-down list. This list displays the following values:

- Straight Line
- Yield
- Flat Amount.

### Basis Amount

Select the basis amount on which the fee component should be calculated from the adjoining drop-down list. This list displays the following values:

- Expected balance
- Expected Outstanding Facility
- Expected utilized Facility

### Fee Type

Specify the fee type from the adjoining drop-down list. This list displays the following values:

- Income

- Expense

**Payment Method**

Specify the fee type from the adjoining drop-down list. This list displays the following values:

- Discounted
- Bearing

**Allow Method Amendment**

Check this box to indicate that the amendment method is allowed for the accrual fee component.

**Allow End Date input**

Check this box to indicate that the fee component (if applicable for the product involved in the contract) will cease to be associated with a contract on the contract 'End Date.

**CLP Buy Price Diff**

Check this box to indicate that the difference between the PAR price (100%) and actual buy price is booked as fee against that component.



Note the following:

- For the Commitments associated with the CLP positions, system will maintain separate Income and Expense type of amortization FEE components to handle the amortization FEE amount computed based on the price difference between the Buy Price and Par value (100%). In case of premium price quotation for the Buy trades, expense type of amortization FEE will be created and Income type will be used for Discount Price quotation.
- These Income and Expense components should be unique for a commitment product. Such Amortization FEE components will be identified by flag "CLP Buy Price Diff". In a CLP commitment product, system will allow one income and one expense type of Amortization FEE components with the flag "CLP Buy Price Diff"

### Asset Transfer Marks

Check this option to indicate that the amortization fee component is of the asset transfer marks type. This will be defaulted to the component level when details of the amortization fee are being entered.

### Accrual Required

You have the option to accrue the fee earned on syndication contracts. To do this, you have to check this option.

### Consider as Discount

Check this box to indicate that the discount accrual to the component is applied.

### Deferred Interest Component

Check this box to indicate that this component should represent deferred interest. When the loan status changes to 'Performing' from 'Non-performing', the system checks the value of the backend parameter 'ALLOW\_REPERFORMING\_LOAN\_FUNC'. If the value of this parameter is 'Y', the system will perform memo interest reversal. Amortization fee liquidation will be done on deferred fee interest component for the memo interest amount that is moved to Real GL as part of the reversal.

Note that you can maintain only one deferred interest component for a product.

The system posts the following accounting entries:

For normal amortization FEE component of income type:

Accounting Role	Dr / Cr	Amount Tag
CUSTOMER	Dr.	Component_LIQD
FEE_Received_In Advance	Cr.	Component_LIQD

For normal amortization FEE component of expense type:

Accounting Role	Dr / Cr	Amount Tag
CUSTOMER	Cr.	Component_LIQD
FEE_Paid_In Advance	Dr.	Component_LIQD

For amortization FEE components of Income type (CLP Buy Price Diff):

Accounting Role	Dr / Cr	Amount Tag
SLT-PREM-DISC	Dr.	Component_LIQD
FEE_Received_In Advance	Cr.	Component_LIQD

For amortization FEE component of expense type (CLP Buy Price Diff):

Accounting Role	Dr / Cr	Amount Tag
SLT-PREM-DISC	Cr.	Component_LIQD
FEE_Paid_In Advance	Dr.	Component_LIQD

---

## 7. Reclass of CUSIP

### 7.1 Introduction

Oracle FLEXCUBE allows you to move balances of commitment and loan contracts from old CUSIP to new CUSIP without changing the origination contract reference numbers. The system will replace the old CUSIP with the new CUSIP for the commitment and loan contracts upon successful processing of CUSIP reclassification.

You can reclass CUSIP for the origination contracts in the following scenarios:

- Associating a new CUSIP on the existing tranche (Reallocation)
- For rebuilding, splitting and consolidating cases


In case of reallocation, CUSIP amendment can be performed on existing tranches by reclassifying CUSIP. Upon successful reclassing of CUSIP, you will have to mark the process status from 'Failed/Unprocessed' to 'Processed' in the STP interface browser for the CAMD event that is updated for all self participants during CUSIP amendment at tranche level.

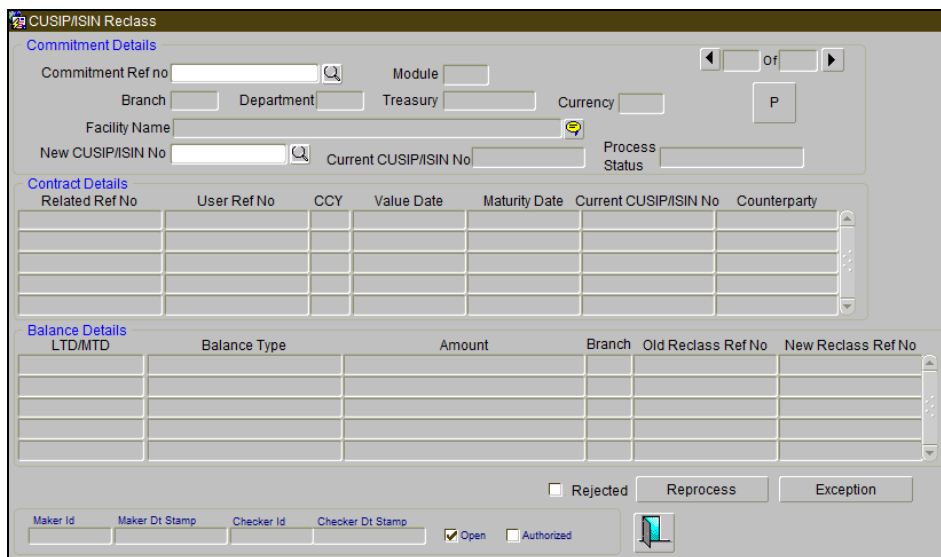
In case of rebuilding/splitting/consolidating, you can manually link the commitment contract with the new tranche contract created with a new CUSIP, after CUSIP reclassification.

Note that CUSIP reclass will be allowed only if the box 'Allow CUSIP/ISIN Swing' is checked in the 'Loan Parameters' screen.

## 7.2 Reclassing CUSIP/ISIN

Note that you cannot reclass a liquidated commitment/loan contract and a stand-alone loan contract.


You can initiate CUSIP reclass using the 'CUSIP/ISIN Reclass' screen. To invoke this screen from the Application Browser, click on **Loan & Commitment Operations**, choose **CUSIP/ISIN ReClass** and then click on the **Detailed** option under it. Click the new button -  in the toolbar of the screen or select **New** from the **Actions** Menu.



Specify the following details.

### **Commitment Ref no**

Specify the commitment reference number for which you want to update the CUSIP. The adjoining option list displays all active commitment contracts for which the box 'Agency Contract' has been checked in the 'LD Contract online' screen. You can also select the appropriate one from it.

After specifying the commitment reference number, click the  button. The system will fetch the following records of the specified commitment and display them.

- Module
- Branch
- Department
- Treasury
- Currency

- Facility Name
- Current CUSIP/ISIN No
- Process Status

### **New CUSIP/ISIN No**

Specify the CUSIP/ISIN to which you want to transfer the specified commitment. The adjoining option list displays all valid and open CUSIP/ISIN numbers in the system. You can also select the appropriate one from it. Note that this CUSIP should be linked to an open trade in trading module.

### **Contract Details**

The system displays the following details for the specified commitment reference number:

- Related Ref No
- User ref No
- CCY
- Value Date
- Maturity Date
- Current CUSIP/ISIN No
- Counterparty

### **Balance Details**

The system displays the following balance details for the specified commitment reference number:

- LTD/MTD
- Balance Type
- Amount
- Branch
- Old Reclass Ref No
- New Reclass Ref No

For Income and Expense type of balance (P & L), the system will arrive and display the balance only month to date (MTD). You can reclass the balance. However, you cannot reclass the previous month's balance for P & L. The old balances will exist with the old CUSIP.

Upon saving and authorizing the record, the system will place it in the job queue. This background job will pick up the records and process the reclass. Upon successful processing, the system will post entries for transfer of balance using the DE module. It will also update the 'Process Status' in this screen as 'Processed.'

The system will automatically generate batch numbers for reclass entries, with the combination of module, branch, reclassification job sequence number and batch number maintained in branch level static table. It will generate two reclass reference numbers in the DE module for each record viz:

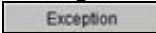
- Old reclass reference number for reversing out all the entries of each balance for each contract with value date as application date
- New reclass reference number for re-booking all the entries of each balance for each contract with value date as application date

If the loans under a commitment are in multiple currencies, then the system will post entries in the loan currency.

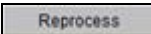
Once the reclass is performed successfully in the DE module, the system will update the new CUSIP for commitment and loan contracts and trigger the event 'RCLS' on them. This event will create version to maintain the history. This event will be triggered even if the contracts have no balance, so long as they are active.

### **7.2.1 Viewing Exceptions**

If the processing for any record fails, the system will update the 'Process Status' field as 'Failed' and log an exception message. You can view the exception message by clicking the

 button.

### **7.2.2 Reprocessing Failed Records**

You need to manually correct the records based on the exceptions. You can then reprocess the corrected records by clicking the  button. Upon clicking this button, the system will process CUSIP reclass online.

### **7.2.3 Rejecting CUSIP/ISIN Reclassification**

You can close the record and re-input details for the same CUSIP. To do this, you need to check the 'Rejected' box. Note that you can reject unprocessed or failed records only. You cannot reject records that have been successfully processed.

### **7.2.4 Processing Commitment Reclass after Loan Liquidation**

If reclass is processed for the commitment or loan after the loan contract is liquidated, the system would not have reclassified the liquidated loan contract. If the last payment on such a contract is reversed and contract status becomes active, the system will display the following override during reversal:

**'CUSIP Reclass has been processed for the commitment. Do you want to proceed?'**

If you click 'OK,' then the system will reverse the payment. But the CUSIP will still be the old CUSIP. If you click 'CANCEL', then the system will not allow reversal.

---

## 8. Defining Discount Accrual Fee Classes

### 8.1 Introduction

In Oracle FLEXCUBE, you can define the different *types* of charges or fees that apply on a product as “classes”. A charge class is a specific type of charge component (E.g. ‘Charges for amending the terms of a loan’).

When defining a product, you merely have to attach the required classes. In this manner, a contract processed under a particular product acquires the classes (components) associated with the product.

A discount accrual fee class can be made applicable for loans and bills processed in Oracle FLEXCUBE. To apply a discount accrual fee, you should first define attributes for each of the components.

#### **Steps involved in processing discount accrual fees**

The following steps are involved in processing discount accrual fees:

4. Defining discount accrual fee classes
5. Associating discount accrual fee classes with a product

### 8.2 Defining a Discount Accrual Fee class

A discount accrual fee class specifies the accrual parameters for interest, charges and fees.

You can define the attributes of a discount accrual fee class in the ‘Discount Accrual Preference Class Maintenance’ screen. Access this screen from **ICCF Maintenance** and thereafter **Discount Accruals** in the **Application Browser**.



Discount Accrual Preference Class Maintenance

Class Code:

Description:

Module:

**Accrual Preference**

☒ Discount Accrual Required

Accrual Frequency:  Acquisition Type:

Handling of Foreclosure:

**Day Count Method**

Currency	Currency Name	Numerator Method	Denominator Method
ALL	All Currencies	Actual	360
GBP	POUND STERLING	Actual	365
USD	USA DOLLAR	Actual	365

Input By: MJAY1 Date Time: 31/10/2003 13:49:44 Auth By: MJAY2 Date Time: 31/10/2003 13:53:25 Mod No: 2

☒ Open ☒ Authorised

Before defining the attributes of a discount accrual fee class, you should assign the class a unique identifier, called the Class Code and briefly describe the class. A description would help you easily identify the class.

When building a discount accrual fee class, you define certain attributes such as:

- Whether Discount accrual should be performed for the class
- The frequency at which discount accrual should be performed. This can be either Daily or Monthly. For monthly accruals, the discount accrual will be done on the last day of the month.
- How foreclosures in respect of the contracts using the class, must be handled. You can opt for complete accruals, or refund
- The acquisition type for the class. You can specify any of the following options:
  - Par
  - Par/Discount
  - Par/Premium
  - Par/Discount/Premium
- The day count methods for each currency using the class. You can define the day count methods for both the numerator and the denominator.

Discount Accrual Preference Class Maintenance

Class Code:

Description:

Module:

**Accrual Preference**

☒ Discount Accrual Required

Accrual Frequency:  Acquisition Type:


Handling of Foreclosure:

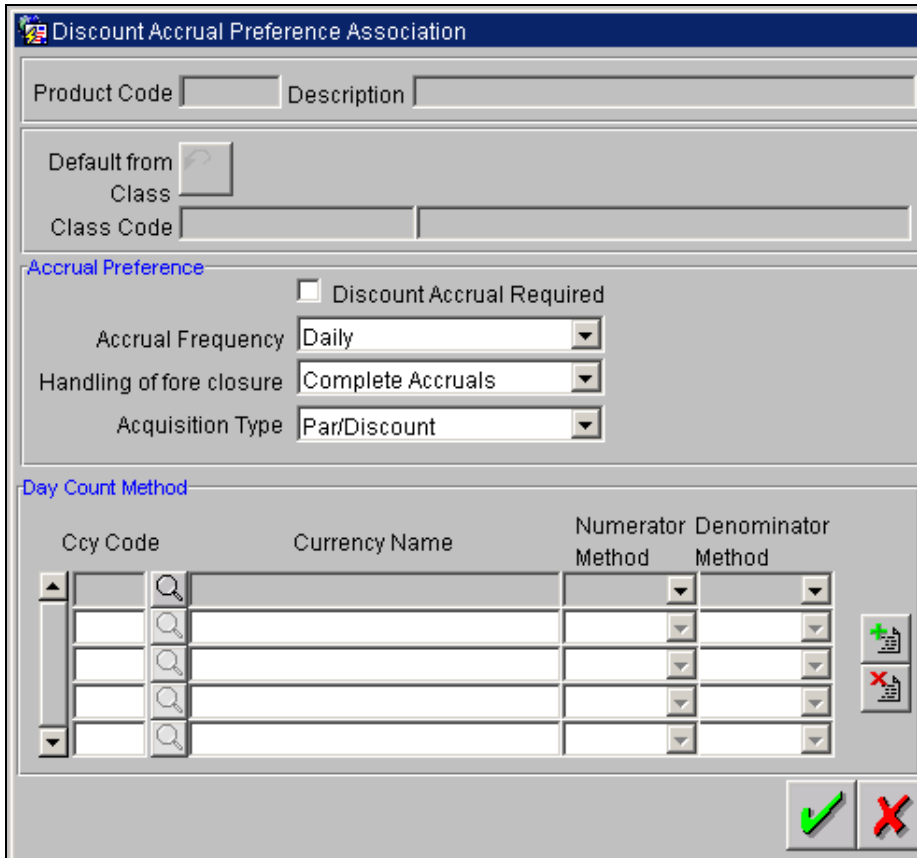
**Day Count Method**


Currency	Currency Name	Numerator Method	Denominator Method
ALL	All Currencies	Actual	360
GBP	POUND STERLING	Actual	365
USD	USA DOLLAR	Actual	365

Inout By: MJAY1 Date Time: 31/10/2003 13:49:44 Auth By: MJAY2 Date Time: 31/10/2003 13:53:25 Mod No: 2 ☒ Open ☒ Authorised

## 8.2.1 Associating Discount Accrual Components to Products

After building discount accrual fee classes you can associate the class with loans or bills products. Click the  button in the 'Product Definition' screen. The 'Discount Accrual Preference Association' screen is invoked.



To associate discount accrual fee class with a product, click  in the 'Discount Accrual Preference Association' screen. Select the appropriate discount accrual fee class from the list of classes.

The attributes defined for the discount accrual fee class defaults to the product. You have the option to modify the attributes defined for the class, to suit the requirement of the product you are creating.

Alternatively, you can choose to define the discount accrual details for the product.



Note the following:

- If the Acquisition type is different from what is maintained at Discount Accrual Class level then system will give an error and contract will not save.

- You will be allowed to change acquisition type during the life cycle of the contract on the basis of the maintenance done at the product level.

### 8.3 **Events and Accounting Entries for Discount Accrual**

While defining the accounting entries for the Loans and Bills modules you must identify the events and accounting entries that are required for discount accrual fee accounting. One of these is the YTM based Discount Accrual (YACR) event. It is meant to indicate the periodic discount accruals for the contract.

The Accounting Roles that should be associated with the event YACR are:


Accounting Role	Description	Acquisition Type	Product Type
EIMDISCRIA	Effective Interest Based Discount To Be Accrued	Discount	Asset
EIMDISCINC	Effective Interest Based Discount Accrued Till Date	Discount	Asset
EIMPREMPIA	XX?	Premium	Asset
EIMPREMEXP		Premium	Asset
EIMINTADJREC		Par	Asset
EIMINTADJINC		Par	Asset
EIMDISCPIA		Discount	Liability
EIMDISCEXP		Discount	Liability
EIMPREMRIA		Premium	Liability
EIMPREMINC		Premium	Liability
EIMINTADJPAY		Par	Liability
EIMINTADJEXP		Par	Liability

The Amount Tags for the YACR event:

Amount Tag	Description
EIMDISC_ACCR	Net Discount Accrual amount for the processing day
EIMDISC_ADJ	Discount Accrual Refund Amount

The following entries should be maintained for the YACR event:

Accounting Role	Amount Tag	Dr/Cr Indicator
EIMDISCRIA	EIMDISC_ACCR	Debit
EIMDISCINC	EIMDISC_ACCR	Credit

 The account head mapped to the accounting role 'EIBDISCOUNT\_RIA' and account heads mapped to the subsystem specific RIA (Received in Advance) accounting roles should be maintained as the same account. For discount accrual, you must also maintain the following accounting set-up for the Charge Liquidation (LIQD/INIT/VAMI/ROLL/CAMD) event. This is in addition to the normal accounting set-up that you would define for the charge liquidation event:

Accounting Role	Description
component_RIA*	Charge amount Received in Advance
Charge comp_RIA	Charge amount Received in Advance
<Charge Comp>PIA	Charge amount Paid in Advance
<Fee Comp>RIA	Fee Amount Received in Advance

\* The component will be replaced by the appropriate Charge Rule.

Amount Tag	Description
component_DISC*	Charge Amount to be discounted
<Charge comp>_DISC(Existing Tag)	Charge Discount Amount
<Charge Comp>_PREM	Charge Premium Amount
<Fee Comp>_DISC	Fee Discount Amount

\* The component will be replaced by the appropriate Charge Rule.

You should maintain the following for the normal accounting entry setup for LIQD event:

Amount Tag	Description
EIMDISC_ADJ - (Existing Tag)	Discount Accrual Refund Amount
EIMPREM_ACCR	Net Premium Accrual amount for the processing day
EIMINTADJ_ACCR	Interest Adjustment Amount
EIMPREM_ADJ	Premium Accrual Refund Amount

You should maintain the following accounting roles for setting up accounting entries for the YACR event:

Along with the normal accounting entry setup for the LIQD event, you must also maintain the following accounting entries:

<b>Accounting Role</b>	<b>Amount Tag</b>	<b>Dr/Cr Indicator</b>
EIMDISCRJA	EIMDISC_ADJ	Debit
CUSTOMER	EIMDISC_ADJ	Credit
EIMDISCRJA	EIMDISC_ADJ	Debit
CUSTOMER	EIMDISC_ADJ	Credit
CUSTOMER	EIMPREM_ADJ	Debit
EIMPREMPIA	EIMPREM_ADJ	Credit
EIMPREMRJA	EIMPREM_ADJ	Debit
CUSTOMER	EIMPREM_ADJ	Credit
CUSTOMER	EIMDISC_ADJ	Debit
EIMDISCPIA	EIMDISC_ADJ	Credit

The following entries should be maintained for the liquidation event.

<b>Accounting Role</b>	<b>Amount Tag</b>	<b>Dr/Cr</b>
<Charge rule>_RIA	<Charge rule>_DISC	Credit
CUSTOMER	<Charge rule>_DISC	Debit
<Charge rule>_INC	<Charge rule>_LIQD	Credit
CUSTOMER	<Charge rule>_LIQD	Debit
CUSTOMER	<Charge rule>_DISC	Debit
<Charge rule>_RIA	<Charge rule>_DISC	Credit
CUSTOMER	<Charge rule>_PREM	Credit
<Charge rule>_PIA	<Charge rule>_PREM	Debit
CUSTOMER	<Charge rule>_PREM	Debit
<Charge rule>_RIA	<Charge rule>_PREM	Credit
CUSTOMER	<Charge rule>_DISC	Credit
<Charge rule>_PIA	<Charge rule>_DISC	Debit

You should maintain the following accounting entries for the YACR event:

Accounting Role	Amount Tag	Dr/Cr
EIMDISCRIA	EIMDISC_ACCR	Debit
EIMDISCINC	EIMDISC_ACCR	Credit
EIMPREMEXP	EIMPREM_ACCR	Debit
EIMPREMPIA	EIMPREM_ACCR	Credit
EIMINTADJREC	EIMINTADJ_ACCR	Debit
EIMINTADJINC	EIMINTADJ_ACCR	Credit
EIMPREMRIA	EIMPREM_ACCR	Debit
EIMPREMINC	EIMPREM_ACCR	Credit
EIMDISCEXP	EIMDISC_ACCR	Debit
EIMDISCPIA	EIMDISC_ACCR	Credit
EIMINTADJEXP	EIMINTADJ_ACCR	Debit
EIMINTADJPAY	EIMINTADJ_ACCR	Credit

## 8.4 Specifying Status Change Details for Discount Accrual

Discount accruals in respect of a loan or a bill could result in status changes. You must maintain the following details as part of status maintenance for loans and bills, for discount accruals:

- Whether discount accruals should be stopped or reversed
- The transfer GLs for discount accrual

You can specify the following roles as part of the transfer GLs:

Accounting Role	Description
EIMDISCRIA	Effective Interest Based Discount To Be Accrued
EIMDISCINC	Effective Interest Based Discount Accrued Till Date



The accounting roles for discount accrual are available to indicate the transfer GL as part of status change.

### 8.4.1 Processing for Contract Status Change

The impact of status change of contracts on Transfer of Balances, Stop Accruals and Reverse Accruals is as follows:

#### **Transfer of Balances**

The following balances will be transferred to new GL:

- Premium TBA – Premium Accrued
- Discount TBA – Discount Accrued
- Interest Adjustment Accrued Already + Interest Adjustment Accrued

#### **Stop of Accruals**

YACR will not pass any entries.

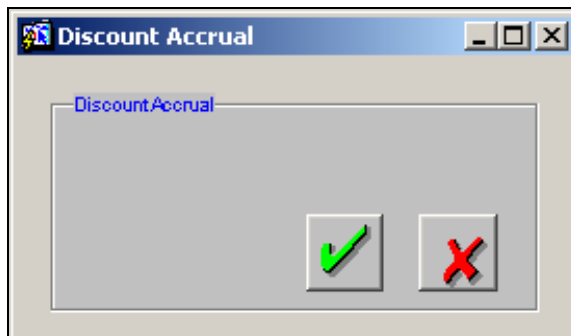
#### **Reverse of Accruals**

The following balances will be reversed:

- Premium Accrued
- Discount Accrued
- Interest Adjustment Accrued Already + Interest Adjustment Accrued

## 8.5 Processing for Discount Accrual Fees

The System provides a batch process for discount accrual. You can trigger the batch process through the 'Discount Accrual' Batch screen. The YACR event is initiated, and the net discount accrual amount for the day is computed. To invoke this screen, from the Application Browser, choose **EOC Operations** and then **Discount Accrual** under it.





## 8.6 Processing for Internal Rate of Return Calculation

The Acquisition Type specified at the Discount Accrual Preference Class Maintenance is recognized during IRR calculation and stored in the IRR tables. During contract save, the acquisition type is derived using the following logic:

Product	Inflow/Outflow	Acquisition Type
Asset*	Inflow>Outflow	Discount
Asset	Inflow<Outflow	Premium
Asset	Inflow=Outflow	Par
Liability*	Inflow>Outflow	Premium
Liability	Inflow<Outflow	Discount
Liability	Inflow=Outflow	Par

The following information will be stored for every IRR Effective Date when the IRR calculation/recalculation happens and also during the Discount Accrual Batch:

- O/S Principal
- O/S Bearing Interest Accrual
- Discounted Interest TBA
- Premium TBA
- Discount TBA
- Expense Fee TBA
- Income Fee TBA
- Interest Adjustment Accrued Already
- Premium Accrued Till Date
- Discount Accrued Till Date

### 8.6.1 Recalculation of IRR with new effective date

In case of Bearing contracts, IRR recalculation will be done using a new effective date, during the following events:

#### **Contract Amendment without Schedule Re-definition:**

- VD Increase of Principal
- VD Amendment of Maturity Date
- VD Amendment of Interest Rate

- Floating Interest Rate Revision
- Partial Prepayment – Principal
- Partial Prepayment – Interest

**Rollover:**

- New Charge on the following Events
  - CAMD
  - VAMI
  - LIQD – Partial Prepayment
  - ROLL
  - Upfront Fee Amendment

In case of Discounted contracts, IRR recalculation will be done using a new effective date, during the following events:

**Contract Amendment without Schedule Re-definition:**

- Partial Prepayment – Principal
- Rollover
- New Charge
- CAMD
- ROLL
- LIQD – Partial Prepayment
- Upfront Fee Amendment



Note the following:

- In case of both Bearing and Discounted contracts, IRR will be calculated with the currently active effective date during Contract Amendment with Schedule Re-definition event
- IRR Re-calculation will be undone during Reversal of Partial Prepayment
- In case IRR Re-calculation has happened for any un-reversed event with IRR Effective Date  $\geq$  Payment Value Date, then IRR Re-calculation will be done as of the earliest IRR Effective Date.
- IRR Re-calculation will not happen in following cases:
  - Full Prepayment
  - Regular Payment
  - Overdue Payment
  - Reversal of Full Prepayment
  - Reversal of Regular Payment
  - Reversal of Overdue Payment
- In case of Bearing and Discounted contracts, the following actions are allowed prior to the currently active IRR Effective Date, provided there is no future un-reversed charge or upfront fee cash flow with Due Date  $>$  New IRR Effective Date:
  - Schedule Re-definition

- VD Increase of Principal
- VD Amendment of Interest Rate
- VD Amendment of Maturity Date Change
- Floating Interest Rate Revision
- Principal Prepayment
- Interest Prepayment
- Up-front Fee Amendment
- IRR calculation will be done during the event BOOK instead of INIT in future-dated contracts
- Cash Flow for Charge Components being Liquidated in BOOK or INIT will be Populated with Due Date = Value Date.
- For Charge Components with Charge Currency <> Contract Currency and Cash Flow Due Date = Value Date, the Charge Amount in Contract Currency during BOOK event will be frozen.
- In case Charge Currency <> Contract Currency AND Contract Currency = Settlement Account Currency, the Charge Amount in Contract Currency frozen during BOOK would be used to pass Accounting Entries during INIT for the Charge Amount to the Settlement Account also.
- New Charge during Contract Amendment with Schedule Re-definition will be Disallowed wherein the currently active IRR Effective Date < Today.
- New Charge used as Prepayment Penalty during LIQD Event will be allowed in case of Partial & Full Prepayment only
- In case of Full Prepayment, %LIQD Amount Tag will be populated instead of %DISC or %PREM Amount Tag
- Catch-Up of DA Accrual during various events viz. Amendment, Rate Revision, Liquidation, Rollover, Reversal of Prepayment, etc. similar to Catch-Up of Interest Liquidation in LD, BC will be done.
- During Full Pre-payment, YACR will pass outstanding accrual unconditionally to ensure the following without any NPV Calculation:
  - Premium Accrued = Premium TBA
  - Discount Accrued = Discount TBA
  - Interest Adjustment = 0
- During foreclosure of the contract the same processing as that of Discount will be followed for Premium i.e. either 'Complete pending accrual' or 'Refund' will happen based on the flag at discount accrual class level
- In case of Par case there will be no Refund. Pending accruals will be completed.
- EIM will not be supported for the Following types of Contracts

- Negative Interest Contracts
- Call and Notice Type of Contracts
- For Charge components marked as “Consider as Discount” and denominated in a Charge Currency <> Contract Currency, the %DISC Amount Tag will be posted into the %RIA Head in Contract Currency.
- In case Charge Currency <> Contract Currency AND Contract Currency = Settlement Account Currency, the Exchange Rate input in Settlements Screen will be used to convert Charge Amount to Contract Currency.
- EIM will be supported for Commitments also. IRR will be recalculated whenever the commitment is linked to Loan Contracts. In case of revolving commitments IRR will be recalculated if Commitments are delinked from loan contracts.
- PYCYCM handling will be done during YACR event. Previous Year, Current Year and Current month Accruals will be passed separately.
- The Following Rollover types are supported:
  - New Version
  - Spawned
  - Linked

## 8.6.2 **Computation of Net Present Value based on Acquisition Type**

The NPV calculation will be different for different acquisition types.

### **If the acquisition type is Discount:**

NPV = O/S Principal

+O/S Bearing Interest Accrued\*

+O/S Acquired Interest

+ (Expense Fee TBA –Expense Fee Accrued)

- (Income Fee TBA –Income Fee Accrued)

- (Discounted Interest TBA – Discounted Interest Accrued)\*

- (Discount TBA – Discount Accrued)

### **If Acquisition type is Premium:**

NPV = O/S Principal

+O/S Bearing Interest Accrued\*

+O/S Acquired Interest

- + (Expense Fee TBA –Expense Fee Accrued)
- (Income Fee TBA –Income Fee Accrued)
- (Discounted Interest TBA – Discounted Interest Accrued)\*
- + (Premium TBA – Premium Accrued)

**If Acquisition type is Par**

NPV = O/S Principal

- +O/S Bearing Interest Accrued\*
- +O/S Acquired Interest
- + (Expense Fee TBA –Expense Fee Accrued)
- (Income Fee TBA –Income Fee Accrued)
- (Discounted Interest TBA – Discounted Interest Accrued)\*
- + (Interest Adjustment Accrued Already + Interest Adjustment Accrued)



Note the following:

- The values suffixed with the asterix mark\* are mutually exclusive.
- 'O/S Bearing Interest Accrued' is for bearing type of contracts
- 'Discounted Interest TBA – Discounted Interest Accrued' is for discounted type of contracts
- While computing IRR, the system ensures that IRR values less than or equal to zero are not allowed during IRR Calculation/Recalculation
- Cash flows as of every IRR effective date are stored whenever IRR calculation/recalculation happens

### **8.6.3 Computation of Net Discount Accrual Amount for a Processing Day**

The net discount accrual amount for a processing day is computed as follows:

1. All future cash flows are discounted to the processing day using the IRR effective as of the processing day, and the net present value (NPV) of the contract as of the processing day is obtained
2. The till date discount accrual amount is computed using the following expression:

$$TDA_n = NPV_n - (P_n - DTA_s) - AI_n + DA_s$$

Where,

- **TDA<sub>n</sub>** represents the Till Date Discount Accrual for  $n^{\text{th}}$  Accrual Date,
  - **NPV<sub>n</sub>**, the Net Present Value of the contract as of  $n^{\text{th}}$  Accrual Date,
  - **P<sub>n</sub>**, the Outstanding Principal of the contract as of  $n^{\text{th}}$  Accrual Date
  - **DTA<sub>s</sub>**, the Discount to be accrued as of current IRR Effective Date
  - **AI<sub>n</sub>**, the Current Period Accrued Interest as of  $n^{\text{th}}$  Accrual Date,
  - **DA<sub>s</sub>**, the Discount Accrued as of current IRR Effective Date
3. The difference between the 'Till date discount accrual' amount as of the previous processing day and the 'Till date discount accrual' amount as of the current processing day is the 'Net Discount accrual' amount that is realized as income as of the processing day. The expression used would be

$$NDA_n = TDA_n - TDA_{(n-1)}$$

Where,

- **NDA<sub>n</sub>** represents the Accrual for nth Accrual Date,
- **TDA<sub>n</sub>**, the Till Date Discount Accrual for nth Accrual Date and
- **TDA<sub>n-1</sub>**, the Till Date Discount Accrual for n-1th Accrual Date

#### 8.6.4 Discount Accrual Processing - an Example

Let us consider a Loan contract with following parameters

<b>Loan Amount</b>	<b>USD 1,000,000</b>
Value Date	01-Jan-2003
Maturity Date	01-Jan-2004
Interest Rate	12%
Commission Rate	6%
Commission Value Date	01-Jan-2003
Interest Repayment Frequency	Monthly (Month Ends)
Principal Repayment Frequency	Bullet
Interest Basis	Actual/365
Discount Accrual Day count Numerator Method	Actual

<b>Loan Amount</b>	<b>USD 1,000,000</b>
Discount Accrual Day count Denominator method	365

<b>Interest Payment Method</b>	<b>Bearing</b>
IRR	20.30%

The projected cash flow for the contract would be:

<b>Due Date</b>	<b>Component</b>	<b>Amount (USD)</b>
01-Jan-2003	Principal	-1,000,000
01-Jan-2003	Commission	60,000
01-Feb-2003	Interest	10,191.78
01-Mar-2003	Interest	9,205.48
01-Apr-2003	Interest	10,191.78
01-May-2003	Interest	9,863.01
01-Jun-2003	Interest	10,191.78
01-Jul-2003	Interest	9,863.01
01-Aug-2003	Interest	10,191.78
01-Sep-2003	Interest	10,191.78
01-Oct-2003	Interest	9,863.01
01-Nov-2003	Interest	10,191.78
01-Dec-2003	Interest	9,863.01
01-Jan-2004	Interest	10,191.78
01-Jan-2004	Principal	1,000,000

If the Discount Accrual Processing Date is 15-Feb-2003, the processing for discount accrual is as follows:

#### **Step 1**

NPV of the contract is computed as of 15-Feb-2003 by discounting the future cash flows as shown below:

<b>Due Date</b>	<b>Amount</b>	<b><math>(d-d_1)/D</math></b>	<b>1+IRR</b>	<b><math>(1+IRR)^{(d-d_1)/D}</math></b>	<b>Discount CF</b>
01-Mar-03	9205.48	0.038	1.203	1.0071	9140.46



Due Date	Amount	$(d_t - d_1)/D$	1+IRR	$(1+IRR)^{(d_t - d_1)/D}$	Discount CF
01-Apr-03	10191.78	0.123	1.203	1.023	9962.22
01-May-03	9863.01	0.205	1.203	1.0387	9495.54
01-Jun-03	10191.78	0.29	1.203	1.0551	9659.27
01-Jul-03	9863.01	0.373	1.203	1.0713	9206.78
01-Aug-03	10191.78	0.458	1.203	1.0882	9365.53
01-Sep-03	10191.78	0.542	1.203	1.1054	9219.70
01-Oct-03	9863.01	0.625	1.203	1.1224	8787.80
01-Nov-03	10191.78	0.71	1.203	1.1401	8939.02
01-Dec-03	9863.01	0.792	1.203	1.1575	8520.56
01-Jan-04	1010191.78	0.877	1.203	1.1759	859105.75
					951402.94

The NPV of the Contract as of 15-Feb-2003 = USD 951,402.94

## **Step 2**

IRR Start date = 01-Jan-2003

Outstanding Principal as of 12-Feb-2003 = USD 1,000,000

Discount to be accrued as of 01-Jan-2003 = USD 60,000

Accrued Interest as of 15-Feb-2003 = USD 4602.74

Discount Accrued as of 01-Jan-2003 = USD 0.00

Previous process till date = 14-Feb-2003

Till Date Accrual as of 14-Feb-2003 ( $TDA_{n-1}$ ) = USD 6647.43

$$TDA_n = NPV_n - (P_n - DTA_s) - AI_n + DA_s$$

$$TDA_n = 951402.94 - (1000000 - 60000) - 4602.74 + 0$$

$$TDA_n = 6800.2$$

$$\text{Net Discount Accrual} = TDA_n - TDA_{n-1}$$

$$\text{Net Discount Accrual} = 6800.20 - 6647.43$$

$$\text{Net Discount Accrual} = 152.77$$

Net Discount Accrual amount for 15-Feb-2003 processing = USD 152.77

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## 9. Processing Repayments

### 9.1 Introduction

When you disburse a loan to a customer, you also decide on the terms of the repayment of the loan. You may have your own repayment schemes, — for example, you may prefer monthly repayments of interest and repayment of the principal on maturity, and so on. Or, you may design repayment schedules to suit the convenience of your customer. Your customer may want to make interest repayments annually, instead of every month, for example.

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

### 9.2 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 loan processing
- Recomputation of schedules when a repayment of principal is made before it is due
- Liquidation of back valued schedules upon initiation of a loan. This can be changed at the time of loan 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.

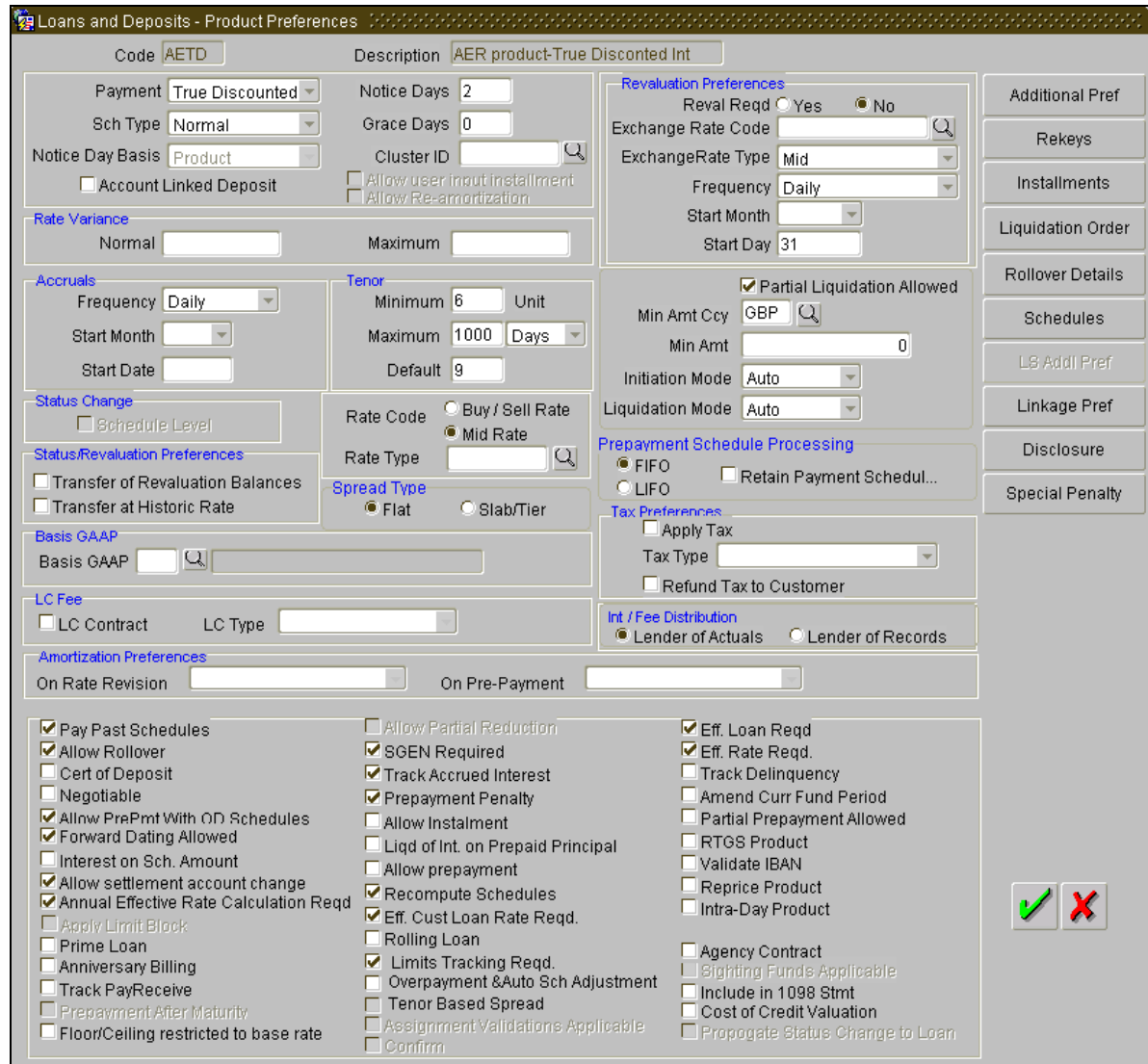
When processing a specific loan, you can define the amount of principal that has to be repaid (at the *frequency* you specified) and the number of such repayment schedules. You can also change the schedule details that a loan inherits from the product that it involves.



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

## 9.3 Setting Product Schedule Preferences

You should define the attributes of the schedules for a product through the Product Preferences screen. To invoke the 'Loans and Deposits - Product Preferences' screen, click  in the Product Definition screen.



Components of a loan can be liquidated automatically or manually. On the other hand, you can also indicate that certain specific components must be liquidated automatically. 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 loan (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:

6. You have indicated automatic liquidation
7. The schedule date falls on a holiday
8. 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 your specification for holiday handling (in the Loans 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 those 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 a loan has been defined for verification of funds before automatic liquidation (through the Contract On-line Preferences screen), those components whose schedule dates fall on the same day will be liquidated in the order you have specified when defining the product.

If the funds are insufficient, the liquidation is done to the extent of the available balance in the repayment account. The components will be liquidated in the order that you specify. This will be reported in the Exception Report generated at the end of every day, automatically (by the Automatic Contract Update function).

If you have not specified that the funds be verified, and there are insufficient funds in the repayment account:

- The repayment account will be put into a debit balance (if you have allowed overdraft) and the schedules for the components liquidated to the extent of the debit balance that you have allowed for the account. You can liquidate beyond the allowed debit balance for an account. The system will, however, display an override message, which will be recorded for audit trail purposes. Debit interest, as specified for the type of account (current or savings), will be applied on the debit balance.
- If the repayment account has not been defined with overdraft, the liquidation will not be processed.

The liquidation order is used when you want to liquidate the dues in a certain order: say interest first and then the principal. For example, if there is a penalty interest, you may want to recover it first.

### **Example**

You can indicate that the repayment schedules for the principal have to be liquidated automatically if you are sure that your customer will repay the schedule amount on time.

Another scenario where you could define automatic schedules could be when the customer has a deposit the interest from which, is servicing his loan.

### **Recomputing schedules after a repayment in advance**

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

### **Example**

Parivallal Express Services has taken a long-term loan with the following terms:

Initiation on: 01 January '98

Maturity on: 31 December '01

Principal: USD 360,000

Interest: fixed at 15% per annum

Repayment: a principal of USD 10,000 every month, with interest

For the first four repayments, Parivallal Express Services pays back USD 10,000 plus the interest applicable. On the fifth monthly payment, Parivallal Express Services pays back USD 40,000 instead of the USD 10,000 that is scheduled. The interest applicable as of that day is also paid.

The prepayment of the principal will entail a change in the subsequent interest schedule amounts. This is because, when the interest amount for each repayment is calculated on initiation of a loan, it will be on the "expected balance" as of a payment date.

Thus, in this case, the interest amount for the first repayment will be 15% p.a. on 360,000; for the second repayment will be 15% on 350,000, and so on.

The prepayment changes the expected balance (in this case, USD 40,000 has been paid back instead of the scheduled USD 10,000). Thus, the interest applicable for the subsequent schedules will be less, as the actual balance is less than the expected balance.

The recalculation of the subsequent interest schedules will be done only if you have specified that schedules have to be redefined on a prepayment. Otherwise, the interest amounts for the subsequent schedules will be the same as that calculated based on the earlier expected balance.



*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.*

### **Liquidating back valued schedules during initiation**

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

### **Example**

Loans can be initiated

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

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

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 loan 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.

### **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 loan.

#### **Bearing**

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

### **Example**

You have advanced Ms Yvonne Cousteau a loan of USD 10,000, under the 'Short Term Loans for Individuals' scheme, 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, is advanced to Ms Cousteau and the interest on it is collected over the one year, which is the tenor of the loan.

#### **Discounted**

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

### **Example**

Carrying forward the example of Ms Yvonne Cousteau's loan of USD 10,000, under the scheme 'Short Term Loans for 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 loan, USD 1,000, is deducted from the principal (USD 10,000) and only USD 9,000 is advanced.

#### **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 advanced Mr. Brian Williams a loan of USD 10,000 under the scheme 'Short-term Loans For Industries at 10% interest' for a year. Under the true discounted type of interest payment, the interest amount in absolute terms is not USD 1,000 but lesser than that. This is because the interest rate of 10% is not applied on USD 10,000 but on the actual amount disbursed (derived by the system) which is USD 9090.91.

### **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 loan — are available in the form of a picklist. You will have to define schedules for each of them.

If you 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 loan, 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 loans, 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 loans with special interest, you will also have to provide the interest amount.



If you are entering a loan contract for which you need to define installment schedules, you have to select Installment as the component. To define installment schedules the contract must be linked to a product for which installment schedules are allowed.

*For more details, refer the section 'Specifying whether installment schedules should be allowed' in the Products chapter of this user manual.*

### **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 loan) of the loan involving the product, or a Calendar Date.

If you specify that the Reference is the Value Date (date of initiation of the loan), 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 loan 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 loan matures.

If the Reference is specified as Calendar Date, and the Start Date is fixed as 1 October 1997, 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 loan matures. In this case, the interest days for the first repayment will be from 15 September 1997 to 30 September 1997.

If Reference is set to Value Date (loan 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 one schedule for one 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 loan 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 loan if you were to define a fortnightly schedule, you indicate the frequency as daily and unit as 15. The first schedule will, in this case, be liquidated on 25 December 1997, the next one on 10 February 1998, and so on.

## **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

## **Specifying the frequency 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

9. The frequency as Daily

10. The units as 15

For payments every three weeks, you will have to define

11. The frequency as weekly

12. The unit as three



## 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 loan starting anytime before 31 March, the first liquidation 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 loan that is initiated anytime before June, the first liquidation will take place on 30 June and the next one on 31 December. For a loan initiated after 30 June, the first liquidation 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 loans

For a discounted loan, 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 loan contracts involving the product.

When you initiate a discounted loan in the Loans 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 loan is authorized, you cannot subsequently amend any repayment schedules for principal component that have been defined for the loan.

### 9.3.1 Processing Overpayment and Refund of Interest/Fees

When you select the check box 'overpayment allowed' in the 'Loans and Deposits 'Product Preference' screen overpayment of interest/fee is allowed for the loan product. System calculates the overpaid amount against all the future schedules and overpayment for the bullet schedule is not allowed. If the amount due for a schedule gets changed due to principal payment, then the system adjusts the same after re-computation.

#### 9.3.1.1 Refunding the Excess Amount

You can refund the excess amount paid at any time. You can also refund the interest / fee amount paid, even though there is no overpayment done. The overpaid amount can be refunded through the 'LD Refund Online' screen. To invoke the screen, select **Loans and Commitment Operations** from the **Application Browser**. Select **LD Refund Online** thereafter.

The screenshot displays the 'LD Refund Online' interface. It features a 'Contract details' section with fields for Contract Ref No (CT2GBL3043669001), User ref no (CT2GBL3043669001), Branch (CT2), Book date (31-DEC-2004), Counterparty (CUSTOMER01), Refund value date (31-DEC-2004), Currency (USD), Department (DEP), and Treasury source. Below this is the 'Interest and fee details' section, which contains a table with columns: Component, Total Amount paid, Total Overpaid Amount, and Refund Amount. The table lists two components: LD-OS-INT and LOAN-FEE, with their respective amounts and a total refund amount of 4,600.00. At the bottom, there is a 'Remarks' field with the text 'test' and a status table showing entry details.

Component	Total Amount paid	Total Overpaid Amount	Refund Amount
LD-OS-INT	30,000.54	5741.3	2,750.00
LOAN-FEE	5,721.13	2922.59	1,850.00
Total Refund Amount			4,600.00

Entry by	Date/time	Auth By	Date/Time	Contract Status	Auth Status
GOURI02	31/12/2004 20:32:35	GOURI01	31/12/2004 20:33:06	Active	Authorized

You can specify the following details in this screen.

#### Contract Ref No

Select the contract reference number of the loan contract for which the overpaid interest/fee amount has to be refunded. The following details of the payment get displayed:

- Value date
- Schedule Due date
- Amount due
- Amount paid

- Refund Amount

### Refund Amount

Specify the amount that has to be refunded. This amount cannot be greater than the amount paid.



The entries posted as part of 'RFND' event is for the amount entered in the 'Refund Amount' option.

### Refund

Check this box to unlock the screen and select 'Refund Amount' and save it for processing the refund.

### Remarks

Enter remarks about the amount refund if any.



Refunding of Interest and Fee can be done through the same screen and at the same instance.


The following restrictions are applicable for overpayment and refund of interest/fees:

- Overpayment of fee is not applicable for 'User Input' type of fee.
- Payment reversal after refund is not allowed.
- During Loan Reprice, if the 'Transfer main interest' is selected then the excess amount paid is adjusted against the interest calculated for the period between last schedule date and the reprice date. The residual interest due amount is transferred to the reprice child contract and if the same is residual interest amount is +ve, then it is treated as acquired interest else as overpayment and gets settled on first schedule of the component of child contract. Transfer of Interest will not be allowed for back valued reprice
- Refund of transferred interest (Transferred interest includes excess amount paid as well) is not allowed

## 9.4 Defining Repayment Schedules

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

## 9.5 **Setting Loan Schedule Preferences**

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

The attributes that have been defined for a product are inherited by all loans involving the product. Some of these attributes can be changed. They are:

- The liquidation of schedules that fall due before the day on which the loan 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 loan.

Through a set of fields in the Contract Preferences screen, you can specify an additional set of schedule related attributes for a loan 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 loan currency, that has to be checked before setting automatic schedules
- Whether back valued schedules should be liquidated on loan initiation
- The type of amortization, if amortization has been specified for the product and therefore, the loan
- Whether availability of funds in the repayment account has to be verified if components have the same schedule date and repayment account, and automatic liquidation has been specified



(Only the attributes that deal with schedules are discussed here. Attributes like mode of status control and type of commitment which are present in this screen are dealt with in the chapters Disbursing a Loan and Commitments, respectively please refer these chapters.)

## 9.6 **Specifying the Preferences of the Contract**

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

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
- It cannot be beyond the Maturity Date

### 9.6.1 **Types of Repayment Schedules**

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

- Amortized
- Capitalized
- Normal

The *schedules type* that you define for the product will apply to all loans involving the product. When you process a loan, 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 loan too. You cannot change it.

#### 9.6.1.1 **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 loan is to be amortized, it should have fixed type of interest and bearing interest payment method.

#### **Capitalization**

You can capitalize the interest payment on a loan by:

- Specifying the type of schedule (through the Product Preferences screen). The loan inherits this from the product

- Specifying the frequency for the capitalization through the Product Default Schedules screen. The frequency can be changed for the loan.

If the repayments of principal or interest on a loan are not made on a particular schedule date, they will be capitalized for the next schedule. The outstanding interest is added to the outstanding principal on the schedule date and this becomes the principal 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).

#### **Example**

You have specified that the interest should be capitalized for Ms Yvonne Cousteau's loan 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 loan 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.

#### **Normal**

If you have specified normal type of schedules, you will be able to define your own schedules for loans 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
- Cannot be beyond the Maturity Date

### **9.6.2 Defining Installment Schedules for Loans**

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

For such loans, 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 loan contract involving the product, you can define installment schedules.

- When you enter a loan 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.

### 9.6.2.1 Processing Late Payment

During the payment of an overdue installment schedule, the principal and interest components are liquidated for the overdue amounts. The interest amount is recalculated on the outstanding principal for the overdue days. The Interest amount for the remaining days in the current schedule is calculated on the current principal outstanding. The principal and interest due amount for the subsequent schedules are recalculated with the new principal outstanding amount.



Loan repayment happens in multiples of installment amount and there are no partial prepayments for installment loans. During multiple overdue schedules it is paid on the same value date. You need to make separate payments if the value dates are different.

#### **Example**

A Contract is booked with the following details

Specifications	Details
Loan Amount	1,000,000.00
Value Date	1-Aug-08
Installment Schedule Start Date	6-Oct-08
Maturity date	31-Dec-09
Installment Amount	50,000.00
Interest Rate	4%

The schedule details will be as below.

Schedule Date	Outstanding Principal	Interest Rate	Principal Due	Interest Due
6-Oct-08	1,000,000.00	4%	42,767.12	7,232.88
6-Nov-08	1,000,000.00	4%	46,602.74	3,397.26
8-Dec-08	1,000,000.00	4%	46,493.15	3,506.85
6-Jan-09	1,000,000.00	4%	46,821.92	3,178.08
6-Feb-09	1,000,000.00	4%	46,602.74	3,397.26
6-Mar-09	1,000,000.00	4%	46,931.51	3,068.49

Schedule Date	Outstanding Principal	Interest Rate	Principal Due	Interest Due
6-Apr-09	1,000,000.00	4%	46,602.74	3,397.26
6-May-09	1,000,000.00	4%	46,712.33	3,287.67
6-Jun-09	1,000,000.00	4%	46,602.74	3,397.26
6-Jul-09	1,000,000.00	4%	46,712.33	3,287.67
6-Aug-09	1,000,000.00	4%	46,602.74	3,397.26
6-Sep-09	1,000,000.00	4%	46,602.74	3,397.26
6-Oct-09	1,000,000.00	4%	46,712.33	3,287.67
6-Nov-09	1,000,000.00	4%	46,602.74	3,397.26
6-Dec-09	1,000,000.00	4%	46,712.33	3,287.67
31-Dec-09	1,000,000.00	4%	303,917.81	2,739.73

Now assuming the schedule due on 6<sup>th</sup> October is paid on the 20<sup>th</sup> October then the schedules will be recalculated as below.

Interest for 14 overdue days is,  $1,000,000 * 4\% * (14/365) = 1,534.24$

Remaining interest for schedule is  $957,232.88 * 4\% * (17/365) = 1,783.34$

So total interest for Schedule due on 6<sup>th</sup> November will be ,  $1534.24 + 1783.34 = 3317.58$ .

Principal Outstanding on 6<sup>th</sup> November will be,  $50,000 - 3317.58 = 46,682.42$

Schedule Date	Outstanding Principal	Interest Rate	Principal Due	Interest Due
20-Oct-08	1,000,000.00	4%	42,767.12	7,232.88
6-Nov-08	957,232.88	4%	46,682.42	3,317.58
8-Dec-08	957,232.88	4%	46,643.13	3,356.87
6-Jan-09	957,232.88	4%	46,957.84	3,042.16
6-Feb-09	957,232.88	4%	46,748.03	3,251.97
6-Mar-09	957,232.88	4%	47,062.74	2,937.26
6-Apr-09	957,232.88	4%	46,748.03	3,251.97
6-May-09	957,232.88	4%	46,852.93	3,147.07
6-Jun-09	957,232.88	4%	46,748.03	3,251.97



Schedule Date	Outstanding Principal	Interest Rate	Principal Due	Interest Due
6-Jul-09	957,232.88	4%	46,852.93	3,147.07
6-Aug-09	957,232.88	4%	46,748.03	3,251.97
6-Sep-09	957,232.88	4%	46,748.03	3,251.97
6-Oct-09	957,232.88	4%	46,852.93	3,147.07
6-Nov-09	957,232.88	4%	46,748.03	3,251.97
6-Dec-09	957,232.88	4%	46,852.93	3,147.07
31-Dec-09	957,232.88	4%	301,986.84	2622.55

### 9.6.3 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.

- Reducing balance
- Rule 78

### 9.6.4 Liquidating Back Valued Schedules

If you specified, while defining the product, that for a back-dated loan with repayment schedules prior to today’s date, the schedules have to be liquidated when the loan is initiated, the same will apply to the loan you are entering.

However, through this screen, you can choose *not* to liquidate back valued schedules.

#### Example

Loans can be initiated:

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

Suppose today is 15 October 1997 and you book a loan of 15,000 USD with the value date (date on which the loan 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.



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.

### 9.6.5 **When the Repayment Schedule Date 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
- Move it either backward or forward, by specifying

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 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 repayment schedule date for Taggart Iron and Steel's loan for 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 liquidated during the 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 BOD run of the Automatic Contract Update function.

### 9.6.6 **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 such a 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 loan, 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 BOD processes on this date, as it is a working day.

## **9.6.7 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 fall on the holiday without any movement.

#### **Scenario 2:**

You 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 fall due on the holiday without any movement. The idea being that the schedule is not moved across months.

### 9.6.8 **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
- 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.

### 9.6.9 **Specifying the Holiday Currency**

You can specify the country of the loan currency for which the holiday table should be checked before drawing the payment schedules related to the loan. In case a schedule falls on a holiday and you have specified that the schedule be moved forward or backward, the movement will happen according to the holidays in this country.

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

### 9.6.10 **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 loans involving the product. Through the Contract Preferences screen, you can change the mode of liquidation for the loan you are processing, from automatic to manual, or vice versa.

### 9.6.11 Ascertaining the Availability of Funds

When the customer's repayment account is debited automatically by the system, you can specify that the availability of funds for liquidation of the various components of a loan has to be ascertained before the liquidation is done.

This feature is of significance when:

- The components have the same schedule dates, and are serviced by a single repayment account
- The funds in the repayment account are insufficient

If the availability of funds has to be ascertained:

- All the components which are due will be liquidated only if funds are available in the repayment account
- If there are insufficient funds, a partial liquidation of components will be done to the extent of funds in the account. If this is the case:
  - The payment schedules for those components, which have not been liquidated, or which have been partly liquidated, will be left outstanding. Aging analysis on such loans will be carried out as specified for the product and an appropriate penalty applied.
  - The component(s) for which funds are available will be liquidated in the order you specified in the Liquidation Order screen. Here in, you may have allotted priority to the recovery of certain components. (For example, you may have specified that you would like to recover the interest, commission and fees first, and then, the principal). If the liquidation order is not specified for the components, then, it will be liquidated in the order Penalty Interest (if this has been applied), then Interest and finally Principal.

If availability of funds need not be ascertained and the liquidation results in the account going into a debit balance:

- All the components will be liquidated only if you have allowed overdraft for the repayment account. The schedules for the components will be liquidated to the extent of the debit balance that you have allowed. If the overdraft exceeds the debit balance allowed, the liquidation will be done with an overdraft override that is automatically recorded.

On a repayment account that has a debit balance, debit interest as specified for the type of account (current or savings), will be applied.

- No liquidation will be done (even for a partial amount) if the account has not been defined for overdraft.

Loans with payments, which have not been processed, due to non-availability of funds, will appear in the Exception Report generated by the Automatic Contract Update function for the day.



For the final principal payment on maturity, the availability of funds in the payment account will always be verified.

## 9.6.12 Invoking the Contract Schedules Screen

When you are in the LD Contract Online screen, you will see sections in the screen saying, Schedules, Linkages and Rollover. When you click on any of these, the respective screen will be displayed. To go to the 'Contract Schedules' screen, click **Schedules**.

The screenshot shows the 'LD Contract Online [SAP INC.]' interface. At the top, there are fields for Template (Q NORM), Contract Ref Number (CT2LBN1050033003), Facility Name, User Ref Number (LOAN-T3), and Custom Ref No (LOAN-T3). Below these are tabs for Contract, Schedules, Linkages, and Rollover. The Schedules tab is active, showing 'Schedule Preferences' and 'Schedule Details'.

**Schedule Preferences:**

- Contract Sch Type: NORMAL
- Amortisation Type: Reducing Balance (selected), Rule 78
- Ignore Holidays: checked
- Apply Facility Ccy: unchecked
- Apply Contract Ccy: unchecked
- Apply Local Ccy: unchecked
- Move Backward: unchecked
- Move Forward: checked
- Rate Code Ccy: unchecked

**Schedule Details Table:**

Rev	Component	Start Date	No.	Frequency	Unit	Amount	Reset Tenor
P	LD-FL-INT	28-FEB-2005	1	Bullet	1		
P	PRINCIPAL	28-FEB-2005	1	Bullet	1	100,000,000.00	

At the bottom, there is a status bar with fields for Entry By, Entry Time, Auth By, Auth Time, Contract Stat, Auth Status, Confirmation Status, Workflow status, and Revision Status.

## 9.7 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 loan with periodic interest rates
- Those for the revision of interest rates for a loan with fixed interest rates, and
- Those for repayment of the various components

 To indicate a Revision schedule you can select R in the option list positioned next to the Rev field.

### 9.7.1 **Interest Rate Revision Schedule**

A Floating Rate Table - that 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 loans, 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 applied according to the frequency you specify.

For a loan 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.

### 9.7.2 **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.

### 9.7.3 **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 loan of USD 200,000 to Cavillieri and Barrett Finance Corporation has been initiated on 10 December 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 1997
- 14 December 1997
- 16 December 1997

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 loan at the time of calculating interest.

You can specify the frequency through this screen. To do this, you have to specify a rate revision schedule for the component (by giving the frequency and the Start Date for the first rate revision), as well as a repayment schedule, if it is to have one.

## **9.7.4 Repayment Schedule**

For a repayment schedule, the amount of repayment needs to be specified only for the Principal. The interest, commission and fee components will be calculated by the system automatically, depending on the repayment date and amount of the principal. However, if the interest type is Special, you should specify the interest amount. Similarly, if the loan 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 the loan will be those defined for the product it involves. You can change the schedules for a loan when processing it.

## **9.7.5 Interest Repayment Schedules as Different from Rate Revision Schedules**

For a loan 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
- A repayment schedule

The following example shows how this is achieved:



### **Example**

You have a loan 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 1997 and the End Date is 30 November 1997.

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 1997	12
12 October 1997	11.5
25 October 1997	11
15 November 1997	12
30 November 1997	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, say 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 follows:

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

### 9.7.6 **Specifying Schedules for a Loan 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 loan. However, you can change the frequency, number, unit and the start date to suit the specific requirements of the loan 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 loan, you can define repayment schedules that:

- Fall due at regular intervals
- 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 loan (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 loan:

A loan 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 loan beginning 1 January 1998 and ending 31 March 1999. Suppose, you want to define four quarterly schedules and three monthly schedules for principal repayment of this loan. 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

## **9.7.7 Redefining Schedules**


Repayments that are scheduled for a date later than today can be redefined. This redefinition can be done even after the loan 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 loans with fixed interest, commission or fee rates, the schedule amounts for these components will be automatically changed when there is a change in the rate.

- For a loan 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, commission or fee) that are dependent on the tenor of the loan 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, commission or fee) that are dependent on the tenor of the loan 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 loan 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 the  icon. If you click the redefinition button on the schedules screen, 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 the  button. 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 the  button.


### 9.7.8 **Authorizing a Redefined Schedule**

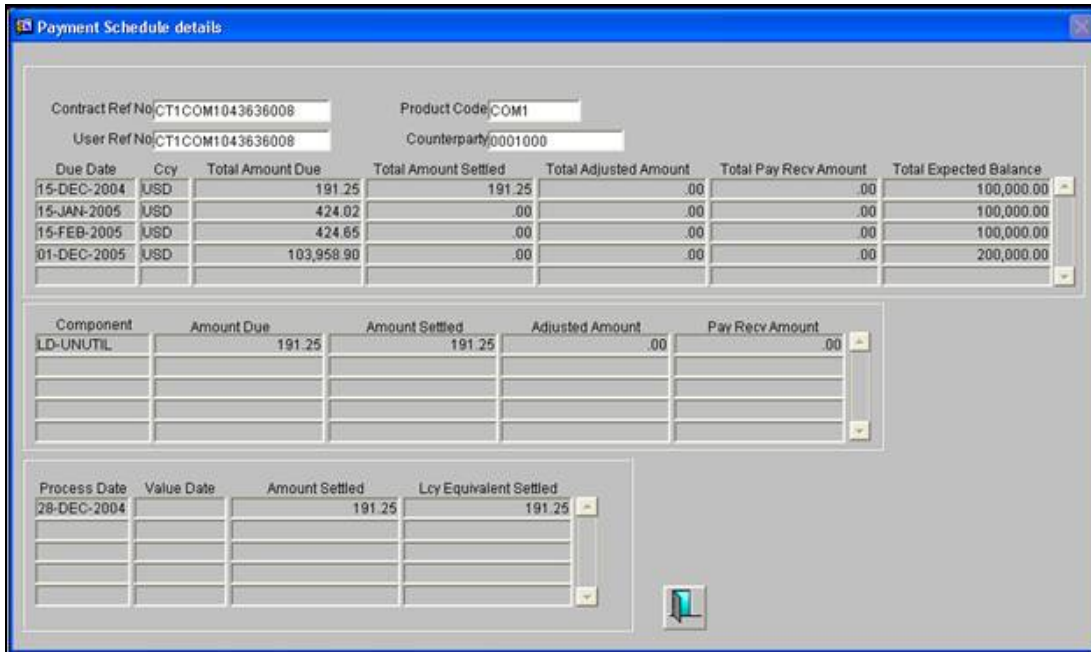
The redefinition of schedules for a loan amounts to a modification of the contract. The contract should be authorized before you can begin the end of day processing.

*For details on authorization, refer the chapter on operations on a loan.*

### 9.7.9 Viewing Schedule Details

When you click  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.

To go back to the schedule definition screen, click the  button.



The screenshot shows the 'Payment Schedule details' window. It contains several input fields at the top for Contract Ref No, Product Code, User Ref No, and Counterparty. Below these are three tables: a main schedule table with columns for Due Date, Ccy, Total Amount Due, Total Amount Settled, Total Adjusted Amount, Total Pay Recv Amount, and Total Expected Balance; a component table with columns for Component, Amount Due, Amount Settled, Adjusted Amount, and Pay Recv Amount; and a process table with columns for Process Date, Value Date, Amount Settled, and Lcy Equivalent Settled. Each table has a scrollable list of data rows.

Contract Ref No	Product Code	User Ref No	Counterparty
CT1COM1043636008	COM1	CT1COM1043636008	0001000

Due Date	Ccy	Total Amount Due	Total Amount Settled	Total Adjusted Amount	Total Pay Recv Amount	Total Expected Balance
15-DEC-2004	USD	191.25	191.25	.00	.00	100,000.00
15-JAN-2005	USD	424.02	.00	.00	.00	100,000.00
15-FEB-2005	USD	424.85	.00	.00	.00	100,000.00
01-DEC-2005	USD	103,950.90	.00	.00	.00	200,000.00

Component	Amount Due	Amount Settled	Adjusted Amount	Pay Recv Amount
LD-UNUTIL	191.25	191.25	.00	.00

Process Date	Value Date	Amount Settled	Lcy Equivalent Settled
28-DEC-2004		191.25	191.25

In this screen you can view the following details for the component:

- Contract Reference Number
- User Reference Number
- Product Code
- Counterparty

#### **Total schedule amount across component for a schedule:**

- Due Date
- Currency
- Total Amount Due
- Total Amount Settled
- Total Adjusted Amount
- Total Pay Received Amount
- Total Expected Balance

### **Component wise break up for each schedule date**

- Component
- Amount Due
- Amount Settled
- Adjusted Amount
- Pay Received Amount

### **Payment details for each component for a given schedule date**


- Process Date
- Value Date
- Amount Settled
- Lcy Equivalent Settled

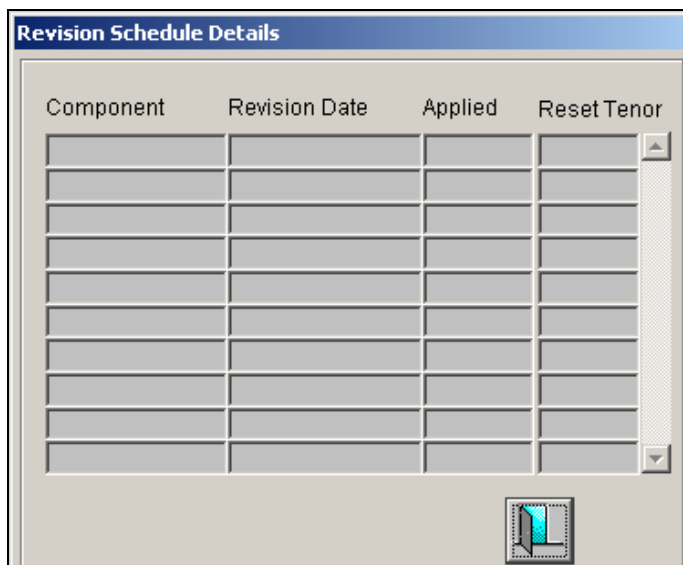


Note the following:

- You can view the remaining Principal balance after deducting the Principal amount due for a particular schedule.
- You can view the Interest amount in FCY and also its LCY equivalent in case of FCY Loans.

## **9.7.10 Viewing Revision Schedule Details**

When you click  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.

The screenshot shows a software window titled "Revision Schedule Details". It contains a table with four columns: "Component", "Revision Date", "Applied", and "Reset Tenor". The table has 10 empty rows. A vertical scrollbar is on the right side of the table. At the bottom center of the window is a small icon of a document with a blue arrow pointing to it.

Component	Revision Date	Applied	Reset Tenor

In this screen, you can see the following details for the component:

- The revision date
- Whether it has been applied
- The reset tenor

## 9.8 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 loan 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, one day before the schedule date.

### 9.8.1 Invoking the Contract Schedule Payments Screen

In the **Application Browser**, click **Loans & Commitment Operations** and thereafter **Manual Payment** under it. The 'LD Schedule Payments' screen is displayed.

**Contract Payment [ ABN AMRO US ]**

Reference No. CT3DPNN051231001    Department DEP    Branch CT3  
 O/S Balance 1,000,000.00    Currency USD    Treasury TRS01  
 Counterparty ABNUS01    Status NORM    1 of 1

Value Date 05-MAY-2005    Amount Paid 1,008,279.99    Lcy Eqvt 1,008,279.99  
 Limit Date    Limit Amount    Lcy Eqvt  
 Disc. Rate    Liquidated Nominal  
 Interest Waived    ☐ Waive Interest    ☐ DDA Advice Req'd    ☐ Override Memo Posting

Component	Amount Due	OD	Amount Paid	Tax
PRINCIPAL	1,007,999.99	1	1,007,999.99	00
DPFIX	280.00	1	280.00	28.00

**Prepayment**

Prepaid Principal Interest Rate  
☒ Liqd of int. on Prepaid Principal    Penalty Rate  
☐ Reapply Interest on Prepaid Amount    Penalty Amt  
☐ Reapply Interest on Outstanding Amount    External Trn Ref No  
☐ Refund Tax to Customer    ☐ Liquidate Deposit    **Prepayment Schedule Processing**  
☒ FIFO    ☐ LIFO

Adjust Amt    Addl. Adj. Amt

Remarks **Prepayment after maturity**

Entry By	Entry Time	Auth By	Auth Time	Trn Type
Payment				
Reversal				

Workflow Stat    Auth Stat  
 Payment Stat    Contract Stat

The following operations can be performed on a payment through the Contract Schedule Payments screen:

- Input of Manual payments
- Deletion manual payments
- 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 loan has been defined for automatic liquidation of components).
- Back value dated 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.

### **9.8.2 Input of Manual Payments**

Once you enter the loan 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 loan
- The status of the loan
- The total outstanding amount as of the value date (the date on which the payment is being made)
- The version of the loan (that is the number of times that the loan has been modified)

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 pending on Ms Yvonne Cousteau loan — 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 25 October, if you liquidate the schedule due on 30 October, it amounts to a prepayment. 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: 1 June:

Payment schedules for a contract are as follows:

<b>Sch. Date</b>	<b>30 June</b>	<b>31 July</b>	<b>30 August</b>
<b>Principal</b>	<b>1000</b>	<b>1000</b>	<b>1000</b>
<b>Interest</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Commission</b>	<b>50</b>	<b>50</b>	<b>50</b>
<b>Fee</b>	<b>20</b>	<b>20</b>	<b>20</b>

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 - .

Alternatively, you can also enter the amounts against the individual components. Click the  button to view the Sum amount to be paid.. Click  button to view the component wise amount to be paid on the closure date. The Principle, Main interest Component and Tax as on the closure date will be displayed. You cannot edit the displayed amounts.

The Computed amount to be paid will be defaulted against the Principal and Main Interest component wise. It will be disabled when the value date of the payment is after the maturity date of the contract. The system will consider all the rollover preferences set in the contract level and display the amounts.

The system will perform a Rollover on the maturity date of the contract. The system will execute the future dated payment in the liquidation batch.. Principal, Interest and Tax amounts will also be liquidated.



**STOP** You cannot perform any other financial activity on the contract once the future dated payment is captured

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:

- Penalty interest (if one has been applied)
- Interest
- Principal



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.

You can waive a portion of interest amount overdue by specifying the interest waiver amount in the field, 'Interest Waived' and check the field, 'Waive Interest' to process the interest waive. This interest waive is applicable for only main interest.

#### **Example**

Suppose a Loan Contract has the interest amount due of USD 29589.04 due as on 28-OCT-2008 which is also the scheduled due date. The amount received from the customer is USD 29000. You can waive the difference of USD 589.04, and the schedule does not go into overdue.

### **9.8.3 Specifying Prepayment Schedule Processing**

Indicate the type of payment schedule processing that you want to maintain. You can select one of the following options:

- FIFO
- LIFO



If FIFO option is selected, then the schedules will be rebuilt based on the FIFO logic

### **9.8.4 Handling Prepayments**

When a prepayment is made for the principal, it constitutes a schedule violation of the contract. In such cases, a penalty in the form of a penalty amount for loans is charged.

The penalty amount that is entered by you will be added to the liquidation amount in case of loans. The penalty amount 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 will not affect any schedules of the contract

### **Adjustment Amount**

You may wish to collect an additional interest amount over and above the regular interest that you have charged the customer. You can enter the same in this field.

### **Additional Adjustment Amount**

You may wish to reimburse an additional interest amount, in case you have collected excess interest from the customer. You can enter the amount to be reimbursed in this field.



These adjustment amounts will not affect any schedules of the contract.

### **Prepaid Principal Interest Rate**

This is the interest rate that will be applied on the prepaid principal. If the final rate computed (after penalty deductions) during payment is less than 0, the rate for the payment will be set to 0. For account linked deposits, the rate will be recomputed based on the contract currency, tenor and amount. For interest reapplication, full rate re-computation (of Rate + Tenor Spread + Amount Spread) will be done for the prepaid amount whereas for the outstanding balance, only the amount spread would be reapplied.

### **Liqd. of Int. on Prepaid Principal**

This box will be checked if you have checked the same in the Loans and Deposits Product – Preferences screen. You can change the preference you have specified in the Contract Payment screen. If you have checked this box, you will not be allowed to enter the 'Amount' for interest liquidation. The amount will be computed and liquidated by the system. In addition, in case of prepayment, the rate will be recomputed based on the contract currency, tenor and amount.

### **Reapply Interest on Prepaid Amount**

This box will be checked if you have checked the same in the Loans and Deposits Product – Preferences screen. You can change the preference you have specified in the Contract Payment screen. If you have checked this option, the interest on the prepaid amount will be recalculated during prepayment, based on the rate applicable for the current tenor of the deposit.

### **Reapply Interest on Outstanding Amount**

This box will be checked if you have checked the same in the Loans and Deposits Product – Preferences screen. You can change the preference you have specified in the Contract Payment screen. If you have checked this box, the interest on the outstanding amount will be recalculated during prepayment. The repayment will be based on the current amount spread applicable for the outstanding amount of the deposit.

## Refund Tax to Customer

Check this box if you want to refund the excess tax amount collected from the customer. The system will generate the amount tags for reimbursing the excess tax deducted. If you leave this box unchecked, the amount will not be refunded to the customer.

In case of an agency contract, if you make a full prepayment on the value date of the contract, the system will trigger a contract reversal operation. This reversal will not be sent to the Originations module via STP. The corresponding contract will have to be manually reversed in the Originations module. This reversal will then be sent as a feed to the Intellect system. In case the contract is not linked to an agency, the system will send a cancel message to the Intellect system.

### 9.8.4.1 Handling Prepayment on Rolled-over Contracts








For rolled over contracts where the ROLL event is triggered and prepayment is done as on the value date (start of new interest period) of the contract, the system will send the cancel message to Intellect. After rollover, you can make a prepayment for the child contract (which will be a new version on the parent contract).

For contracts where forward-dated rollover instructions are captured and prepayment is done on the value date of the contract (start of new interest period), the system will send the cancel message for new interest period to Intellect, though the contract data is not updated immediately to new interest period.

For contracts where forward-dated rollover instructions are captured and prepayment is done on the value date of the contract (start of current interest period), the system will send the cancel message for new interest period to Intellect, though the contract data is not updated for the new interest period. Additionally it will send a cancel message for the current interest period.

### 9.8.5 Navigating to Other Screens

In the Contract Schedule payment screen, you have a set of icons, using which, you can navigate to the following screens:

	Click here to go to the Settlement Message Details screen
	Click here to see the Tax details screen
	Click here to see the Advices screen. You can suppress advices using this screen
	Click here to view the Schedule Breakup screen
	Click here to view the Events screen
	Click here to view the Transaction MIS Maintenance screen
	Click here to view the Contract Charge Details screen

## 9.8.6 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 a customer owes USD 1000 in interest (tax inclusive), the tax rate is 10%, and he pays you USD 1000, the payment is automatically distributed into USD 909.09 (interest) and USD 90.91 (the tax component).


He will still owe you USD 90.91 in interest and USD 9.09 in tax

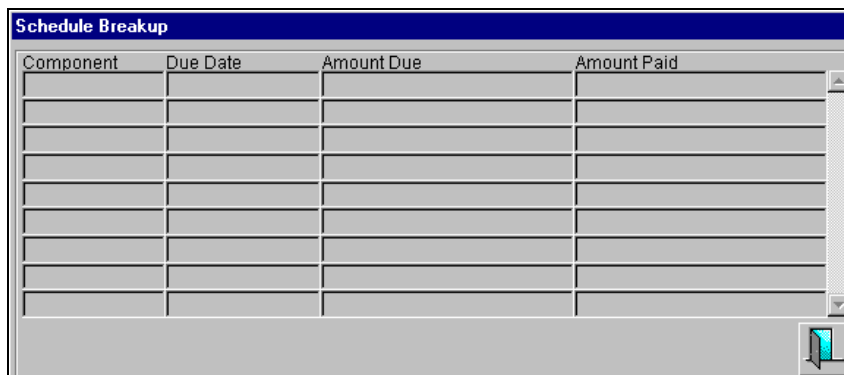
Total tax is always calculated on the full schedule. Therefore, if there is a rounding difference, it will be adjusted in the last liquidation.

### Example

In the above instance, the tax component has come to USD 90.91 for that schedule. Suppose the total tax component is USD 273. If this is paid 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.

## 9.8.7 Viewing the Schedule Break-up Details

In the Schedule Payments screen, you will see a row of icons. Click  to view the Schedule Breakup screen.



Component	Due Date	Amount Due	Amount Paid

You will see the following in this screen:

### 9.8.7.1 Schedule Payment Component

In this screen you can see the schedules being liquidated on account of this particular payment for which you are doing manual liquidation. The component getting paid is displayed.

### 9.8.7.2 Schedule Payment Due Date

The due date of the component being liquidated is displayed.

#### Example

Consider Ms Yvonne Cousteau's loan. 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 pays 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, an Amount Paid of USD 100 will be shown for 1 October. For 15 October, an amount of USD 25 will be shown as the Amount Paid.

You can also see the Amounts, which are due on a particular date.

Component	Due Date	Basis Amount	Amount Paid
Interest	1October	100	100
Interest	15 October	150	25

### 9.8.7.3 Schedule Payment Amount Due

The amount outstanding for the component being liquidated is displayed here.

### 9.8.7.4 Schedule payment amount paid

You can see here the amount paid for the component as of the value date (today's date).

*Refer example in Schedule Due Date.*

### 9.8.8 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  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.

### 9.8.9 Authorizing Manual Payments

You can invoke this function from the Application Browser. You should enter the Reference number, the value date of the payment and the amount paid (of those manual payments that you want to authorize). The payment details are displayed along with the overrides and an authorization will be sought. If you choose not to authorize the manual payment, the authorization screen will be dismissed.

### 9.8.10 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 reverse 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.

You can reverse the payments of Interest/Principal at loan level at commitment level made against any kind of schedule even after the Loan/Commitment is liquidated.

Click  icon in the application tool bar to reverse the payments.

Fee payments made against the commitment/loans etc., can be reversed irrespective of the contract being liquidated or for the bullet schedule.

Click  icon in the application tool bar to reverse the payments.



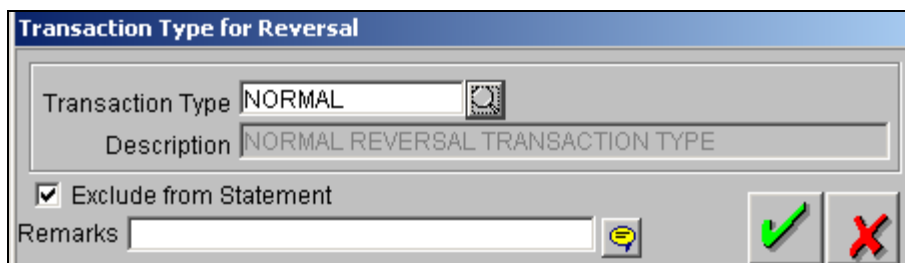


Note the following:

- The interest and principal payments arising out of rollover / re-price are not allowed for reversal.
- LIQD or FLIQ reversed should be the latest LIQD or FLIQ event.
- The auto LIQD reversal for bearing capitalized type of loans is not allowed.

### 9.8.11 **Reversal of events during payment reversal**

During a payment reversal, the system displays the Transaction Type for reversal screen where you can specify the transaction type for the event being reversed.



The screenshot shows a window titled "Transaction Type for Reversal". It contains a "Transaction Type" dropdown menu set to "NORMAL" with a small icon to its right. Below it is a "Description" field containing the text "NORMAL REVERSAL TRANSACTION TYPE". There is a checkbox labeled "Exclude from Statement" which is checked. At the bottom is a "Remarks" text field. To the right of the "Remarks" field are two buttons: a green checkmark and a red X.

In this screen, the default reversal transaction type maintained for the product is displayed. You can choose to retain the default value or select a new transaction type from the list of transaction types maintained through the Product Definition.

Once you choose the transaction type, the system will reverse all the accounting entries. If you have associated new transaction codes to an old transaction code in the Transaction Type Details screen for the product, the system will replace the old transaction codes with the corresponding (new) transaction codes. In case no new transaction codes are associated for the old transaction code, the entries are passed with the old transaction code.

Check the field, 'Exclude from Loan Statement' to make the reversal details not available in the Loan Statement.

#### **Example**

Suppose, an auto liquidation schedule of USD 1000 has made an account to go into a overdraft of 100 USD. The bank decides to reverse the payment so as to make the account in positive, and later inform the client about the unavailability of funds for auto liquidation. If you check the field, 'Exclude from Statement' during this reversal then the auto liquidation and its reversal do not appear in loan statement.

You may add remarks if you wish to, in the field, 'Remarks'.

### 9.8.12 Marking Contracts as Liquidated

You can select active commitment and loan contracts and change the status to 'Liquidated', if the contract satisfies all criteria for liquidation status. This can be done through the 'Mark Liquidated' screen.

To invoke this screen, select **Loans & Commitment Operations** in the Application Browser, click **Manual Payment** in the sub-menu and then click the **Mark Liquidated** option under it.

Mark Liquidated

Mark Liquidated

Contract Ref No

Facility Name

Principal Outstanding

Contract Amount

Counterparty

Value Date

Maturity Date

Remarks

Entry By  Entry Time  Auth by  Auth Time  Contract Status  Auth Status

Specify the following in this screen:

#### Contract Ref No

Specify the contract reference number. Alternatively, you can also select it from the option list. The list displays active commitment and loan contracts.

#### Facility Name

System displays the facility name once the contract reference number is chosen. You cannot modify this field.

#### Branch

System displays the branch once the contract reference number is chosen. You cannot modify this field.

#### Department

System displays the department name once the contract reference number is chosen. You cannot modify this field.

#### Principal Outstanding

System displays the outstanding principal amount once the contract reference number is chosen. You cannot modify this field.

#### Contract Amount

System displays the contract amount once the contract reference number is chosen. You cannot modify this field.

## Counterparty

System displays the counterparty once the contract reference number is chosen. You cannot modify this field.

## Value Date

System displays the value date once the contract reference number is chosen. You cannot modify this field.

## Mature Date

System displays the maturity date once the contract reference number is chosen. You cannot modify this field.

## Remarks

You may add remarks if you wish to, in this field.



You can only change status from 'Active' to 'Liquidated'; no other status change can be done from this screen.

The following operations can be performed through this screen:

- New - This operation initiates contract status change for a contract. When you click on 'New' button, the 'Contract Ref No' is enabled and you can select the required contract to be liquidated.
- Save - During this operation, system performs the contract lock check and if the selected contract is locked by any other user, save operation fails.
  - When there is no contract lock, system validates whether the status of the contract can be changed to 'Liquidated'. Once all validations are successful, the following override message will be displayed:

**Contract will be liquidated. Proceed?**
  - If the override is selected as 'Yes', the contract status will be changed from 'Active' to 'Liquidated' and LIQD event will be registered. If the override is selected as 'No', save operation will fail.
- Authorization - During this operation, LIQD event is authorized.
- Delete - During this operation, saved and unauthorized status change of the contract is deleted.



The branch and department code restrictions and maker and checker functionality is applicable to this screen.

### 9.8.12.1 Validations

The system performs the following validations during the save operation in 'Mark Liquidated' screen.

- Validation for loan contracts;
  - Contract should be in 'Active' and authorized status.
  - There should be no outstanding amount for any Principal and Interest/Fee component.
  - Loan can be liquidated only if Held for Sale (HFS) balance is zero.
  - All Escrow customer accounts and General Ledger (GL) accounts linked to the loan contract should have zero balance.
- Validation for commitment contracts:
  - Contract should be in 'Active' and authorized status.
  - There should be no outstanding amount of any Principal and Fee components.
  - Commitment cannot be marked as liquidated if any underlying loans are in 'Active' or 'Uninitiated' or 'Hold' status.
  - All Escrow customer and GL accounts of commitments and underlying loan contracts should have zero balance.
  - Maturity date of the commitment should be less than or equal to application date.
  - Commitment cannot be liquidated if any Straight Through Processing (STP) failure records exist for that commitment in STP browser.
  - Commitment can be liquidated only if HFS (Held for Sale) balance is zero.

## 9.9 Processing a Loan Payment when Contra Accounting is Applicable

The interest on some loans (non performing assets) may be booked to a Contra GL. You would have indicated this by checking the box 'Contra Accounting Applicable', and specifying the Contra GL in the field 'Contra GL', in the Status Maintenance screen. This would have been indicated for a particular status of the loan. When a loan transaction is processed, the system will first check the status of the loan. For any status other than 'NORMAL', the system will first check if Contra Accounting is applicable (if, for the product, you have checked the box 'Contra Accounting Applicable' in the Status Maintenance screen).

If Contra Accounting is applicable, the system will first process the principal amount payment and then the interest amount payment.

### 9.9.1 Events for Contra Accounting

Following are the accounting events for Contra Accounting:

#### ACCR

Dr	Memo Income	Component_ACCR
Cr	Memo Receivable	Component_ACCR
Dr	Receivable	Component_ACCR
Cr	Income	Component_ACCR

#### LIQD

Dr	Customer	PRINCIPAL_LIQD
Cr	Asset	PRINCIPAL_LIQD
Dr	Customer	Main_Interest_Component_LIQD
Cr	Receivable	Main_Interest_Component_LIQD
Dr	Income	Main_Interest_Component_CBIN
Cr	Cash Basis Income	Main_Interest_Component_CBIN

#### CICR (Contra Increment)

Dr	Income	Main_Interest_Component_CICR
Cr	Contra GL	Main_Interest_Component_CICR

#### CDCR (Contra Decrement)

Dr	Contra GL	Main_Interest_Component_CDCR
Cr	Income GL	Main_Interest_Component_CDCR

#### RESR

Dr	Expense	PRINCIPAL_RINC
Cr	Reserve GL	PRINCIPAL_RINC
Dr	Reserve GL	PRINCIPAL_RDEC
Cr	Income	PRINCIPAL_RDEC

## 9.9.2 Processing Principal Payment

When the principal payment exceeds the principal amount to be provided, the excess amount will be moved from the Reserve GL or the Contra GL, and booked into the Income GL.

If the following is true:

Principal Amount Paid > (Outstanding Principal – Reserve Amount – Contra Amount);

The following will be the accounting entries:

Dr	Reserve Amount	Write Back from Reserve
Cr	Income	Write Back from Reserve
Dr	Contra Account	Write Back from Contra
Cr	Income	Write Back from Contra

The system will consider the Reserve GL first and then the Contra GL when moving funds to the Income GL.

The following example illustrates the same:

Outstanding Principal – USD 100

Reserve Amount – USD 20

Contra Amount – USD 45

### **Case 1**

Principal Amount Paid – USD 30

Hence, Principal Amount < (Outstanding Principal – Reserve Amount – Contra Amount)

The accounting entries will be as follows:

Dr. Customer            USD 30  
Cr. Asset                USD 30

### **Case 2**

Principal Amount Paid – USD 40

Hence, Principal Amount > (Outstanding Principal – Reserve Amount – Contra Amount)

The accounting entries will be as follows:

Dr. Customer            USD 40  
Cr. Asset                USD 40

Dr. Reserve            USD 5

Cr. Income            USD 5

### **Case 3**

Principal Amount Paid – USD 70

Hence, Principal Amount > (Outstanding Principal – Reserve Amount – Contra Amount)

The accounting entries will be as follows:

Dr. Customer            USD 70

Cr. Asset                USD 70

Dr. Reserve            USD 20

Cr. Income            USD 20

Dr. Contra              USD 15

Cr. Income            USD 15

As the example illustrates, the excess amount is first written back from the Reserve GL, and then the Contra GL if necessary.

## **9.9.3 Processing Interest Payment**

If Contra Accounting is applicable and a payment is made on an interest component, the credit entry will be made in the Contra GL that you have specified in the Status Maintenance screen, and not the Income GL.

The accounting entries passed during the LIQD event are as follows:

Dr	Customer	Component_LIQD
Cr	ICCFCOMP_INC	Component_LIQD
Dr	ICCFCOMP_INC	Component_LIQD
Cr	Contra GL	Component_LIQD

### 9.9.4 Increasing/Decreasing Contra GL Balance

You can increase / decrease the contra GL balance for contract through the 'Contra GL Adjustment' screen. To invoke this screen, select **Loans & Commitment Operations** in the **Application Browser**, and then choose **Detailed** under **Contract GL Adjustment**.

**Contra GL Adjustment**

Reference No.  Department  Branch   
Contract Balance  Currency  Treasury   
Counterparty    
Contra Balance  Status   Of   
Value Date  Amount Paid  Lcy Eqt   
Account Dr.    
Account Cr.    
Remarks   
Contra Decrease ☐ Contra Increase ☒  
Entry By  Entry Time  Auth By  Auth Time  Trn Type   
Payment  Reversal   
Workflow Stat  Auth Stat   
Payment Stat  Contract Stat

In this screen, specify the following details:

#### Reference No.

Enter the Reference Number of the transaction for which you would like to reduce the contra amount.

When you enter the Reference Number, the following details will be defaulted in this screen:

- Department
- Branch
- Currency
- Treasury
- Contract Balance Amount
- Counterparty
- Contra Balance
- Status of the transaction
- Value Date of the transaction



**Amount Paid**

Specify the amount that is paid; this will also be the amount of the contra balance which is reduced or increased.

**Lcy Eqvt**

The Lcy equivalent will be computed (if the transaction currency and the currency of the amount paid are different) and displayed. If the transaction currency and the currency amount paid are not different, the Lcy equivalent will be the value that you have entered against the field 'Amount Paid'.

**Account Dr.**

The Contra GL/Income GL which should be debited is displayed here based on contra increase or decrease operation.

**Account Cr.**

The Contra GL/Income GL which should be credited is displayed here based on contra increase or decrease operation.

**Contra GL Adjustment**

Specify the type of contra GL adjustment (increase or decrease) that is to be associated with the contract. By default, the contra GL adjustment indicator is 'Contra Decrease'. You can select one of the following options

- Contra Increase
- Contra Decrease

If the transaction is for Contra Balance Increase, then CICR event is triggered,

The accounting entries posted are as follows:

Dr	INTERESTINCOME GL	Main Interest_CICR
Cr	Contra GL	Main Interest_CICR

If the transaction is for Contra Balance Decrease, then CDCR event is triggered

The accounting entries posted are as follows:

Dr	Contra GL	Main Interest_CDCR
Cr	INTERESTINCOME GL	Main Interest_CDCR

**Remarks**

You may add remarks if you wish to, in this field.

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## 10. Rolling-over a Loan

### 10.1 Introduction

A rollover is the renewal of a loan. Instead of liquidating a loan on maturity, you can roll it over into a new loan. The outstanding principal of the old loan is rolled-over with or without the interest outstanding on it. When a loan is rolled-over (renewed), it is processed in the following manner:

- A new version of the loan with the same contract reference number is initiated
- A new loan with a different contract reference number is initiated
- The original loan could be split into multiple loans as a result of the rollover
- The original loan could be consolidated along with other loans as a result of the rollover

You can rollover a loan that you are processing, provided a rollover is allowed for the product, the loan involves.

For a product with rollover defined, you can specify if loans involving the product should inherit the following:

- The attributes defined for the ICCF components (interest, charges and fees) from the product.
- Those defined for the initial contract. This gains significance, if you changed the attributes that the (initial) contract acquired, from the product. The rolled-over loan will acquire the changed attributes.

In addition, you have to specify the following for a product, defined with rollover:

- Whether it is to be rolled-over along with outstanding interest
- Whether tax has to be applied on the rolled-over loan
- Whether the principal of the rolled-over interest, should be taxed


However, when processing a loan, you can change the attributes that the loan acquires from the product. At the time of contract processing, you can indicate if a rollover is to be automatic or manual. Also indicate the maturity type (fixed, call or notice); the maturity date for a fixed maturity loan and the notice days for a loan with notice type of maturity.


You should also indicate the following:

- Whether only the outstanding principal is to be rolled-over
- Whether the outstanding principal is to be rolled-over with interest
- Whether a special amount is to be rolled-over. If a part of the principal and interest from the old loan has been liquidated and only the outstanding principal - with or without interest, is rolled-over, it is called a special amount.

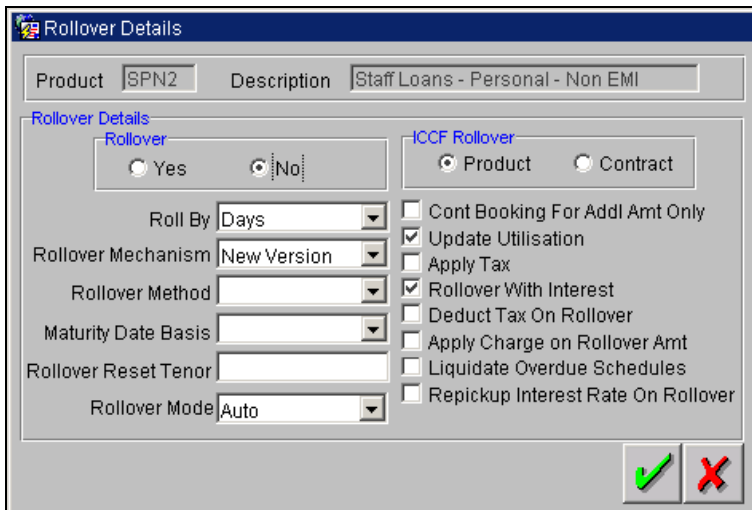
## 10.2 Features of the Product Roll-over Details Screen

When defining a product, you have to specify whether loans involving the product can be rolled-over. If rollover has been allowed for a product, all the loans involving the product can, by default, be rolled-over.

 However, a loan involving such a product will be rolled-over only if it is not liquidated, on its Maturity Date. You can choose not to rollover a loan involving a product with the rollover facility. This can be indicated when processing the loan.

The rollover details for the product that you are defining can be specified in the Product Roll-over details screen. Click  button in the Product Preferences screen to invoke this screen.

The following are the features of the product roll-over details screen.



### 10.2.1 Specifying whether Rollover is Applicable

Select the option 'Yes' in the section 'Rollover' to indicate contracts booked under this product can be rolled over. Select the option 'No' to indicate contracts under this product cannot be rolled over. You can, for a contract, change this preference. This can be done while entering a contract in the LD Contract Online screen.

### 10.2.2 Specifying the Rollover Mechanism

You can indicate whether rolling over a loan contract using the product must create a new contract, or a new version of the original contract. Select 'New Contract' if a new contract must be created on rollover; select 'New Version' if a new version of the original contract must be created.

### **10.2.3 Specifying the Rollover Method**

If you have indicated the rollover mechanism applicable for contracts using the product in the Rollover Mechanism field as 'New Contract' (as in the case of borrower draw down products), then you can use this field to indicate whether a single new contract must be created for the rolled over amount, or whether the original contract must be split into multiple contracts, or consolidated with other contracts into a single new contract, when rolled over using the rollover operation. Accordingly, select any of the options, 'Normal', 'Split' or 'Consolidated', in this field, as applicable.

If you indicate the 'Split' option, you can specify the preferences for the split, when you enter the borrower draw down contract using the product.

If you indicate the 'Consolidate' option, you can specify the other draw down contracts with which the original contract must be consolidated into a single contract, when you enter the borrower draw down using the product.

#### **Specifying the maturity basis**

You must indicate the tenor basis upon which the maturity days specified for the rolled-over contract will be reckoned, in the Roll By field. The options are Days, Months, Quarters, Semi-annuals and Years.

### **10.2.4 Mode of roll-over**

For a loan involving a product, with rollover facility, 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 loan is automatic or manual.

#### **10.2.4.1 Impact of Liquidation Mode on Roll-Over**

The mode of liquidation of a loan (automatic or manual) has the following impact when the rollover is carried out:

##### **Auto liquidation and auto roll-over**

The old loan will be liquidated and a new one initiated on the Maturity Date of the loan. It is processed during the BOD 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 Branch Parameters screen.

- If you specified that processing has to be done today (the last working day before the holiday), then for automatic events, the schedule falling on the holiday, will be liquidated today during End of Day processing.
- 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 first working day after the holiday, during Beginning of Day processing.

### **Auto liquidation (of principal) and manual roll-over**

The old loan will be liquidated automatically on the Maturity Date. If the loan has to be rolled-over, the instructions should be specified before the Maturity Date. At times the contract will not be liquidated because of the lack of funds in the repayment account. In such cases 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 loan 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 loan, if the contract has not yet been liquidated.

If you have defined that the loan should be liquidated manually, you cannot roll it over automatically.

When a loan is rolled-over or renewed for interest, charge or fee components, it can assume the following attributes:

- Those of the product involving the loan being rolled-over
- Those of the old loan itself

## **10.2.5 Roll-over of Interest, Charge and Fee Components**

The interest, charge and fee components of the new (rolled-over) loan can be picked up, either from the old loan or from the product involving the old loan. The following example illustrates this point:

### **Example**

When defining a product you specified that all loans involving it will have interest schedules every month and an annual fee.

Assume that you have processed a loan, involving this product, with the following attributes:

- Interest payment only on Maturity Date
- No fees

When rolling-over this loan, 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) loan. In such a case, the new loan will have interest payment schedules every month and an annual fee.
- You can specify that the interest and fee details, defined for the loan being rolled-over (old loan), should be made applicable to the new loan. In this case, the new loan will have an interest payment schedule only on Maturity Date and will have no annual fee.

### **10.2.6 Maturity Date Basis**

Select the Maturity Date basis for a rolled over contract. Select the option 'Product' if you want the tenor of the rolled over contract to be the default tenor maintained for the product. Select the option 'Contract' if you want the tenor of the rolled over contract to be the one currently applicable for the contract.

### **10.2.7 Updating Credit Limit Utilization**

This function indicates whether the credit limit utilization is to be updated, when a loan is rolled-over. That is, the interest that has been accrued on a loan is also considered, as a part of the utilized amount for the purpose of risk tracking.



This option applies only if you want to rollover a loan with interest.

### **10.2.8 Applying Tax on Roll-Over**

For tax to be applicable on a rolled-over loan:

- It should be applicable to the product involving the loan
- It should not have been waived for the old loan

You have to indicate whether tax has to be applied, on the rolled-over loan also.

#### **10.2.8.1 Rolling-over with Interest**

You have to specify whether the loan that you are rolling-over, should be rolled-over along with the outstanding interest. If you so specify, the principal of the new loan, will be the sum of the outstanding principal and the outstanding interest on the old loan. This applies only to loans with a bearing (add-on) method of interest liquidation.

If all the outstanding interest has been paid, then the loan can be renewed without the interest. If not, it will be rolled-over with the interest that is still outstanding on it.

A loan is rolled-over with only the main interest that is outstanding. It 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). Other interest components and the penalty interest, if there is any, will not be rolled-over.

The following example illustrates how this concept works.

### **Example**

Consider the example of Ms Yvonne Cousteau, who has taken a loan of USD 10,000 under the Short Term Loans for Individuals scheme,

- On 1 June 1997
- At 20% interest
- To be liquidated at Maturity, on 31 December 1997

Ms Cousteau is unable to repay the loan, therefore, you decide to renew it (roll it over into a new loan).

You have two options:

- You can roll it over without the outstanding interest
- You can roll it over along with the outstanding interest

If you roll it over without interest, the new principal will be USD 10,000. The accrued interest on this loan will be liquidated. The loan will be rolled-over, only if the interest can be liquidated. If there are no funds in the repayment account, there can be no rollover.

If you roll the old loan over (renew it), along with the unpaid interest, the principal of this renewed loan will be USD 11,167 (USD 10,000 + USD 1,167) as of 31 December 1997. The interest on the new loan will be applied on a principal of USD 11,167.

## **10.2.9 Deduct tax on Roll-Over**

When a loan is initiated, tax is applied on the principal of the loan. When this loan is rolled-over or renewed, you have two choices (depending on the tax laws of your Country):

- Apply tax on the principal (outstanding principal + outstanding interest or only the outstanding principal), of the new loan
- Since the principal of the old loan would have already been taxed once, you can choose to waive the tax on the principal of the rolled-over loan. However, if this principal has the outstanding interest from the old loan incorporated, then only the interest portion will be taxed.

This option applies only to tax on principal and not to tax on interest.

This field assumes importance, when:

- Tax (for principal as well as interest) has not been waived on the old loan
- Tax, has not been waived on the rolled-over loan

If this tax is not waived for the old loan, it will be applied on the new loan. If it is waived on the old loan it will not be applied on the renewed loan.

Choose Deduct Tax on Rollover, if tax on the old loan has to be liquidated before it is rolled-over.

### 10.2.10 Contingent Entries for Additional Amount

Check the box 'Cont. Booking For Addl Amt Only' to indicate contingent entries for the additional rollover amount must be passed when the child rollover contract is booked, for contracts using the product. If you check this box, contingent entries for the additional rollover amount will be passed. If you do not select this option, contingent entries are passed for the total principal amount of the child rollover contract.

### 10.2.11 Applying a Charge on the Roll-Over Amount

Check the box 'Apply Charge on Rollover Amt' to indicate a charge will be applied on the amount being rolled over.


### 10.2.12 Liquidating Overdue Schedules

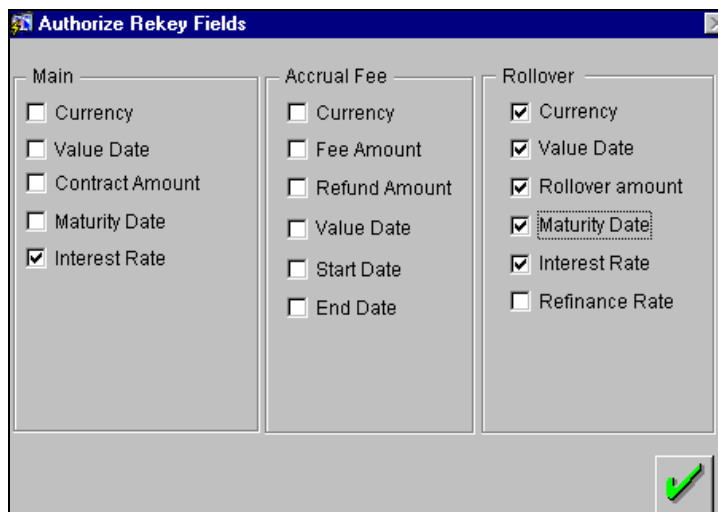
Check the box 'Liquidate Overdue Schedules' to indicate schedules for the original deal that are overdue on the day of rollover should be liquidated before the deal is rolled over. If you have checked this box but the overdue schedules cannot be automatically liquidated, the deal will not be rolled over and it will be reported as an exception condition in the Daily Exception Report.

### 10.2.13 Interest Rate on Rollover

Check the box 'Repickup Interest Rate on Rollover' to indicate the interest for the rolled over contract should be picked up again on rollover of the contract. If you do not check this box, the interest for the rolled over contract will be the latest interest applicable for the contract.

### 10.2.14 Indicating the Values to be Re-keyed during Authorization

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  in the 'Preferences' screen to invoke this screen.



Main	Accrual Fee	Rollover
<input type="checkbox"/> Currency	<input type="checkbox"/> Currency	<input checked="" type="checkbox"/> Currency
<input type="checkbox"/> Value Date	<input type="checkbox"/> Fee Amount	<input checked="" type="checkbox"/> Value Date
<input type="checkbox"/> Contract Amount	<input type="checkbox"/> Refund Amount	<input checked="" type="checkbox"/> Rollover amount
<input type="checkbox"/> Maturity Date	<input type="checkbox"/> Value Date	<input checked="" type="checkbox"/> Maturity Date
<input checked="" type="checkbox"/> Interest Rate	<input type="checkbox"/> Start Date	<input checked="" type="checkbox"/> Interest Rate
	<input type="checkbox"/> End Date	<input type="checkbox"/> Refinance Rate



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

## **10.3 Specifying Contract Roll-Over Details**

Instead of liquidating a loan 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.

### **10.3.1 Rollover Preferences for a Loan Contract**

To recall, when a loan is rolled-over (renewed), it is processed in the following manner, depending upon the rollover mechanism and rollover method specified:

- A new version of the loan with the same contract reference number is initiated
- A new loan with a different contract reference number is initiated
- The original loan could be split into multiple loans as a result of the rollover
- The original loan could be consolidated along with other loans as a result of the rollover

The rollover method indicates:




- Whether a single new contract must be created when the original contract is rolled over
- Whether the original contract must be split into multiple contracts when rolled over
- Whether the original contract must be consolidated into one single contract along with other contracts, when rolled over

The rollover method specified for the product used by the contract is defaulted, and you can change it when you enter the contract, if required.

## **10.4 Specifying Details for Normal Rollover**

If you have chosen the rollover method as “Normal”, then you must enter the corresponding details for the rollover, in the Rollover tab in the Contract Online screen.

In the case of normal rollover, the system either creates a new draw down contract with a new contract reference number for the original one being rolled over (if the rollover mechanism specified is 'New Contract'), or a new version of the original contract, with the same reference number (if the rollover mechanism specified is 'New Version').

You can rollover a loan from the 'Contract Online' screen. In the 'Contract Online' screen, click  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 will be rolled-over with all the terms of the original contract. However, you can change certain terms by specifying them in the Roll-over Details screen.

In the Contract On-line Screens, click on the section Roll-over to go to the Roll-over Details Screen.

LD Contract Online [ SAP INC ]

Template:  NORM Contract Ref Number: CT2LBN1043660009 ◀ 20 Or 20 ▶

Product: LBN1 Beginning Loan 01 Facility Name:

Type: LOAN User Ref Number: LOAN-31 251,911,115.68

Branch: CT2 Department: DEP Treasury Custom Ref No: LOAN-31 Reprgrm Cnt:

**Contract Schedules Linkages Rollover**

**Amount**

☐ Principal

☒ Principal + Interest

☐ Principal + (Interest - Tax)

Special Rollover Amount:

Treat Special Amt. as:

☐ Rollover Amount

☐ Liquidation Amount

☐ Maximum Rollover Amt.

☒ Ignore

☐ Liquidate Overdue Schedules

**Preferences**

☒ Update Limits Utilisation

☐ Apply Tax on Rollover Amt

☐ Apply Charge on Rollover Amt

**Mode**

Rollover Mode: Auto

**Schedule Basis**

☐ Product ☒ Contract

☐ New Components Allowed

Maturity Date Basis:

**Maturity**

☒ Fixed ☐ Notice ☐ Call

Maturity Date:

Notice Days:

Maturity Days:

Roll By:

Drawdown Sch No:

Reset Tenor:

Rollover:

Reset Tenor:

**Interest Basis**

Component	Rate Type	Interest Basis	Rate Code	Spread	Margin	Amount	Rate	Default For
LD-FL-INT	FLOATING	Actual/365	LIBOR	0000000000				Contract
LD-PR-PTY	Fixed	Actual/365						Contract

Refinancing Rate:

Entry By: SYSTEM Entry Time: 20/02/2005 10:52:14 Auth By: SYSTEM Auth Time: 20/02/2005 10:52:14 Contract Stat: Active Auth Status: Authorized Confirmation Status: UnConfirmed Workflow status: Revision Status:

### 10.4.1 Features of the Contract Roll-Over Screen

The following are the features of the contract rollover screen:

### 10.4.2 Mode of Roll-Over of a Contract

You can rollover a loan automatically or manually.

#### Automatic Rollover

The Automatic Contract Update function automatically rolls over a loan on its maturity date, if you have:

- Allowed rollover for the loan at the time of defining the product
- Specified auto, in the Contract Details screen

If you have marked a loan for auto liquidation and auto rollover, the system original loan and creates a new rolled-over loan on the Maturity date of the original loan. This is done by the Automatic Contract Update function during its 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 Branch Parameters screen:

- If you have specified that processing has to be done today (the last working day before the holiday), then the automatic events schedule falling on the holiday will be liquidated 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 today (the last working day before the holiday) will be processed. The events falling on the holiday will be processed on the first 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.



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'.

#### **Example**

<b>Today's date</b>	<b>14 November 1997</b>
<b>Next working date</b>	16 November 1997 (which means 15 November 1997 is a holiday)

During its BOD run, the Automatic Contract Update function rolls over loans with a maturity date of 14 November 1997.

The processing of the roll-over which falls due on a holiday depends on your holiday handling specifications in the Branch Parameters screen:

- You could have specified that automatic processes scheduled for the holiday(s) are to be carried out on the last working day before the holiday(s). In such a case, the contract will be rolled over, during the EOD processing of the Automatic Contract Update function, on 14 November 1997. This function rolls over loans with an End Date of 15 November 1997.
- If you have not specified this, the 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 1997, during its BOD run on the next working day that is 16 November 1997.

The Activity Journal for the day will report the details of loans that were rolled-over automatically during the day. If a loan that had to be rolled-over 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.

### 10.4.3 Manual Rollover

You can rollover a loan manually through the Roll-over Details screen. If a loan has to be rolled-over:

- The latest activity on the loan has to be authorized
- It should be past its Maturity Date
- It should not have been liquidated

Choose Rollover from the Processing sub-menu of the Actions Menu when the loan you want to rollover is highlighted in the Contract Summary screen or the Contract Detailed screen. By default, the loan will be rolled-over with the same terms as the original loan. However, you can change certain terms through the Roll-over Details Screen.

- You can apply, on the renewed loan, the interest, charge and fee applicable to the product of the old loan. If these have been changed for the old loan, you have the choice of applying the changed terms (for ICCF components only), of the old loan to the rolled-over loan.
- 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.

However, the Reference Number of the renewed (or rolled-over) loan will be the same as that of the old loan.

### 10.4.4 Specifying the Roll-Over Amount

When you roll-over a loan you can roll-over:

- The outstanding principal of the loan

You can indicate for the product that a loan is to be rolled-over with interest. Then at the time of loan processing, you can specify that only the outstanding principal has to be rolled-over.

However, only when all the outstanding interest is paid (liquidated manually or automatically), can the loan be renewed without the interest.

- The outstanding principal and the outstanding interest together

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 loan under process. Then you can specify through this screen that the rollover be made along with the outstanding interest.

- 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 loan. The remaining amount is rolled-over.
- The special amount can never be more than the outstanding principal + interest of the old loan. If it is, then you will have to initiate a new loan.
- Example

Ms Yvonne Cousteau has taken a loan of USD 10,000 under the Short Term Loans for Individuals scheme:

- On 1 June 1997
- At 20% interest
- To be liquidated, at Maturity, on 31 December 1997

Since Ms Cousteau is unable to repay the loan you decide to renew the loan (roll it over).

You have two options:

- You can roll it over without interest
- You can roll it over along with the interest

If you roll it over without interest, the principal of the new loan will be USD 10,000. The accrued interest on this loan will be liquidated. If you roll the old loan over (renew it), along with the unpaid interest, the principal of this renewed loan will be USD 1,1167 (USD 10,000 + USD 1,167) as of 31 December 1997.

Ms Cousteau decides to pay back USD 1,000 on 31 December 1997, the Maturity Date of the old loan. A part of the interest will thus, be liquidated. The new outstanding interest (USD 167), will be rolled-over with the outstanding principal USD 10,000 and the principal of the rolled-over loan will be USD 10,167. This is what is termed a Special amount. Interest will be calculated on this principal for the renewed loan.



If the rollover amount that you enter, is lesser than or greater than the outstanding principal amount of the contract being rolled over, the system will display a configurable override.

#### 10.4.5 Specifying the Manner in which the Special Amount should be Treated

If you specified that the principal of the new loan is meant to be a special amount you also have to indicate the manner in which the special amount is to be treated. You can choose any one of the following options:

- Rollover Amount

- Liquidation Amount
- Maximum Rollover Amount
- Ignore

The amount that is rolled-over will depend on the treatment that you specify. You can choose not to treat the special amount in a specific manner by choosing to ignore this option.

### **Rollover Amount**

If the outstanding amount is 20,000 and the special amount is given as 25,000 the additional 5000 will get added to the loan.

If the outstanding amount is 30,000 and the special amount is given as 25,000 the additional 5000 will get liquidated.



The Outstanding Amount is the sum of all the components put together.

### **Liquidation Amount**

If the outstanding amount is 20,000 and the special amount is given as 25,000 you will not be allowed to rollover.

If the outstanding amount is 30,000 and the special amount is given as 5,000 the additional 5000 will get liquidated and only 25,000 is rolled over

### **Additional Principal Amount**

Additional Principal Amount option can be selected only if the rollover is by special amount.



Individual components will be liquidated in the liquidation order.

### **Maximum Rollover Amount**

If the outstanding amount is 20,000 and the special amount is given as 25,000 you can rollover the entire outstanding amount. .

If the outstanding amount is 30,000 and the special amount is given, as 25,000 only 25,000 will be rollover and the remaining 5000 will be liquidated.

## **10.4.6 Updating Credit Limit Utilization**

When creating a product, you can indicate if credit limit utilization is to be updated at the time of rollover. Your specifications for the product will default to all loans involving the product. When you specify that the credit limit utilization has to be tracked, the interest that has been accrued on a loan will also be considered as a part of the utilized amount for the purpose of risk tracking.

While creating a product, you can choose not to update the credit limit utilization at the time of rolling-over loans. However, please note that if you have disallowed the updation of utilization, for a product, you cannot choose to update utilization when you rollover loans involving the product.

### **10.4.7 Applying Tax**

When you define a product, you can specify if tax has to be applied on rolled-over loans. For tax to be applicable on a rolled-over loan:

- It should be applicable to the product involving the loan
- It should not have been waived for the old loan

If you have that tax is applicable to the rolled-over loan, then through this screen, you can waive it for the rolled-over contract.

### **10.4.8 Specifying whether Charge should be Applied on the Rolled-over Amount**

When creating a product, you would have indicated if charge is to be applied on loans that are rolled over (involving the product). For charge to be applicable on a rolled over loan:

- It should be applicable to the product involving the loan.
- It should not have been waived for the original loan.

If you indicate that charge is to be applied on rolled over loans involving a product, by default, charge will be applied on all loans involving the product. In this screen, you can waive charge altogether for a rolled over loan, by unchecking this field.

### **10.4.9 Specifying the Schedule Basis for the rolled over contract**

If you have defined repayment schedules for a product, they will be applied to the loan involving the product, automatically. However, you can change the schedules while processing the loan under the product.

When the loan 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.

### **10.4.10 Specifying whether New Components have to be Included**

You may have added new components to a product after initiating a loan under it. These components that were originally not available for the old loan may be included for the rolled over contract. To do this, you have to select the 'New Components Allowed' option for the rolled over contract.

### **10.4.11 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.

### 10.4.12 Specifying the Maturity Type

The Maturity Type, which you have specified for the old loan, will apply to the loan 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 loan. It could be:

Fixed	This type of loan has a fixed Maturity Date. For a loan with a fixed maturity date, you enter the changed date on which the loan should be liquidated.
Call	The Maturity Date is not fixed. The loan can be liquidated anytime
Notice	The loan will be liquidated after 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 loan, the notice days will be mentioned on it. For a loan with notice type of maturity, you have to enter the Maturity Date, once the notice is issued to the counterparty (customer).

For a loan maturing at notice, enter the notice period in days. This is only for information purposes. Whenever a report is generated on a notice type of loan, the notice days will be mentioned on it. For a loan with notice type of maturity, you have to enter the Maturity Date, once the notice is issued to the counterparty (customer).

#### **Specifying the maturity days**

For fixed maturity types, you must specify the number of days to be added to the new value date of the rolled-over contract, to arrive at its maturity date.

#### **Specifying the maturity basis**

You must indicate the tenor basis upon which the maturity days specified for the rolled-over contract will be reckoned, in the Roll By field. The options are Days, Months, Quarters, Semi-annuals and Years.

If you specify the 'days' maturity basis, and do not specify the maturity days, the system 'rounds' the tenor of the original contract to the nearest maturity days basis. The rounded tenor is considered as the new tenor of the rolled-over contract.

#### **Example**

For a loan, the value date of the original contract is 1<sup>st</sup> April 2001, and the maturity date is 15<sup>th</sup> March 2002. The maturity basis (Roll By) option is 'Months', and no maturity days have been specified.

The maturity date for the rolled over contract is arrived at as follows:

Tenor of the contract = Rounded off (number of months between 15<sup>th</sup> –March 2002 and 1st April 2001) = 11

Maturity date of the rolled over contract = (15<sup>th</sup> March 2002 + Tenor) = (15<sup>th</sup> March 2002 + 11) = 15<sup>th</sup> February 2003

If the maturity basis for the same contract would have been 'Months', and the maturity days is 10, the maturity date of the rolled over contract would be computed as:

Maturity date of rolled over contract = (15<sup>th</sup> March 2002 + maturity days *taken in terms of the maturity basis*)  
= (15<sup>th</sup> March 2003 + 10 months) = 15<sup>th</sup> January 2003

#### **10.4.13      Indicating the Interest Basis for Roll-over**

The interest basis indicates the manner in which interest for a specific component is calculated. You can select any one of the following as the basis on which the interest rate is picked up.

- Product
- Contract
- User Defined

If you specify that the interest rate maintained at the Product level should form the interest basis then the product level interest rate will be made applicable for the component at rollover. Similarly the rate maintained for the contract will be made applicable if you specify that the Contract as the interest basis.

If you indicate that the interest basis should be User Defined then you have to specify the appropriate interest rate. The rate that you specify will be made applicable to the respective component at rollover.

#### **10.4.14      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.

##### **10.4.14.1      Amending Rollover instructions for TD contract by upload**

You can amend rollover instructions for TD contract. The system will amend the Rollover preferences, special amount preferences, etc in the Rollover details.



CAMD event is triggered when you upload amendment for rollover instruction.

#### **10.4.15      Rollover of Linked Escrow Accounts**

Note the following for rollover of linked escrow accounts:

- Rollover can be processed only if the balance in all the linked escrow accounts for the contract is zero. Thus during rollover, balances in the escrow account will not be automatically transferred to the new contract.
- If escrow balances exist for the contract, then during rollover instruction input, system alerts the user.

- Rollover instructions can be captured even if escrow balances exist, however before rollover is processed you must ensure that all such balances are nullified. Rollover will fail for a contract if the escrow balances have not been nullified.
- If a contract is marked for auto rollover, and if there is pending balance in any of the linked escrow accounts, then the rollover of the contract will fail.
- Escrow maintenances are not be copied to the rolled-over contracts from the parent contract. However you can amend the rolled-over contract and capture the Escrow accounts to be linked.

## 10.5 Specifying Details for Rollover Split

If you have chosen the rollover method as “Split”, then you must enter the corresponding details for the split, in the Split Rollover Details screen. Click **SR** in the Contract Online screen to invoke this screen.

In this screen, you must first specify the contract reference number of the loan contract for which you wish to specify the split rollover details.

You can only split loan contracts:

- of the same customer
- of the same currency

You can specify the following general rollover details for rollover splits, just as you would for a normal loan contract (as explained in previous sections):

- The rollover amount
- Mode of rollover
- Updating credit limit utilization
- Liquidating overdue schedules
- Applying charges
- Applying tax

### **10.5.1 Specifying Details for Rolled Over Contracts Created out of the Rollover Split**

When you indicate the rollover method as “Split”, the system creates multiple draw down contracts out of the original draw down contract. For each rolled over contract, the system generates a split number.

You must indicate preferences for these rolled over contracts in the Split Rollover Details screen.

You must indicate the following details:

- The amount that can be rolled over to create each of the multiple contracts that will be created as part of the rollover split. You can also indicate how the amount is to be considered, just as you would in the case of a special rollover amount, as explained in previous sections, as for a normal rollover.
- The draw down schedule to which the new contract, created out of the rollover split, would be linked
- Whether the repayment schedules applicable for the rolled over contract created out of the rollover split, must be defaulted from the product used by the original contract, or the original contract itself.
- Whether the rolled over contract created out of the rollover split, is to have a fixed maturity, matures at call or at notice
- For fixed maturity contracts, the maturity date
- For contracts maturing at notice, the applicable notice days
- For fixed maturity type contracts, the number of days to be added to the value date to arrive at the maturity date.
- The refinance rate for the contract split rollover contract

Each of the split contracts inherits the interest components defined for the original contract. All the rate details defined for these interest components, in the original contract, such as the rate type, rate code (for floating rate components) interest basis, margin and spread, are inherited by the split contract. However, you can change these specifications when you enter a rollover split.

## 10.6 Specifying Details for Rollover Consolidation

If you have chosen the rollover method as “Consolidation”, then you must enter the corresponding details for the consolidation, in the Consolidation Rollover screen. In the Application Browser, click on **L&D Operations** and thereafter **Consol Rollover** to access the ‘Consolidation Rollover’ screen.

Contract Ref No	Rollover Amt Type	Spl Rollover Amt	Spl Amt Type	Driver Contract	Tax	Charge	Liquidate Od Schedules
	Principal		Rollover Amt	No	No	No	No

In this screen, you must specify the reference number of the loan contract which you wish to consolidate with other loan contracts, as part of the rollover operation.

You can only consolidate loan contracts:

- Of the same customer
- Maturing on the same date
- Of the same currency

When you select the loan reference number, the product code for the loan is displayed. You can select the other loan contracts to be consolidated.

You must specify the following details for the consolidated rolled-over contract:

### 10.6.1.1 Maturity Details

You can indicate whether the consolidated contract has a fixed maturity date, or matures at call or notice. For contracts maturing at notice, you can indicate the applicable notice days.

For fixed maturity type contracts, you can specify the maturity date.

For fixed maturity type contracts, you can specify the number of days to be added to the value date to arrive at the maturity date.

#### **10.6.1.2 Schedule Basis**

You can indicate whether the repayment schedules for the consolidated contract must be defaulted from the loan product or from the driver contract.

#### **10.6.1.3 The Mode of Rollover**

You can indicate whether the rollover consolidation must be initiated automatically for the selected contracts. The mode of rollover also depends on whether the mode of liquidation of the loan is automatic or manual. This preference can be set just as you would do for a normal rollover, as explained in previous sections.

#### **10.6.1.4 Updating Credit Limit Utilization**

You can indicate whether the credit limit utilization is to be updated, when the consolidation operation is performed. That is, the interest that has been accrued on a loan is also considered, as a part of the utilized amount for the purpose of risk tracking.



This option applies only if you want to rollover a loan with interest.

#### **10.6.1.5 Settlement Basis**

You can indicate whether settlement details for the consolidated contract must be defaulted from the loan product, or the driver contract, or must be user- defined. If user-defined, you can specify the details in the Settlement Message Details screen. Click on the 'S' button in the Consolidation Rollover screen to invoke the Settlement Message Details screen.

#### **10.6.1.6 MIS Basis**

You can indicate whether MIS details for the consolidated contract must be defaulted from the loan product, or the driver contract, or must be user- defined. If user-defined, you can specify the details in the MIS screen. Click on the 'M' button in the Consolidation Rollover screen to invoke the MIS screen.

#### **10.6.1.7 UDF Basis**

You can indicate whether user-defined fields for the consolidated contract must be defaulted from the loan product, or the driver contract, or must be user- defined. If user-defined, you can specify the details in the User Defined Fields screen. Click on the 'F' button in the Consolidation Rollover screen to invoke the User Defined Fields screen.

#### **10.6.1.8 Refinance Rate**

You must indicate the refinance rate for the consolidated contract.

### **10.6.1.9 Holiday Treatment**

You can indicate whether the system must check for maturity dates of the consolidated contract falling on holidays.

If the holiday check is indicated, you can also specify whether maturity dates falling on holidays must be moved forward to the next working day, or backward to the previous working day. You can also indicate whether the moved maturity date is allowed to cross over months.

### **10.6.1.10 Interest Components for the Consolidated Contract**

You can define the interest components to be applicable for the consolidated contract.

The interest rate can be defaulted from either the loan product, or the driver contract, or a special rate can be entered. If a special rate is to be entered, you can specify the required rate in the Rate field.

### **10.6.1.11 Consolidation Preferences for Driver Contracts**

As part of the preferences for the consolidation contract, you can identify contracts from which information such as settlement details, schedules, MIS details and so on, can be defaulted. These contracts are called driver contracts. You can select the contracts to be used as driver contracts, in the Participant Ref No field.

You must specify the following details for the driver contracts:

- How the rolled over amount is reckoned. This could be just the outstanding principal, or outstanding principal together with interest.
- Whether charges are applicable for the consolidated contract
- Whether old schedules for the contracts getting consolidated, must be liquidated
- Whether a special rollover amount is applicable, and how the special amount is to be considered. This preference can be set just as for a normal rollover, as explained in previous sections in this chapter.

## **10.7 Advices for a Rolled-Over Loan**

In the Product Events Definition screen, you can define the events for which advices are to be generated, for loans involving a product. An advice will be generated when a loan is rolled-over, if specified to do so, for the product the loan involves. Generation of advices upon rollover, if specified, will be as follows:

- When the loan is rolled-over with interest (that is, the entire outstanding amount in the original loan is rolled-over without any component of the original loan being liquidated), the liquidation advice for the original loan will not be generated. Instead, a rollover advice, with the details of the liquidation of the original loan and its subsequent rollover into a new loan, will be generated.

- When the loan is rolled with an amount, that is not the entire outstanding amount in the original loan, the liquidation advice(s) for the original loan will be generated along with the rollover advice.

## 10.8 **Authorizing a Manual Roll-Over**

The operations on a loan 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 loans should be authorized before you can begin the End of Day operations.

When a loan has been rolled-over manually, you have to do two authorizations:

- One, for the liquidation of the original loan
- Two, for the initiation of the new loan

When you call such a loan for authorization, the details of the liquidation of the original loan 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).



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# 11. Making Additional Disbursements and Rate Changes

## 11.1 Introduction

Any change to the terms of a loan, which affects its financial details and the accounting entries, can be made through the Value Dated Amendment function of Oracle FLEXCUBE. Through this function you can make changes to authorized loans on any day before the Maturity Date of the loan.

The changes to the terms of a loan, notified through this function, take effect on a date referred to as the "Value Date". That is why the changes brought about by this function are called Value Dated Amendment.

A Value Date could be:

- Today
- A date in the future
- A date in the past

Using the Value Dated Amendment function, you can make changes to the various components of a loan such as:

- Additional disbursement of Principal
- The interest rate or amount
- The fees
- The Maturity Date

When you make a value dated amendment, only the accrual entries will be passed by the Value Dated Amendment function. All the other accounting entries will be passed by the Automatic Daily function.

If the value date is a date in the past, it should not be beyond the last payment date for any component.

You should ensure that a contract - on which you plan to make backdated changes - does not have amortized schedules.

Also, a value date in the future cannot be beyond the Maturity Date of the loan. If it has to be beyond the Maturity Date of the loan, you have to first postpone the Maturity Date of the loan so that your proposed future value date falls before the new maturity date. Only after this change is authorized can you fix a value date in the future for the loan.

The system defaults to today's date.

In the Application Browser, click on **Loans and Commitment Operations** and thereafter **Valued Dated Amendment** to invoke the 'Value Dated Amendments' screen. Enter the reference number of the loan to which you want to make amendments. The main details of the loan will be displayed in the screen.

**STOP** The 'Ticket Id' field will be displayed only when the individual SLT trades get handed off to LS and then to LD (Origination). If the setup is to consolidate all the trades across the tickets for a CUSIP, the ticket Id will not be displayed for any trade.

You can make an additional disbursement through the Value Dated Amendment function.

If you increase the principal amount, the increased amount will be put into the last principal payment schedule. You, then, have to authorize the schedule, which the system has redefined to maturity. Only then will you be able to define new schedules, as per your requirement, through the Contract Schedules screen.

For a loan, you can increase the principal through the Value Dated Amendment function. If you want to decrease the principal, you have to treat it as a repayment.

You can make payment on the value date and amendment can be done on the value date of the contract.

If a discount accrual component is attached to the contract and if there is a change in the amount due, then the IRR is recomputed.

For back value dated VAMI beyond the liquidation date, the IRR is recomputed, if there is a change in the amount due. The catch up YACR is due to the recomputation posted online, provided if there is a fee liquidation done prior to the VAMI.

The tier based spread is recomputed on payment of principal on the value date and on value dated amendment provided if there is a change in the principal amount.

If there is a VAMI beyond the liquidation date with the value date as value date of the contract, then the principal amount to be increased is adjusted in the bullet schedule and the interest amount is recomputed. The amount to be settled is adjusted based on the net amount paid (Total paid - Total amount reversed - Refund amount) depending on the parameter selected at the product level.

Value date amendment is not allowed for rate type change of capitalized type loans.

#### **Value Dated Amendment beyond Rate Revision/Rate fixing Date**

You can do value dated amendment beyond rate revision/rate fixing date. Only principal Increase and Spread change are allowed as part of this amendment.

#### **Schedule Amendment of Non-Liquidated Past Schedules**

You can amend the repayment schedules if the schedule due date is in the past.

#### **Amendment beyond Liquidation Date**

Amendment beyond liquidation date can be done both for commitments and loans.

#### **Spread Change Beyond Liquidated Schedules**

You can change the spread for a effective date beyond a liquidated schedule, however it calculates the interest only from the last liquidation date.

Changes will be done to re-compute the interest, from the effective date of the Spread provided the Spread type is Slab/Tier. If the Spread type is flat, then the spread can be changed from Value Dated Amendment Screen.

Based on the re-computation, if the amount due (interest to be liquidated) for a schedule changes, then based on the net interest paid (Amount paid-refund amount-amount reversed) the schedules will be adjusted automatically.



For a commitment, you can also decrease the principal amount as only contingent entries are passed.

#### **Negative Value Dated Amendment**

You can reduce loan balance in case of an HFS transfer by checking the 'HFS Transfer' box. The system will then post the corresponding accounting entries as per the product set-up for HFS transfer.

Negative VAMI for Loan will reduce CoC balances such as contra and write off, along with HFI loan position.

### **11.1.1 Changing the Maturity Date**

Enter the new Maturity Date in the screen.

When you change the Maturity Date or the Principal of a loan:

- If you have advanced the Maturity Date, the schedules falling due after the new Maturity Date will be redefined to the Maturity Date.
- If you have postponed the Maturity Date, the schedules that have not been liquidated and which fall due before the new maturity Date will be redefined to the new Maturity Date.

You have to authorize the change in Maturity Date, before you redefine the schedules according to your requirements, through the Contract Schedules screen.

When you extend the Maturity Date of a loan, 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 loan from the Value Date of the contract. You can also change the maturity date of the active commitment after its maturity date.



Note the following:

- The system recalculates the fee schedules on the maturity date, if there are any such fee schedules and if they are not liquidated, and shifts them to new maturity date.
- The system allows the commitment reductions (VAMI with decrease in amount) for the existing maturity date even after crossing the maturity date of the Commitment.
- The system does not allow change in maturity date and change in commitment reduction in the same instance through this screen.
- On changing the maturity date of the commitment, the bullet schedule will be shifted to the new maturity date if its not liquidated

### **11.1.2 Enabling the Reprogramming Counter**

Whenever any event (loan disbursement, value dated amendment, schedule changes etc.) in the life-cycle of a loan contract results in a negative cash flow for a bank, you will have to enable the reprogramming counter by checking the box positioned next to the Reprogram Counter field.

### **11.1.3 Capturing details of amendments to loan agreements**

You can record whether there has been any amendment to the loan agreement after it was initiated. If you record that there has been an amendment, you will also have to specify the date on which such an amendment was made.

The details that you mention here will be incorporated in the amendment confirmation advice that is sent to the customer.

The details pertaining to agreement amendment that you mention in the LD – Value Dated Amendments screen are automatically incorporated in the new version of the contract in the LD Contract Online screen.

### 11.1.3.1 Indicating the Schedule Definition

#### **LIFO**

Check this field to indicate that the system should start the principal adjustment from the bullet schedule. You can perform Non Pro rata VAMI (LIFO) for the agency VAMI activities.

#### **Pro – Rata**

Check this field to indicate that the system should do the principal adjustment pro-rata basis for the unpaid schedules using the pro-rata factor in case of overdue loans. You can perform Pro rata VAMI for the assignment activities (Pro-Rata Factor = (New-principal-outstanding / Old-Principal-outstanding)).



Note the following:

- In case of normal Loans, the principal adjustment happen pro-rata basis for the schedules after the value date of the Pro-Rata VAMI (Pro-Rata Factor = (New-principal-outstanding as on VAMI value date/ Old-Principal-outstanding as on VAMI value date)).
- In case of Pro-Rata Option you can do the following:
  - The Value dated Amendment beyond the Value dated Amendment
  - The Value dated Amendment beyond the Liquidation
  - The Liquidation beyond the Value dated Amendment
- You have to operationally handle any discrepancies in the Loan/Commitment amounts or schedules due to the back valued activities.
- The possible activities which may result in the position or schedule mismatch are as follows:
  - Pro-Rata VAMI beyond another Pro-Rata VAMI or payment or customer VAMI
  - Borrower VAMI beyond Pro-Rata VAMI or payment
  - Any back valued activities beyond the prepayment with the interest
  - Payment/Prepayment beyond Pro-Rata VAMI
  - Pro-Rata VAMI with the overdue principal schedules

#### **Reason Code**

Specify the reason code here. The adjoining option list displays all reason codes maintained in the system. Choose the appropriate one.

## 11.2 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.

### 11.2.1 Applying Rate Revision Schedules

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 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.

Loans and Deposits - Value Dated Amendments [ 811111111 ]

Reference: CIPLND2050032001 0001 Product: LND2 LOAN  
Counterparty: 8111111111 8111111111 Start date: 03-DEC-2004  
Currency: GBP Amendment Date: [ ] [ ] [ ] [ ]  
Reprogram Counter No: [ ]

Amendments Schedules Linkages

Type	Component	Start Date	No.	Frequency	Unit	Amount
P	LDINTFX1	03-MAR-2005	1	Bullet	1	
P	PRINCIPAL	04-DEC-2004	3	Monthly	1	100,000.00
P	PRINCIPAL	03-MAR-2005	1	Bullet	1	700,000.00


Schedule Type  
P - Payment C - Commitment  
R - Revision D - Deposit

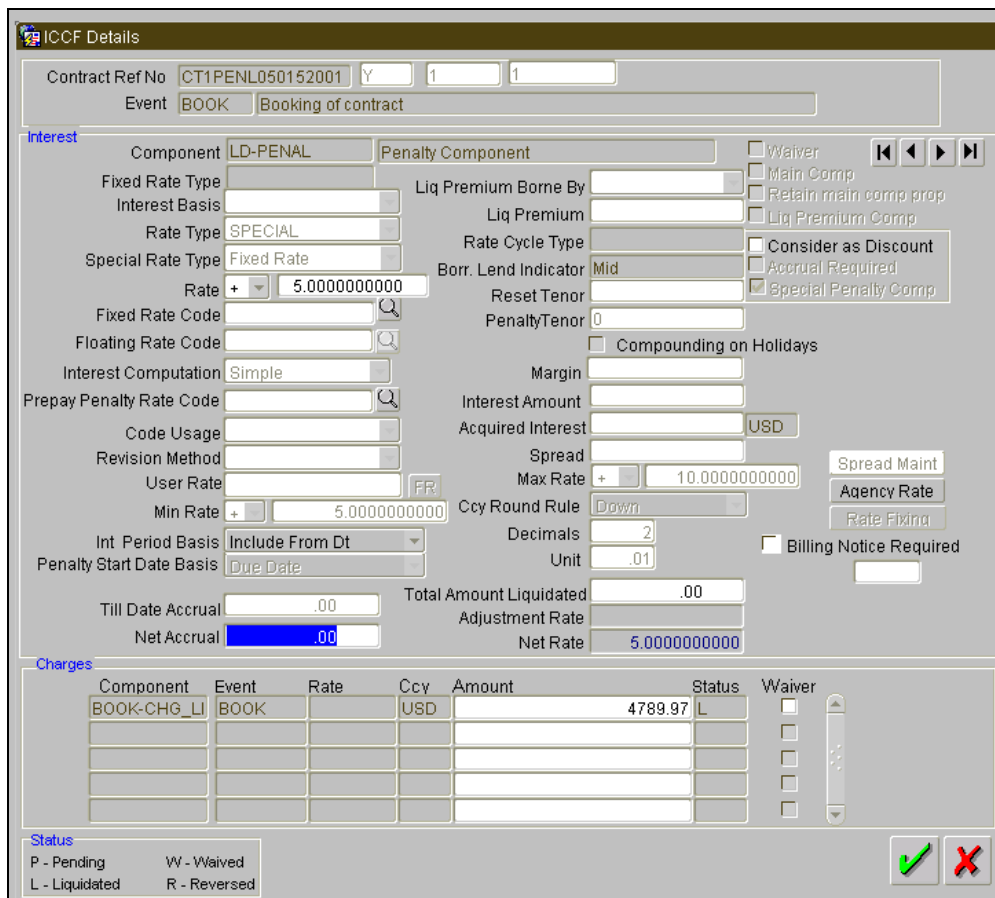
[X]

I  
D  
S  
M  
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T

## 11.2.2 Making Changes in Interest

Through the Value Dated Amendment function, you can make changes to the maturity date, the principal and specify a new value date for the loan.

However, if you want to change the interest rate, the rate code, the spread or the interest amount, you have to invoke the Contract 'ICCF screen' of the ICCF module through the Value Dated Amendments screen. Click the  button to invoke this screen.



The screenshot displays the 'ICCF Details' window. The top section contains contract information: Contract Ref No (CT1PENL050152001), Event (BOOK), and Booking of contract. The 'Interest' section is active, showing fields for Component (LD-PENAL), Fixed Rate Type, Interest Basis, Rate Type (SPECIAL), Special Rate Type (Fixed Rate), Rate (+ 5.0000000000), Fixed Rate Code, Floating Rate Code, Interest Computation (Simple), Prepay Penalty Rate Code, Code Usage, Revision Method, User Rate, Min Rate (+ 5.0000000000), Int. Period Basis (Include From Dt), Penalty Start Date Basis (Due Date), Till Date Accrual (.00), Net Accrual (.00), Liq Premium Borne By, Liq Premium, Rate Cycle Type, Borr. Lend Indicator (Mid), Reset Tenor, Penalty Tenor (0), Compounding on Holidays, Margin, Interest Amount, Acquired Interest (USD), Spread, Max Rate (+ 10.0000000000), Ccy Round Rule (Down), Decimals (2), Unit (.01), Total Amount Liquidated (.00), Adjustment Rate, and Net Rate (5.0000000000). The 'Charges' section shows a table with columns: Component, Event, Rate, Ccy, Amount, Status, and Waiver. The first row is: BOOK-CHG\_LI, BOOK, , USD, 4789.97, L, . The bottom status section includes: P - Pending, W - Waived, L - Liquidated, R - Reversed, and a green checkmark icon.

You can make Value Dated Amendments only to the following components in the Contract ICCF 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 loan
- Change the interest type

For fixed rate contracts, you can change the rate applied by specifying a new rate.



You can change the interest rate or the schedule only when a back valued change does not affect schedules that have even one of the components (Interest/Charges) partly/fully liquidated.

### **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 loan 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 will take 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.



Note the following:

- A fee can be changed only for a commitment.
- If the UDF 'RATE-VARIANCE' is maintained as a non-zero value for a commitment contract to which the loan is linked, dual authorization is required for rate and spread changes for fixed rate contracts and rate code and spread changes for floating rate contracts.

*For more details regarding dual authorization, refer the section 'Dual Authorization' in the chapter titled 'Disbursing a Loan' of this User Manual.*



### **11.2.3 Making Changes in Interest Rate Type**

In this screen, you can change the 'Rate Type' after a contract is authorized. You can change it either from 'Floating' to 'Fixed' or from 'Fixed' to 'Floating'. But you cannot change it to 'special' or from 'Special' to any other rate type ('Floating' or 'Fixed').

If the rate type is changed to 'Fixed' then the field Fixed Rate Type will always be defaulted to 'User Input' and cannot modify the same. Also the field User Rate gets enabled and you can input the appropriate rate. If the rate type is changed to 'Floating' then the fields Code Usage and Floating Rate Code gets enabled for modification. The field Code Usage can be modified to 'Auto' or 'Periodic'.

If Code Usage is changed to 'Periodic' then the field Revision Method gets enabled for modification. The Revision Method can be modified to 'Automatic' or 'manual'. The change in the rate type is effective from the value date of value dated amendment. Depending on the rate type, appropriate rate is used by the system for interest calculation. The interest rate changes are applicable only for "Main Component".

### **11.2.4 Making Changes in Maturity Type**

The field 'Maturity Type' in the 'Current Values' section is the existing maturity type for the loan. You need to select 'Maturity Type' in the 'Modification' section as the maturity type of the loan which is effective after the value dated amendment:

- Fixed -> Fixed Maturity Type of Loans
- Call -> Demand Loans

Whenever the maturity type is modified from 'Fixed' to 'Call' the 'Maturity Date' field gets nullified and disabled. As part of VAMI, following operations are done:

- The 'Auto Extension', which is applicable for demand loans, gets updated as "Y" for the latest version of the loan.
- All the outstanding future dated payment schedules are deleted and system creates only bullet payment schedule for both Interest and Principal.

All the future dated rate revision schedules will also be deleted from the system. Users can do contract amendment (CAMD) to define the future payment/revision schedules as per their requirement.

Whenever the maturity type is modified from 'Call' to 'Fixed' the 'Maturity Date' field will be enabled and it is mandatory to input maturity date. As part of VAMI, following operations will be done:

- The 'Auto Extension', which is applicable for demand loans, will be updated as "N" for the latest version of the loan.
- All the outstanding future dated payment schedules will be deleted and system will create only the bullet payment schedule for both Interest and Principal.
- The schedule date for these bullet schedules is the new maturity date captured as part of VAMI

The schedule date for these bullet schedules will be the new maturity date captured as part of VAMI. All the future dated rate revision schedules gets deleted from the system. Users can do contract amendment (CAMD) to define the future payment/revision schedules as per their requirement.



Note the following:

- The maturity type change is not applicable if the loan has FAS91 type of Fees.
- The rate type and maturity type change will be applicable only for normal, bearing type of loans.
- The rate type and maturity type change will not be applicable for Agency type of loans.
- In case a future-dated VAMI is captured for maturity type change then further VAMIs will not be allowed till the former VAMI is processed successfully.
- In case of Maturity type Change VAMI, only Maturity type Change can be done, no other type of VAMI is possible at the same instance.
- The interest rate type change and maturity type change (from Fixed to Call) is not applicable after the maturity date.
- The maturity type change is not allowed, if the contract has any partial interest payment for the bullet schedule.

*Refer the Interest user manual for more details on the ICCF Details screen.*

### **11.2.5 Making Changes in Special Rate Type**

For late payment charge component attached to the contract, system displays the values of the following fields from the contract ICCF details screen:

- Rate Type
- Special Rate Type
- Accrual Required
- Rate or Interest Amount

During VAMI operation, if 'Amendment Date' is the same as the current date, then you can modify the 'Special Rate Type' (fixed rate or flat amount) applicable to late payment charge component.

For active contracts, you cannot edit the following fields during VAMI operation for late payment charge components:

- Rate Type
- Special Rate Type
- Accrual Required

For uninitiated contracts, you can modify the value of 'Special Rate Type' from the contract ICCF Details screen.

Based on the value of 'Special Rate Type', system either enables 'Rate' 'Interest Amount' for amendment. The amended value is applicable only to future schedules where late payment charges are to be calculated. Thus back/future value dated change is not allowed for late payment charge components.

During VAMI operation, if 'Amendment Date' of the VAMI is not the same as the current date, then system does not allow any change in the fixed rate/flat amount applicable to the late payment charge component. When you modify the late payment charge rate/amount, save the changes and exit the ICCF Details screen, system gives the following error message:

**'For special rate type Amount/Rate change should be current dated.'**

In this case, you should cancel the change and re-input the VAMI operation.

Back value dated amendments that result in a change in the basis amount of the late payment charge will result in recalculation of late payment charges. If the previously calculated late payment charge has been partially paid, then system tracks only the additional amount as due. If recalculation results in an overpayment for late payment charge, then system stores the overpaid amount against the schedule which can be adjusted using the 'Pay/Receive Liquidation' screen.

### **11.2.6 Amortization after a Value Dated Amendment**

You can make a value dated amendment in the interest rate for a loan with amortized schedules. The change can be with a value date of today, or a date in the future. Back dated changes cannot be made on a loan 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 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.

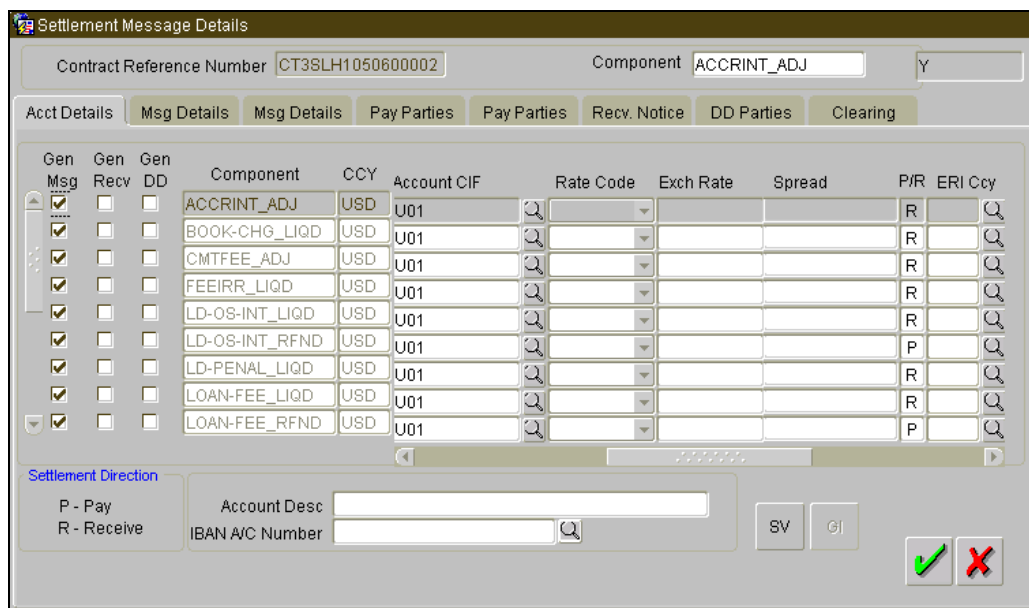
### **11.2.7 Making Changes in Fees**

Fee rates can be changed only if the contract is a commitment. The fee rate can also be changed in case of a future dated loan that is yet to be initiated and the Value Date has to be the same as the Initiation Date of the loan.

For example, for a loan, the new drawdown fees will be applicable only if the loan is a future valued loan that is yet to be initiated.

## 11.2.8 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  button.



The screenshot shows the 'Settlement Message Details' window. At the top, the 'Contract Reference Number' is 'CT3SLH1050600002' and the 'Component' is 'ACCRINT\_ADJ'. Below this are tabs for 'Acct Details', 'Msg Details', 'Pay Parties', 'Recv. Notice', 'DD Parties', and 'Clearing'. The 'Acct Details' tab is active, showing a table of settlement instructions. The table has columns for 'Gen Msg', 'Gen Recv', 'Gen DD', 'Component', 'CCY', 'Account CIF', 'Rate Code', 'Exch Rate', 'Spread', 'P/R', and 'ERI Ccy'. The table lists several components like 'ACCRINT\_ADJ', 'BOOK-CHG\_LIQD', 'CMTFEE\_ADJ', 'FEEIRR\_LIQD', 'LD-OS-INT\_LIQD', 'LD-OS-INT\_RFND', 'LD-PENAL\_LIQD', 'LOAN-FEE\_LIQD', and 'LOAN-FEE\_RFND'. Below the table, there are fields for 'Settlement Direction' (P - Pay, R - Receive), 'Account Desc', and 'IBAN A/C Number'. At the bottom right, there are buttons for 'SV', 'GJ', and a green checkmark icon.

Gen Msg	Gen Recv	Gen DD	Component	CCY	Account CIF	Rate Code	Exch Rate	Spread	P/R	ERI Ccy
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	ACCRINT_ADJ	USD	U01				R	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	BOOK-CHG_LIQD	USD	U01				R	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	CMTFEE_ADJ	USD	U01				R	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	FEEIRR_LIQD	USD	U01				R	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	LD-OS-INT_LIQD	USD	U01				R	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	LD-OS-INT_RFND	USD	U01				P	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	LD-PENAL_LIQD	USD	U01				R	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	LOAN-FEE_LIQD	USD	U01				R	
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	LOAN-FEE_RFND	USD	U01				P	

For a detailed explanation of these details, refer to the 'Processing Settlement's section in 'Settlements Manual' user manual in the 'Modularity' Module.

### 11.2.8.1 Amending Settlement instructions for TD contract by upload

The system will amend the settlement instructions which are defaulted as a part of maintenance and the settlement accounts which are defaulted component (Amount Tag) wise.



CAMD event is triggered when you upload amendment for settlement instruction.

## 11.2.9 Specifying Linkages

Similarly, if there is a change in linkages brought about by value-dated changes, then you have to do it through this screen. For instance, if you have increased the principal, there may now be an uncovered amount which you may wish to link to a deposit, an account or a commitment.

### 11.2.10 Deleting Value Dated Amendments


You can delete the value-dated changes that you have made on a loan provided:

- The change is yet to be authorized
- In case of a future value dated amendment) the change has not yet been effected


All the value-dated changes have to be authorized before the End of Day operations begin.

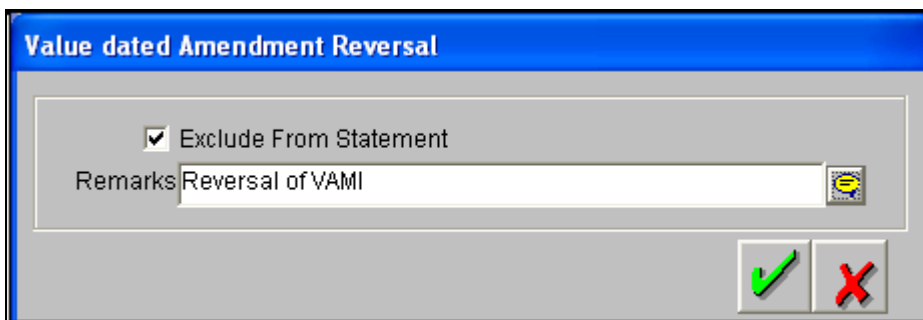
All future Value Dated Amendment will be applied by the automatic contract update program when the changes are due. If the value date of the change is earlier than, or the same as today's date, the changes will take effect immediately.

To delete value-dated amendments, call the contract on which you have made Value Dated Amendment (that are *still to be authorized*) through the Value Dated Amendment screen by entering the contract 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.

### 11.2.10.1 Reversing Value Dated Amendments

You can reverse Value Dated Amendment Booking (VAMB) and Value Dated Amendment Initiation (VAMI) using 'Value Dated Amendment Reversal' screen. To invoke this screen, click  icon in the 'Loans and Deposits – Value Dated Amendments'.



The screenshot shows a window titled "Value dated Amendment Reversal". Inside, there is a checkbox labeled "Exclude From Statement" which is checked. Below it is a text field labeled "Remarks" containing the text "Reversal of VAMI". To the right of the text field is a small icon of a document with a dollar sign. At the bottom right of the window are two buttons: a green checkmark and a red X.

#### **Exclude From Statement**

Check this field to not allow VAMI and its reversal appear in the loan statement.

#### **Remarks**

You may add remarks, if you wish to, in this field.



The system allows this reversal only if the VAMI reversed is the latest event of the Contract. If subsequent events are executed post VAMI, then you should reverse all the events post VAMI before reversing the VAMI.

### **Authorizing Value Dated Amendments**

In Oracle FLEXCUBE, you can authorize the value-dated amendments made on Loan contracts through the 'Loans and Deposit Contract Summary' screen.

From the **Application Browser**, click on **L&D Operations** and thereafter **Contract Input** to invoke the 'Loans and Deposit Contract Summary' screen.


[illegible]

The authorization status of all unauthorized contracts is 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  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.

### **11.2.11 Reduction of CoC balances for HFI Contracts**

The system will reduce HFI balances on a pro-rata basis during VAMI event due to HFS transfer, if the box 'HFS Transfer' in the 'Value Dated Amendment' screen is checked. It will compute pro-rata reduction of the following balances for individual loans based on the VAMI amount:

- Pro-rata reduction of write-off
- Pro-rata reduction of contra interest
- Pro-rata release of FAS 114 funded reserve

CoC balances are not applicable for LC loans. The box 'HFS Transfer' will not be applicable for commitment VAMI.

You need to manually reduce FAS 114 unfunded reserve on a prorata basis during HFI to HFS transfer as part of internal HFI Sell trade processing.

## **11.3 Tracking Payables and Receivables**

You can track and liquidate the differences in the settled amount using 'Pay – Receive Liquidation' screen. To invoke this screen, choose **Loan & Commitment Operations** from the Application Browser. Thereafter, choose **Pay Receive Liquidation** and **Detailed** under it. You can also invoke this screen by typing 'LDDPRLIQ' in the field at the top right corner of the Application tool bar and clicking on the adjoining arrow button.



In case of any Pro Rata VAMI beyond any Payment, it may result in the change in the settlement amount for the settled schedules. These differences in the settled schedules (both positive and negative) you can track under the payable and receivables and can settle the differences to the Pay-Receive Liquidation option.

**Pay-Receive Liquidation**

Contract Ref No:  Department:  Counterparty:

Value Date:  Branch:   of

Component	Due Date	Amount Due	Currency	Amount Settled
PRINCIPAL	30-SEP-2004	11.00	USD	11.00

	Entry By	Entry Time	Auth By	Auth Time	Auth Status	Payment Status
Payment	PALLAV09	28/12/2004 00:00:00	PALLAV08	28/12/2004 14:23:36	AUTHORIZED	REVERSED
Reverse	PALLAV08	28-DEC-2004 11:14:14	PALLAV09	28-DEC-2004 11:15:58	Contract Status	ACTIVE

## Contract Reference Number

Specify the contract reference number whose list of components you want to display in this screen.

The following fields are displayed

- Department
- Branch
- Counterparty
- Component
- Due Date
- Amount Due
- Currency

## Value Date

Specify the value date of the payment for the selected component. The value date of the payment can be either backdated or current dated.

## Amount Settled

Specify the amount to be liquidated for the selected component.



Note the following:

- You are allowed to reverse the payment manually.
- You are allowed to delete the payment and delete the reversal of payment before authorization of the activity.



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## 12. Automatic Processing

### 12.1 Automatic Events in the Life Cycle of a Loan

The following are the various events in the life cycle of a loan that could be carried out automatically:

- The initiation of a loan with a Value Date in the future
- The application of appropriate interest rates for loans 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 loan
- The generation of Delinquency Notice(s) when there is a default in payment
- The change of contract status, as part of the aging analysis process
- The periodic accrual of ICCF components
- The application of rate changes and additional disbursements captured 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
- The rollover of a loan

The Automatic Contract Update 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.

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

## 12.2 Specifying Branch Parameters

A set of rules that govern the loans that you disburse in a particular branch (of your branch) are defined through the Branch Parameters screen.

In the **Application Browser**, click on **Branch Parameters** and thereafter **Loans and Deposits** to invoke the screen.

**Loans and Deposit - Branch Parameters**

Branch Code  Cribank International PLC

**Cross Reference Basis**  
☒ Contract Reference ☐ Custom Reference

**Reference Number - Preference**  
☒ External Custom Reference No.

**Process Till**  
☒ System Date ☐ Next Working Day - 1

**Tax Basis**  
☒ Schedule Amount ☐ Liquidation Amount

**Accrual Level**  
☐ Product ☒ Contract

**Fee Accrual Level**  
☐ Product ☒ Contract

Residual Amt  Residual TXN Cd  ☐ Confirmation Auto Auth

**LSA/N Parameters**  
Reporting Ccy    
Reporting Rate Type    
Rounding Participant    
LS Message Susp GL

**Message Parameters**  
Customer Transfer    
Bank To Bank Transfer    
Incoming    
Internal

Netting Suspense GL    
Reversal Suspense GL   Reversal GL - LS

☐ Posting into Deferred Accounts  
☐ Track Delinquency  
☐ Auto Liqd of Delinquent Contracts  
☐ Re-classify PY/CY Income  
☐ Reference No. Suffix in Field 20  
☐ Common Reference in Field 21  
☐ Field 83 Mandatory  
☐ Withholding Tax Applicable  
☐ Tax Payment at Year End  
☒ Generate Self Participant Message  
☒ REVN for Liquidated Contracts

**Rates Required**  
☐ Eff. Customer Loan Rate  
☐ Eff. Loan Rate

**Tracer Required**  
☐ Tracer Reqd.  
 No. Of Days

☐ Eff. Rate Eff Denom. Basis

**Forward Event Processing**  
Limit Days  Archive Days

Input By  Date Time  Auth By  Date Time  Mod No  Status ☒ Authorized ☒ Open

### 12.2.1 Processing for Holidays

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:

### 12.2.1.1 Process till System Date

If you specify that processing of automatic events should be done upto the System Date, automatic events scheduled *till* (inclusive of) the current system date 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 Contract Update function run during beginning of day operations on 23 October 1997.

### 12.2.1.2 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 day 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, during the Automatic Batch Update function run at EOD on 20<sup>th</sup> October 1997, all the events scheduled that are scheduled for 21<sup>st</sup> and 22<sup>nd</sup> October 1997 will also be processed.

## 12.2.2 Specifying the Tax Basis

On a loan, you may have to pay tax on interest you earn. 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.

The following example illustrates how this works.

#### Example

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 loan, which starts on 1 January 1998 and ends on 31 March 1998. It has a fortnightly interest liquidation schedule and at each schedule, USD 200 is liquidated.

### **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 pay 3% tax on USD 200, the schedule amount (USD 200 falls into the first slab). USD 6 will have to be paid every time an interest schedule of USD 200 is liquidated.

### **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 pay USD 8, as tax, every time an interest schedule of USD 200 is liquidated.

## **12.2.3 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 loan 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 loans involving the product will be passed to the same accounts.

These entries can be passed in two ways:

- An entry for each loan. The same accrual and income account will be involved for each entry, with the Reference Number of the loan indicated for each loan.
- A single consolidated entry for all loans 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 loans involving a product is to reduce the number of entries and thus, the processing time. The details of entries passed for each loan 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 loan, 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 loan, the entries will be for the specific loan affected by the change.

### **Example**

You have created a product for 'Short Term Loans with Individuals'. The product has the following characteristics:

- Interest application method is bearing and fixed rate
- Interest has to be accrued every month

The accounting entries during interest accrual (defined for the event ACCR) are as follows:

Accounting Role	Accounting Head	Amount	Item	Dr/Cr
INTEREST_REC	INTLI01	Interest	Dr	
INTEREST_INC	INTINC01	Interest		Cr

The interest calculation method is 360/365:

Contract	Tenor	Interest
Contract 1	3 months	USD 300
Contract 2	6 months	USD 500
Contract 3	12 months	USD 1000

The accounts into which the accrual entries should be passed for each of these contracts are the same, as they are linked to the same product.

#### *Accrual entries level - Product*

If you indicate that the automatic interest accrual process should pass accrual entries at the product level, a single accrual entry will be passed for all the loans.

#### *Accrual entries level - Contract*

If you indicate that the automatic interest accrual process should pass accrual entries at the contract level, three accounting entries for the loans will be passed, for each loan.

## **12.2.4 Setting the Residual Amount for Force Liquidation**

The value that you specify (as the residual amount) indicates the limit for the residual balance when a loan with zero principal balance but with other outstanding components can be marked off as liquidated.

The residual amount (interest or fees) will be checked against the amount that you specify. The loan will be liquidated only if the pending components are individually less than, or equal to, the amount specified.



The amount that you specify as the residual amount is expressed in the local currency. For loans 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 loan involves.

While automatically liquidating the loan, the outstanding amounts will be 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 loan to be marked as liquidated.

### **12.2.5 Auto Authorization**

Check this box to indicate authorization can be carried out automatically.

### **12.2.6 Transaction Code for Force Liquidation**

This is the transaction code for the accounting entries to be passed when the residual amount is liquidated.

### **12.2.7 Reversal Suspense GL**

You can maintain the Reversal Suspense GL for the reversal and reposting of accounting entries.

The system reverses and reposts the accounting entries which are posted to the customer account prior to the amendment of the counterparty of the contract to the Reverse Suspense GL you maintain here.



As part of customer amendment, you have to manually change the credit line applicable for the new counterparty. The system does the Limit validation and utilization under the new customer as part of save of amendment. The Customer change is done through CAMD at the commitment level.

### **12.2.8 Indicating your Specifications for the different 'Rates'**


You may need to print the Customer Effective Loan Rate, the Annual Effective Loan Rate, or the Effective Rate of interest in advices sent to the customer and also in central bank reports. For the system to compute these rates and print them on advices and reports you will need to enable these options 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

- Actual
- Currency

 Ensure that you enable these options in the Loans Product Preferences screen as well.

For details examples on how the rates are calculated you can refer to the *Defining attributes specific to a Loans product* chapter of this manual.

### **Specifying Auto Liquidation of Delinquent Contracts**


For the loans that have been defined for auto liquidation, you can specify whether the system should liquidate delinquent contracts also.

If you specify auto liquidation for delinquent contracts, the system generates delinquency records for overdue schedules.

However, if you do not opt for auto liquidation of delinquent contracts, the system does not liquidate such contracts.

### **REVN of Liquidated Contracts**

Check this box to indicate that rate revision should be applied for liquidated contracts. Rate revision is applicable only for floating automatic and floating periodic auto type of loans.

 Auto adjustment happens only when the 'Overpayment & Auto Schedule Adjustment' box is checked for the product.

#### **12.2.8.1 Rate Revision / Rate Fixing / Rate Changes**

You can do rate revision for liquidated contracts / liquidated schedules. This can be done by selecting the 'REVN of Liquidated Contracts' option in 'Loans and Deposits – Branch Parameters' screen.

For floating periodic auto type of loans, based on the rate changed for a rate code, the status of the revision schedule is updated as 'REPICK', provided that the effective date is less than or equal to the revision schedule maintained for that contract.

During the life cycle of a floating periodic auto loan, a contract can be linked to any rate code and it can be changed through a VAMI (Value Dated Amendment). After the rate code change, if the rate for the previous rate code is changed, then the interest is re-computed provided the effective date (for which the rate is being changed) of the rate code is less than or equal to the revision schedule date. This is applicable for liquidated schedules and liquidated contracts.

Only the schedule for which the rate revision is not applied is allowed for deletion. This is applicable despite the latest version of the contract is not floating periodic auto or floating auto.

In the batch if a rate revision impacts a schedule which is liquidated, then the schedules are adjusted automatically based on the net amount paid (Amount paid-Amount refunded-Amount reversed). The IRR is recomputed, if discount accrual is applicable for the product.

If a rate revision impacts a liquidated contract, then the schedules are built based on the net interest paid (Amount paid-refund amount-amount reversed).

### **Example**

Consider a loan of 200,000 USD was given to AIRBUS on December 01,2007 with principal payment on every first of the month. The maturity date of the loan was 01-Feb-2008, Last payment was done on 01-Feb-2008 and the current scenario is depicted below.

Schedule date	Amount Due(USD)	Amount Settled (USD)
1-Jan-08	10,000.00	10,000.00
1-Feb-08	10,000.00	10,000.00

The contract status is now liquidated and the rate for the underlying rate code is changed for the effective date of 15-Dec-2007 such that amount due for the interest gets changed. As a result of the rate change, the system adjusts the liquidated schedules automatically. The scenario after the VAMI is depicted below

Schedule date	Amount Due(USD)	Amount Settled(USD)
1-Jan-08	11,000.00	11,000.00
1-Feb-08	11,000.00	9,000.00

### **Rate change for Liquidated Schedules**

Consider a loan of 200,000 USD given to AIRBUS on December 01,2007 with principal payment on every first of the month. The maturity date of the loan be 01-Mar-2008, Last payment was done on 01-Feb-2008 and the current scenario is depicted below.

Schedule date	Amount Due(USD)	Amount Settled (USD)
1-Jan-08	10,000.00	10,000.00
1-Feb-08	10,000.00	10,000.00
1-Mar-08	10,000.00	0.00

Current System date is 15-Feb-08 and now a back valued VAMI with a value date as 15-Dec-2007 is done to increase the rate such that amount due for the interest gets changed. As a result of the VAMI the amount settled is adjusted automatically. The scenario after the VAMI is depicted below

Schedule date	Amount Due(USD)	Amount Settled(USD)
1-Jan-08	11,000.00	11,000.00
1-Feb-08	11,000.00	9,000.00
1-Mar-08	11,000.00	0.00



## 12.3 Initiating the Automatic Contract Update Function

You can invoke the Automatic Contract Update function from the Application Browser. Click on LD and then on the Automatic Daily Update option.

For any event involving accounts in a foreign currency, this function will use the conversion rate in the Currency table for converting the amount to the local currency.



Ensure that you update the conversion rates in the Currency table with the rates for the day before you execute the Automatic Contract Update function.

### 12.3.1 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 the current system date follows a holiday(s) and you have specified that events falling on holidays should be processed on the immediate working day succeeding a holiday.

### 12.3.2 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 (additional disbursements, change in interest rates, etc.) that was done during the day with a Value Date as the current system date
- 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. Examples of such events could be the non-availability of funds in a payment account, the non-availability of funds in a commitment or a deposit to which a loan is linked, etc. The details of an event that could not be initiated, along with the reason, will be reported in the Exception Report.

### 12.3.3 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 a 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 working day after the holiday, during beginning of day processing.

#### **Example**

The current system date is 30 October 1998. A repayment schedule for a loan falls due on 31 October 1998. 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 (for events falling on 31 October 1998) 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.

## **12.4 Initiating a Future Value Dated Contract**

A 'future dated' loan 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 loan on the Value Date of the loan.

If there were holiday(s) preceding today, future dated loans 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, that the loan involves, will be passed automatically. If currency conversions are involved, the conversion rates as of today will be picked up from the Currency Table.

If the loan is linked to a commitment, the commitment utilization will be updated. Also, the contingent entries passed when the commitment was initiated will be reversed to the extent of the loan amount linked. If the available balance in the commitment is not enough to cover the entire loan amount linked, the loan will not be initiated. This will be reported in the Exception Report.

For future dated contracts that fall due today, if there is a rate change today, the interest amounts will be recalculated for the schedules.

## **12.5 Processing an Automatic Repayment**

For loans that have been defined with automatic liquidation of repayments, the liquidation will be carried out by the Automatic Contract Update 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, would depend on your holiday handling specifications in the Branch Parameters 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 of the holiday will be processed on the working day immediately following the holiday, during beginning of day processing.

If a loan has been defined for verification of funds before automatic liquidation, the components whose schedule dates fall on the same day will be liquidated in the order that you specified while defining the product.

If the funds are insufficient, the liquidation will be done to the extent of the available balance in the repayment account, again, following the order of liquidation of components specified by you. If this is so, it will be reported in the Exception Report generated at the end of every day, automatically (by the Automatic Contract Update function).

If you have *not* specified that the funds are to be verified, and the funds are insufficient:

- The repayment account will be put into a debit balance if an overdraft is allowed, and the schedules for the components will be liquidated to the extent of the debit balance allowed. If it crosses the extent of debit balance allowed, the liquidation will be done with an overdraft override that is automatically recorded. The debit interest that is applicable to the account (current or savings) will be applied.
- If the repayment account has not been defined with overdraft, the liquidation will not be processed

The liquidation order is helpful when you want to liquidate the dues in a certain order: say interest (or interest type of components) first, and then the principal.

### **Example**

You can indicate that the repayment schedules for the principal have to be liquidated automatically, if you are sure that your customer will repay the schedules on time.

Another scenario where you could define automatic schedules could be when the interest earned from a deposit services your customer's loan.

You can opt for manual liquidation of schedules.

If a loan has been defined with Floating interest, and an interest revision falls due today, the revised rate will be applied before the repayment is processed.

## **12.5.1 Advices Generated for a Repayment**

Advices are generated by the Automatic Contract Update function during beginning of day processing. While defining a product you may have specified that an advice is to be generated to intimate the customer every time a payment has been liquidated. This will apply to all loans involving the product (refer chapter on product definition).

However, for a particular loan, you can suppress this advice.

If a repayment advice has been specified for a loan, it will be generated by the Automatic Contract Update function when you run it at the beginning of day.

## 12.6 **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 Contract Update 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 is 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 Branch Parameters screen.

- If you 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 specified that the automatic processes are to be carried out only till the 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**

Assume that while entering into a contract with Ms Yvonne Cousteau, you 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 the 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.

A **delinquency notice** is generated to be sent to a customer when a payment is pending. The Automatic Contract Update function generates the delinquency notice if you have specified one for a loan, during BOD processing. If it falls due on a holiday, its generation depends upon your holiday handling specifications in the Branch Parameters screen.

## 12.7 **Automatic Rollover of a Loan**

A 'Rollover' is a renewal of a loan. For a loan to be rolled over it:

- Should be past its Maturity Date
- Should not have been liquidated

If you have specified automatic liquidation and automatic rollover for a loan, the old loan will be liquidated and a new one initiated on the Maturity Date of the loan during the BOD (Beginning Of Day) run of the Automatic Contract Update 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 Branch Parameters 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 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 loan be liquidated manually, you cannot roll it over automatically.

When a loan is rolled over or renewed for the interest, commission, charge or fee components, it can assume the following attributes:

- Those of the product involving the loan being rolled over
- Those of the original loan itself

You can specify this at the time of processing the original loan.

### **12.7.1 Advices for Rollover**

When creating a product, you can opt to generate an advice that would intimate your customer that a loan (involving her) is rolled over. This specification will apply to all loans involving the product (refer chapter on product definition).

However, for a particular loan, you can suppress this advice. If an advice for renewal of the loan has been specified, it will be generated during BOD processing.

### **12.7.2 Automatic Status Changes**

A loan that is yet to reach a repayment date, or on which repayments are being made regularly, will be considered as having an 'Active' status. When a repayment is not done on the schedule date, you may want to do an aging analysis of the loan.

### **12.7.3 Defining Status Codes for a Product**

You can do aging analysis by changing the status of a loan on which payment(s) are defaulted. At any time, you can generate reports of loans, with details of aging, to facilitate the follow up process for repayment.

## 12.7.4 Changing the Status of a Loan

Apart from the Active status that is allotted automatically to a loan on its initiation, a loan on which one or more payments have not been made on the schedule date can pass through more than one status. You can define the attributes for each status code. These are:

- The number of days in which a loan should stay in a specific status
- The customer classification for which a loan should stay in a particular status
- Whether the GL under which it is reported should be changed when there is a status change
- The new GL under which it should be reported
- For a component, you can specify the number of days after a missed interim schedule when it has to be moved to the status being defined. Similarly, you can specify the number of days after a Maturity schedule is missed, when the same component has to be moved to the status being defined. You can also specify that all future schedules should be moved to a different set of GLs.
- Usually, more than one status is defined for a product. In this context, you should indicate the sequence in which a loan should move to the status you are defining. You should also define whether the status should be considered as adverse status (to be enabled for delinquency tracking) or not.
- You can indicate that accruals (on all accruable components) should be stopped on a loan when it moves to the status being defined. By doing so, you can ensure that your Receivable accounts for interest and other components are not updated for a loan on which your customer has defaulted on a repayment.
- You can indicate that the outstanding accruals (where interest has been accrued but not paid) on the loan should be reversed when it moves to the status that you are defining. If you so specify, the accruals on the loan, that are yet to be realized, will be reversed when the status change is carried out. You have to first stop accruals before indicating that they be reversed.
- You can indicate that the past and future accruals (with regard to a status) should be transferred / redirected to Memo GLs. In case you have indicated that real accruals should be reversed, the catch-up for the same will be done in the Memo GLs. All future accruals will take place in the Memo GLs. As and when a repayment is done, the corresponding accrual amount will be reversed in the MEMO GLs and booked in the real GLs. You have to first stop accruals before indicating that they be reversed. However you may or may not maintain reverse accruals depending on whether you want the past accruals to be transferred to the MEMO GLs or not.

The statuses are user-defined. That is, you can define the various statuses for a product and a loan according to your needs.

*Refer to User Manual on Product Definition to know more about maintaining status derivation rules.*

### **Example**

You could define the following status for the product, Short Term Loans with Individuals:

**Normal** - This is when repayments on a loan are done as per schedule.

**Past Due Obligation (PDO)** - This is when repayments on a loan have been stopped but the accruals on the accruable components are still being done (There is still a chance of repayment of the loan).

**Non-accrual basis (NAB)** - When the loan acquires this status all accruals for the loan are stopped (The chances of repayment diminish further).

**Write-off (WO)** - This is when the loan is written off and all accrual entries are reversed.

Status	Sequence
PDO	1
NAB	2
WO	3

You want a loan under this product to move from status to status in the order in which they are mentioned here. For such a condition, you can indicate the number of days after which each component should move to the status being defined (these can differ for a maturity schedule and an interim schedule).

According to the number of days of default defined for each component, a loan will first be moved to PDO from Active status, then to NAB and lastly to WO status.

You can classify a status as adverse thereby indicating whether a contract is itself delinquent or marked for adverse status by virtue of other contract(s) of the same customer having gone into default. You can also indicate the change of GL, if any, when a component comes to a particular status, and the messages to be generated at each status change.

## 12.7.5 Automatic Status Change

A 'forward' status change is one in which the status changes from one to the next. In our example, the movement from Active to PDO, PDO to NAB, and NAB to Write Off are all forward changes.

A 'reverse' status change is one in which the status changes from one to the previous. Such a situation arises when a payment is made on a loan with a status other than Active.

If you specify that reverse changes have to be carried out automatically, the status will be changed when a payment is made on a loan with a status other than Active.

If you specify that reverse changes should not be automatic, the status remains unchanged even if a repayment is made on the loan. The status has to be changed by you through the Contract Processing function.

A reverse change may also become necessary when the number of days of default is increased for a product.

If you specify that forward changes or reverse changes have to be carried out automatically, the status changes will be carried out by the Automatic Contract Update function when it is run during the Beginning of Day processes on the day the change falls due.

If the day on which the forward or reverse status change is due happens to be a holiday, then, the processing depends upon your specifications in the 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.

If you specify that the forward or reverse changes should *not* be carried out automatically, the status remains unchanged till you specifically change it for a loan, through the Contract Processing function.

At the time of processing a loan, you can change the automatic mode of status change you have specified for the product to the manual mode, or vice-versa. However, this will apply to all status.

### **Indicating Transfer schedule preferences**

You have to indicate whether the entries for the past schedules or the future interest schedules have to be transferred to the new GLs for each component.

Past schedules will enable transfer of all past-due schedules (including principal and accruals) to be transferred to new GLs rather than transferring only the schedule that is affected by the current status.

Future schedules will enable the transfer of only the principal schedules due in the future to the designated GL.

## **12.8 Advices to be Generated for a Status Change**

You can specify whether an advice has to be generated to inform the customer about the status change of the loan. You can also specify the kind of advices to be generated.

You can generate advices when the loan components move forward from one status to the next, to notify the customer of the status change and possibly urge him to make the payments to liquidate the schedules, which are aging. The advices will be generated during beginning of day processing when a status change takes place.

You can choose from a picklist of messages the specific advice or message that you want sent to the customer when a loan moves automatically (forward) into the status you are defining. These messages or advices are maintained by the messaging sub-system of Oracle FLEXCUBE.

## **12.9 Accrual of ICCF Components**

When you are defining the interest, commission, charge or fee components (ICCF components) for a loan 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 loans for which accruals fall due today, the Automatic Contract Update 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 will be passed for that event, immediately.

### **Example**

The last accrual date for Ms Yvonne Cousteau's loan 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 scheduled accrual falls on a holiday, the accruals are done as per your holiday handling specifications for automatic processes, in the Branch Parameters 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 events falling on the holiday will be processed during end of day 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 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 Contract Update function, reporting the details of the accruals performed.

For a loan on which there is a default in payment, you can specify that aging analysis should be done. This analysis involves the change of status of a loan. When the status is changed, you can also specify that the accruals on the loan should be stopped. For such loans, the accrual entries will not be passed; they will only be calculated and reported in the Accrual Control Journal under 'Memo Accruals.'

### **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.*

## **12.9.1 The Memo Accrual Function**

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 loan as of the current system date.

## **12.9.2 Contents of the Accrual Control Journal**

The accrual control journal, or report as it is referred to in Oracle FLEXCUBE, lists the loans for which accrual entries were passed as of the current date.

You can opt to run the Accrual Contract Journal in two ways:

- Actual
- Memo

### **Actual**

The actual accrual report will contain details of the actual accrual entries that were passed as of the date you have indicated.

### **Memo**

To recall, the Memo Commission Accrual function automatically accrues the components of the active Loans. The function neither generates any accounting entries nor does it mark the loans as accrued.

This report merely computes the accrual amount as it would be computed for a regular accrual and reports the accrued figures. It does not pass accounting entries for the same.

## 12.10 Interest Rate Revision on a Loan

The type of interest that is applicable on a loan 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 the Floating Rate Definition screen. A Rate Code identifies a set of rates defined for a combination of Currency, Amount Limit (optional) and Effective Date. When processing a loan, you should link it to the floating rate table by indicating the Rate Code. The rates defined for the Rate Code will be applied on the deposit (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.

The following example will illustrate this point.

### **Example**

Tenor: The Start Date of the contract is 1 October 1997 and the End Date 30 November 1997.

The contract has a floating rate and the rates in the floating rate table change in the following manner:

Date	Rate
1 October 1997	12%
12 October 1997	11.5%
25 October 1997	11%
15 November 1997	12%
30 November 1997	12.5%

**Liquidation Frequency:** Monthly

If 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 Contract Update does the interest accruals for those loans for which a rate revision becomes due today, whatever the way they have to be applied - every time the rate changes, or periodically.

## 12.11 Value Dated Changes

Value Dated Changes are changes to a contract that come into effect on a specific date called the Value Date. Additional disbursements (increase in the principal), a change of interest, commission or fee rate, collection of additional fees, etc., are examples of the value-dated changes that can be made to a contract.

Such changes indicated for a loan (through the Value Dated Changes Screen), falling due today (i.e., the Value Date is today's date), are executed by the Automatic Contract Update function during beginning of day. All the necessary accounting entries will be passed and advices specified for the event will be generated.

If the Value Dated change is in the rate or amount of any accruable component, the accruals will be done for the loan with the old rate or amount as of the previous day (yesterday).

If the Maturity Date of a loan has been changed so that the contract matures today, the loan will be liquidated provided all the prerequisites for such liquidation are met.

### 12.11.1 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 loan 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 as 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 loan during the beginning of day processes. If the value dated change falls on a holiday, it's processing and the generation of the advice will be done as per your holiday handling specifications in the Branch Parameters screen.

## 12.12 Auto Funding SLT

The loans initiated in Oracle FLEXCUBE that are funded by Treasury are funded taking into consideration any long-term funding that has already been processed.

SLT funding is based on long-term funding. Funding operates as follows:

- Match Funding – Loans that are match-funded are funded for the borrowing amount by booking an auto-placement in Oracle FLEXCUBE using the Treasury Rate sent by OPICS through intra-day feed. The placement details are sent to OPICS through intra-day feed from Oracle FLEXCUBE to OPICS. OPICS books the deposit and acknowledges to Oracle FLEXCUBE with the Deal Id.
- Pool Funding – Loans that need to be pool-funded are funded for a combination of legal vehicle, expense code, currency, department and treasury source, by booking overnight placements in Oracle FLEXCUBE at the end of the day with the overnight funding Treasury Rate sent by OPICS. The overnight placements are booked with value date of current day and maturity date of next working day. Loans that are flagged with the BASERTFUND UDF value as "Y" is picked for pool funding.

The details for pool funding are captured in the 'Expense Code' screen. The Expense Codes are grouped under single expense group and the long-term funding is done. To invoke this screen from the Application Browser select **Loans and Commitment Operations** then choose **Treasury Funding** and select **Expense Code Group** under it.

**Expense Code Group**

Branch   Citicorp U.S.A.

Expense Group

Expense Group Description

**Expense Code Details**

Expense Code	Expense Code Description
00453	
01627	
13791	
47493	

Input By: TEST03 Date/time: 01-AUG-2008 09:43:50 Authorised By: TEST05 Date/Time: 01-AUG-2008 09:44:47 Mod No: 4 ☒ Open ☒ Authorized

The following details are captured in this screen:

#### **Branch**

Select the branch code from the adjoining option list.

#### **Expense Group**

Specify the expense group here.

#### **Expense Group Description**

Specify the description of the expense group in this option.

#### **Expense Code Details**

Select the expense code from the adjoining option list.

#### **Expense Code Description**

This option is defaulted one the expense code is specified.

The 'Long term Funding' screen captures details of the total funded amount for the long-term contract. To invoke this screen from the Application Browser select **Loans and Commitment Operations** then choose **Treasury Funding** and select **Longterm Funding** under it.

Longterm Funding

Placement ID: CT3DEP2050290002      Sequence: 2

Branch: CT3      CITI - TESTING - BRANCH 03

Currency: USD      USA DOLLAR

Effective Date: 29-JAN-2005

Maturity Date: 15-FEB-2005

Expense Group: TRAIL      TRAIL

Amount: 53,999,954.42

Input By	Date/Time	Authorised By	Date/Time	Mod No	Open	Authorized
PRAFULLA01	28/12/2004 10:48:49	PRAFULLA02	28/12/2004 10:49:10	1	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

The details captured in this screen are:

#### Placement ID

Select the placement Id from the adjoining option list.

#### Expense Group

Select the expense group from the adjoining option list.

The following options are defaulted from the Placement Id:

- Branch
- Currency
- Effective Date
- Maturity Date
- Amount

*For more details about SLT refer 'Secondary Loan Trading' User Manual*

Placement for overnight funding is done in Oracle FLEXCUBE for the combination of legal vehicle, expense code, currency, department and treasury sources. Overnight treasury rate is used for these placements.

The total amount of overnight funding is the difference of the total funded amount of the long-term deposit and the total of all active loans. The amount for each of the placement is arrived by the relative ratio that is booked corresponding to the total amount of the loans for the combination of legal vehicle, expense code, currency, department and treasury source and the long-term contract amount.

The formula to calculate amount for placement is given below:

Amount for each placement = ((Total amount of (overnight funding \* WAC) needed for a legal vehicle and currency) / (Amount maintained for the long-term contract for the legal vehicle and currency)) \* ((Total outstanding \* WAC) of all active loans for the legal vehicle, currency and expense code and maturity date less than the maturity date of the long-term contract)

### 12.12.1 Allocating Long Term Funded Amount

For each long term funded deposit/loan, allocation is done for the long term funded amount to individual expense codes under the expense group maintained for the long term funding without any event registration. Entries are posted as journal entries with value date as application date. The Dr/Cr GLs for the fund amount allocation entries are taken from the long term funded Deposit/loan contract.

The amount posted for each expense code under an expense group is further allocated at Internal CUSIP level for all CUSIPs under the expense code and the allocation details are stored for reporting purposes. The entries posted for the previous working day are reversed everyday at the start of the process. The reversal entries are posted with value date as application date, not the previous working date. Entries posted for each expense code under the expense group, amount is computed as per below logic:

$$(\text{Long term funded amount}) * \{(\text{Loan balance} * \text{Settlement WAC}) \text{ for each expense code}\} / (\text{Sum of } (\text{Loan balances} * \text{Settlement WAC}) \text{ for all expense codes under the expense group})$$

For Placements entries are posted as below:

- Dr LiabGL (Amount calculated by above formula) for the expense code of the long term funded placement
- Cr LiabGL (Amount calculated by above formula) for each of the expense code in the expense group

For Loans entries are posted as below:

- Cr AssetGL (Amount calculated by above formula) for the expense code of the long term funded loan
- Dr AssetGL (Amount calculated by above formula) for each of the expense code in the expense group

The Dr/Cr GLs for the accrual allocation entries are taken from the long term funded Deposit/loan contract. Entries are posted as journal entries with value date as application date. The accrual amount posted for each expense code under a expense group are further allocated at Internal CUSIP level for all CUSIPs under the expense code and the allocation details are stored for reporting purposes. Accrual allocation is for the accrual amount that is going to accrue in EOD.

For match funding, you can book deposits with the amount as (Loan Amount \* Settlement WAC) only for SLT desk.



## 12.13 Automatic Expense Code Change

Oracle FLEXCUBE allows you to automate changing of expense codes at the contract level. This way, you do not need to pay down the loans and rebook new contracts. Automating the expense code change will also improve continuity of a contract by preserving its history as the codes change over time.

The expense code change details are captured in the 'Expense Code Reclass' screen. To invoke this screen from the Application Browser, select 'Expense Code Reclass' and select 'Detailed' under it.

Expense Code Reclass

Reference No

Origination Details Agency Details Trade Details Deal Details

Commitment Details

Commitment Ref No Module

Branch Department Treasury Currency

Facility Name Cusip No

New Expense Code Current Expense Code Process Status

Contract Details

Related Ref No	User Ref No	Value Date	Maturity Date	Curr Expense Code	Counterparty

Balance Details

LTD/MTD	Balance Type	Amount	Old Reclass Ref No	New Reclass Ref No

☐ Rejected Reprocess Exception

Maker Id Maker Dt Stamp Checker Id Checker Dt Stamp Mod No ☒ Open ☐ Authorized

The details captured in this screen are:

### Reference No

The system automatically generates and displays the expense code change reference number.

Depending on the tab you have open, specify the following details

### Commitment Ref No (Origination Details tab)

Specify the commitment reference number. The adjoining option list displays all valid commit reference numbers maintained in the system. You can select the appropriate one from it.

### Tranche Ref No (Agency Details tab)

Specify the tranche reference number. The adjoining option list displays all valid tranche reference numbers maintained in the system. You can select the appropriate one from it.

**Cusip No (Trade Details tab)**

Specify the Cusip number. The adjoining option list displays all valid Cusip numbers maintained in the system. You can select the appropriate one from it.

**Portfolio (Trade Details tab)**

Specify the portfolio number. The adjoining option list displays all valid portfolio numbers maintained in the system. You can select the appropriate one from it.

**Deal Ref No (Deal Details tab)**

Specify the deal reference number. The adjoining option list displays all valid deal reference numbers maintained in the system. You can select the appropriate one from it.

**New Expense Code**

Specify the new expense code. The adjoining option list displays all valid expense codes maintained in the system. You can select the appropriate one from it.

Depending on the tab you have open, the system displays the following details in Origination Details, Agency Details, and Deal Details tabs.

- Module
- Branch
- Department
- Treasury
- Currency
- Facility Name
- CUSIP No
- Current Expense Code
- Process Status

Under Contract Details section, the system displays the following details.

- Related Reference No
- User Ref No
- Value Date
- Maturity Date
- Current Expense Code
- Counterparty

Under Trade Details section, the system displays the following details.

- Related Reference No

- Ticket ID
- Trade Price
- Buy/Sell
- Current Expense Code
- Counterparty
- Trade Status

Under Balance Details section, the system displays the following details.

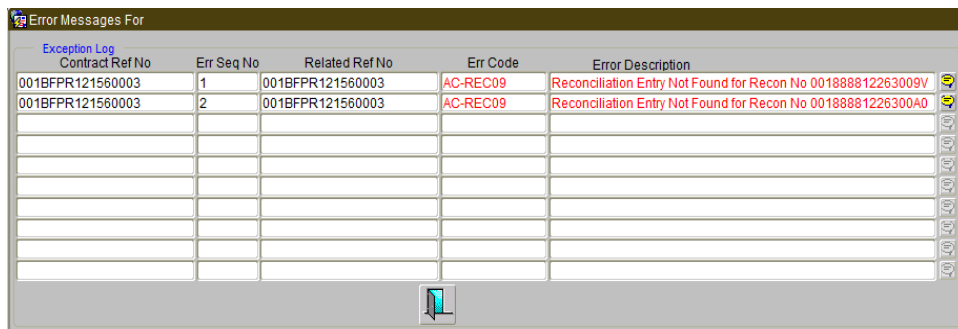
- LTD/MTD
- Balance Type
- Amount
- Old Reclass Ref No
- New Reclass Ref No

You can enter details for any of the three modules (LT, LN, LS), but if you enter details of more than one module in the same contract, they must be linked with each other.

You can reject a contract by clicking the 'Reject' button.

You can reprocess the failed/unprocessed contracts using the 'Reprocess' button.

The system displays the following error log for failed contracts.



Exception Log				
Contract Ref No	Err Seq No	Related Ref No	Err Code	Error Description
001BFPR121560003	1	001BFPR121560003	AC-REC09	Reconciliation Entry Not Found for Recon No 001888812263009V
001BFPR121560003	2	001BFPR121560003	AC-REC09	Reconciliation Entry Not Found for Recon No 00188881226300A0

The system displays the following details:

- Contract Ref No
- Error Sequence No
- Related Reference No
- Error Code
- Error Description

---

## 13. Processing a Commitment

### 13.1 Introduction

A 'commitment' is a formal understanding between you and your customer that you are willing to advance a loan during a certain period in the future. A fee may be charged at the time of entering into this understanding. You can have a repayment schedule for this fee.

When a loan is disbursed against this commitment, since there is no movement of funds involved but only a setting aside of funds, you should specify that contingent entries are to be passed on initiation of the commitment, at the time of defining the commitment product.

The entries should be reversed on Maturity (if the commitment is not used), or whenever a loan involving the product (or loans are) is issued.

When a loan is linked to the commitment, commitment utilization entries should be defined for the loan. On the Maturity Date of the commitment, the reversal of the contingent entries should be defined.

A commitment can be linked to more than one loan, as long as funds are available. It can be:

- Revolving (where the amount available is reinstated whenever there is a payment against a loan linked to it)
- Non-revolving (where the amount repaid is not reinstated)

### 13.2 Defining a Commitment Product

You can define a product for commitments just as you can define one for loans. When you define a product, and enter into commitments involving the product, the commitments will inherit the attributes of the product. However, you can change most of these attributes at the time of initiating a commitment.

A product is created as a general framework. Though a commitment generally inherits the attributes of the product it involves, it will also have certain details specific to it, such as:

- The counterparty details
- The amount
- The contract reference number
- The user reference number

In the product definition screen, you have to specify the Product Type as 'Commitment.' You should specify the other details, such as the product code, a description, a slogan, the product group, the start and end dates and the remarks, just as you would for a loans product. To invoke this screen, from the **Application Browser**, choose **LD Maintenance** and thereafter **Product Definition**.

You can specify your preferences (or options) through the Product Preferences screen:

- Specify the authorization re-key fields
- Specify the minimum, maximum and standard tenor of the commitment product
- Specify the frequency of accruals for the fee
- Specify the mode of liquidation for the principal and the fee schedules
- Specify the schedule type
- Specify the exchange rate variance

Through the ICCF screens, specify the fee applicable to the commitment. The fee can be:

- A flat amount
- A rate

For a product, you should define schedules for the fees that you levy. You have to:

- Define the reference date -- the Calendar date (date of the first fee schedule) or the Value Date (the date of initiation of the commitment),
- The frequency - monthly, half yearly
- The unit, month and date
- The number of schedules

Similarly, for the Principal you should define a schedule where the entire principal or the unused portion is liquidated at maturity.

Through the Product Status Control screen, you can specify the following for the fee component:

- Whether status change has to be automatic
- Whether accruals are to be stopped, when the commitment is in a particular status
- The accounting role and accounting head of the new GL to which accounting entries would be posted when the status of the commitment changes
- The advices, if any, to be generated for each status
- The number of days to achieve the status being defined for interim schedules
- The number of days to achieve the status being defined for the maturity schedule

For the commitment product, you should define the following:

- The accounting role and accounting head
- The accounting entries
- The advices to be generated when a particular event takes place -- for example, you can specify that a repayment advice has to be generated for the fee
- The branches which can use this product
- The currencies which can be allowed for the product
- The customer categories and the customers who can use the product

### 13.3 **Initiating a Commitment**

A commitment is initiated through the Contract On-line screens. Through the Contract Details screen, you have to specify the following:

- Counterparty (customer)
- Currency
- Credit line
- Amount
- Settlement Account
- Maturity Date (fixed)
- Tenor



While booking or amending a commitment, if the UDF 'RATE-VARIANCE' is maintained as a non-zero value for the commitment contract, dual authorization is required.

*For more details regarding dual authorization, refer the section 'Dual Authorization' in the chapter titled 'Disbursing a Loan' of this User Manual.*

Through the Contract Preferences screen, you have to specify the type of the commitment. A commitment can be:

- Revolving or
- Non-revolving

### **Revolving**

In a revolving type of commitment, the amount available is reinstated whenever there is a payment against a loan linked to it.

### **Non Revolving**

In a revolving type of commitment, the amount repaid against a loan is not reinstated.

Through this screen, you can also indicate whether the status movement (aging analysis) has to be done automatically or manually for the commitment.

You can convert the existing revolving commitment contract to non revolving commitment (Term commitment) contract using, Revolving to 'Non – Revolving Conversion' screen.

Revolving to Non-Revolving Conversion	
Commitment Contract	
Contract Ref No	CIPCOM1043634001
Current Balance	
Commitment Amount	10,000,000.00
Available Amount	9,990,000.00
Expected Balance - Post Conversion	
Commitment Amount	10,000,000.00
Available Amount	10,000.00
Convert	

### **Contract Reference Number**

Specify the contract reference number of the revolving commitment contract which you wish to convert to non revolving commitment contract.

### **Current Balance**

#### **Commitment Amount**

The total commitment amount before conversion is displayed in this field.

#### **Available Amount**

The total unutilized amount of a commitment contract before conversion is displayed in this field.


## **Expected Balance – Post Conversion**

### **Commitment Amount**

The total commitment amount after conversion is displayed in this field.

### **Available Amount**

The total unutilized amount of a commitment contract after conversion is displayed in this field.

Click  to change the contract preference from revolving to non revolving.



The contract balances are not rebuilt by the system while converting the commitment from Revolving to Non Revolving. You should handle any balance changes during the conversion or subsequent to conversions by means of Value dated amendments for the respective commitments.

In the preferences screen, you have to indicate your schedule preferences:

- Whether holidays are to be ignored when schedule dates are calculated
- Whether schedule dates are to be moved (backward or forward) if a schedule date falls on a holiday
- Whether a movement of the schedule date across the month is allowed
- Whether the mode of liquidation of the repayment schedules has to be automatic

For a commitment, the schedule you have defined for the product is applied to the fee, by default. You can reverse these schedules through the Contract online screen, Schedules tab by providing the following details.

- The start date
- The number of schedules
- The frequency and unit
- The amount if the fee is a flat amount



LD Contract Online [ruma1]

Template  NORM Contract Ref Number CT4TDP1050294002 1 Or 1  
Product TDP1 User Ref Number CT4TDP1050294002 Reprgrm Cnt 0  
Branch CT4 Department DEP Treasury TRS01 Custom Ref No TD0081 2,000.00  
Alt Ref No Projected Comm Bal  
Facility Id

**Contract** **Schedules** **Linkages** **Rollover**

**Liquidation** **Commitment**  
Auto L ☐ Revolving  
Status Control ☐ Auto ☒ Manual ☐ Non Revolving

**Other Details**  
☐ Pledged  
☒ Verify Funds  
☐ Apply back valued revisions  
☒ Liquidate Back Valued Schedules  
☐ Deduct Tax On Capitalisation  
☐ Suppress Revision Notice  
Revision Notice Days  
☒ Verify Billed Amount  
☐ Cost of Credit Valuation  
☐ Propagate Status change to Loan

**Schedule Preferences**  
Contract Sch Type NORMAL **Amortisation Type** ☒ Reducing Balance ☐ Rule 78  
**Holiday Treatment for Schedules**  
LOCAL ☒ Ignore Holidays ☐ Move Across Months ☐ Move Backward  
Ccy USD ☐ Cascade Schedules ☐ Rate Code Ccy ☐ Move Forward P

**Holiday Treatment for Rate Rev Schedules**  
☐ Apply payment holiday treatment ☐ Move Backward  
Ccy ☐ Ignore Holidays ☐ Cascade Schedules ☐ Move Forward  
☐ Move Across Months ☐ Rate Code Ccy

**Holiday Treatment for Maturity Date**  
CURRENCY ☒ Ignore Holidays ☐ Rate Code Ccy ☐ Move Backward  
Ccy USD ☐ Move Across Months ☐ Chk Contract Ccy ☐ Move Forward  
☐ Chk Local Ccy

**Schedule Details**

Rev	Component	Start Date	No.	Frequency	Unit	Amount	Reset	Month	Tenor	End Ind
P	DEPINT	30-JAN-2005	1	Bullet	1					
P	PRINCIPAL	30-JAN-2005	1	Bullet	1	2,000.00				

**Commitment Blockage**  
Start Month  Start Day   
End Month  End Day

Handoff Status  Rollover Indicator ☐ Count 0 Parent Ref No

Internal Remarks

Entry By	Entry Time	Auth By	Auth Time	Contract Stat	Auth Status
RUM404	29/01/2005 15:16:30	RUM401	29/01/2005 15:17:13	Active	Authorized

Navigation buttons: B, E, I, D, S, I, M, E, N, L, PG, FEE, H, SR, W, EI, AER, WT, NET, MSG, Pft, Bft, FRM, En..., His

For the principal schedule defined to maturity, you have to give the principal amount through this screen. You can also indicate your preference for cost of credit valuation.

At maturity, all the contingent entries that were passed at the time of initiating the commitment will be reversed (if the commitment is not used or whenever a loan is linked to it). When a loan is linked to the commitment, loan-related entries will be passed.

The fee and principal schedules can be liquidated automatically or manually, through the Manual Liquidation screen.

### Cost of Credit Valuation

The system will display the option entered at the product level. If the option is unchecked at the product level, it will be disabled in this screen and you will not be able to check this at the contract level. If this option is checked at the product level, then you can uncheck it. During contract amendment, you can check it or uncheck it based on its value in the previous version.

The system will perform cost of credit valuation for the contract for both performing and non-performing contracts only if the box 'Cost of Credit Valuation Reqd' box is checked for the contract.

### 13.3.1 Making Value Dated changes

Through the Value Dated Changes function, you can do the following:

- Increase or decrease the commitment amount
- Change the fee rate or amount
- Change the maturity date

### 13.3.2 Capturing Auto Step-up and Auto Step-down of a commitment

Oracle FLEXCUBE supports auto step-up and step-down of a commitment through the Contract online screen, Schedules Tab.

For auto step-down of a commitment, you need to specify 'C' value from the Rev drop-down and 'Principal' from the Component along with the other parameters. System calculates and reduces the commitment availability amount. The events VAMB and VAMI are triggered.


Account entries are given below:

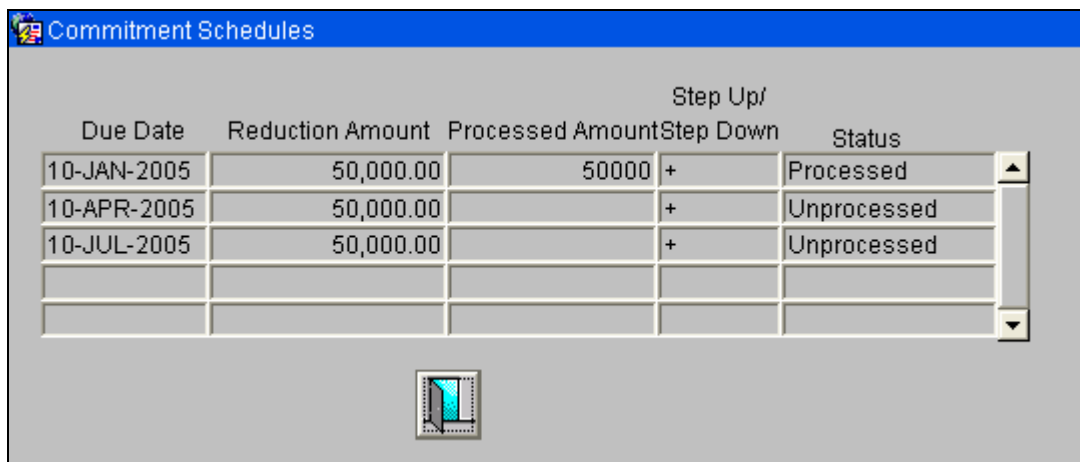
GL	Amount Tag	Dr/Cr
Con Asset Offset GL	PRINCIPAL_DECR	Dr
Con Asset GL	PRINCIPAL_DECR	Cr

For auto step-up of a commitment, you need to specify 'I' value from the Rev drop-down along with other parameters. System calculates and increases the commitment availability amount. The events VAMB and VAMI are triggered.

Account entries are given below:

GL	Amount Tag	Dr/Cr
Con Asset GL	PRINCIPAL_INCR	Dr
Con Asset Offset GL	PRINCIPAL_INCR	Cr

Click  button to check the commitment schedule details.



The screenshot shows a window titled "Commitment Schedules" with a table of commitment details. The table has five columns: Due Date, Reduction Amount, Processed Amount, Step Up/Step Down, and Status. The first row shows a commitment due on 10-JAN-2005 with a reduction of 50,000.00, a processed amount of 50000, a step up of +, and a status of Processed. The next two rows show commitments due on 10-APR-2005 and 10-JUL-2005, both with a reduction of 50,000.00, a processed amount of 0, a step up of +, and a status of Unprocessed. There are two empty rows at the bottom of the table. A small icon is visible at the bottom center of the window.

Due Date	Reduction Amount	Processed Amount	Step Up/ Step Down	Status
10-JAN-2005	50,000.00	50000	+	Processed
10-APR-2005	50,000.00		+	Unprocessed
10-JUL-2005	50,000.00		+	Unprocessed

The screen displays the following details:

- Due Date
- Reduction amount
- Processed Amount
- Step Up (+) or Step Down (-) as the schedule of the commitment.
- Status indicates the commitment step up/step down schedule as:
  - Unprocessed – Future Schedules
  - Processed – Successfully completed
  - Failed – Failed due to Unavailability

While updating the schedules for auto step up and auto step down overlapping is not allowed. If there is an insufficient amount the partial commitment reduction is processed based on the flag 'Allow Partial reduction' at the commitment product level. You cannot reverse a processed commitment step up/down schedules.

An Exception will be logged in case of failure of commitment reduction and no subsequent attempts are fired. Future commitment step up/down schedules are not considered while performing the back dated/current dated/ future dated loan activities. For back valued commitment booking, you cannot define schedules for back valued auto step up/step down.

## 13.4 Linking a Loan to a Commitment

A loan can be 'linked' to a deposit, commitment or an account. A linkage of this nature with a commitment will mean:

- You can utilize the entire amount of a commitment, or a portion of it, for a loan. The available balance in the commitment will be reduced from the commitment.

- You can also link a portion of the loan to the commitment

The contingent entries that were passed when the commitment was initialized will be reversed for the loan amount that has been linked.

A commitment can be linked to more than one loan, as long the amount is available for utilization.

To specify the details of the linkage you have to invoke the Contract Linkages screen.

#### **13.4.1 Specifying the Details of the Linkage**

If the linkage is with a commitment specify the Reference Number of the commitment.

The *currency* of the commitment to which the loan is being linked will also be displayed on the screen, once the linkage details are specified.

#### **13.4.2 Specifying the Linked Amount**

You should indicate the amount that has to be linked to the commitment. This amount can be the entire principal of the loan, or a portion of it. The amount that you specify should be in the currency of the loan.

This amount should be available in the commitment. The available amount will be arrived at taking into account the other loans linked to the commitment.

#### **13.4.3 Specifying the Exchange Rate**

You need to specify the exchange rate only if the currency of the loan is different from the currency of the commitment to which it is being linked.

If the two currencies are different, the mid-rate for the day will be picked by default. This rate will be displayed in the field and can be changed by you. If the rate entered by you differs from the mid-rate by the normal variance percentage defined for the product, then you will be asked for an override. If it differs from the mid-rate by the maximum variance specified for the product, then it will not allow the record to be stored.

#### **13.4.4 The Converted Link Amount**

This amount will be displayed only if the currency of the loan is different from that of the commitment. This amount is arrived at using the Exchange Rate specified in an earlier field.

#### **13.4.5 Type and Total Linked Amount for each Type**

You can link a loan to many commitments, deposits or accounts. The total amount linked to each type (commitment, deposit or account) will be displayed in this screen.

### 13.4.6 Uncovered Amount

When you are linking a loan to a commitment you can link either the entire principal amount or a portion of it. The amount of the loan that is not linked will be shown in this screen.

### 13.4.7 Accounting Entries for a Linkage

For a non-revolving type of commitment, once the commitment amount is utilized, the accounting entries are reversed.

For a revolving type of commitment, where the commitment amount is refurbished once a repayment is made, the accounting entries are re-instated, every time the commitment amount is refurbished.

### 13.4.8 Amending Commitment Linkage Details

A new commitment and an existing commitment can be linked to a loan contract and you can modify the new commitment through the 'Commitment Linkage Amendment' screen. To invoke this screen, choose **Loans & Commitment Operations** from the Application Browser. Thereafter, choose **Linkage Amendment** and **Detailed** under it.

The screenshot displays the 'Commitment Linkage Amendment' window. It is divided into three main sections: 'Loan Details', 'Old Linkage Details', and 'New Linkage Details'.

**Loan Details:** This section contains various input fields for loan information. The 'Contract Ref No' is 'CT1LBN105214D6YP'. The 'Currency' is 'USD'. The 'Counterparty' is '0001000'. The 'Value Date' is '01-MAY-2005'. The 'Department' is 'DEP'. The 'Status' is 'PDO'. The 'Branch' is 'CT1'. The 'Maturity Date' is '30-DEC-2005'. The 'Loan Outstanding' is '1,000.00'. The 'Amendment Date' is '10-JUL-2005'. There are also buttons for navigation (back, forward, etc.) and a 'FIXED' button.

**Old Linkage Details:** This section shows a table with columns: 'Linked To Ref', 'Branch', 'CCY', 'Exchange Rate', and 'Linked Amount'. The data row shows: 'CT1COM105214B1K0', 'CT1', 'USD', '1.00000000', and '.00'.

**New Linkage Details:** This section shows a table with columns: 'Linked To Ref', 'Branch', 'CCY', 'Exchange Rate', 'Linked Amount', and 'Conv Linked Amt'. The data row shows: 'CT1COM105214B1K1', 'CT1', 'USD', '1.00000000', '1000', and '1000'. There is a magnifying glass icon next to the 'Linked To Ref' field.

**Footer:** At the bottom, there are fields for 'Entry By', 'Entry Time', 'Auth By', 'Auth Time', 'Contract Stat', and 'Auth Stat'. The values are: 'ADHUS1', '2/26/2005 11:11:22', 'ADHUS1', '2/26/2005 11:18:08', 'Active', and 'Active'. There is also a small icon on the right.

You can specify the following details:

#### Contract Ref No

Specify the contract reference number of the contract for which you need to amend the commitment linkage.

#### Amendment Date

Specify the amendment date of the loan contract.

### **Old Linkage Details**

The system displays the values of old linkage details and you cannot modify these details.

### **New Linkage Details**

#### **Linked to Ref**

Specify the reference number of the new commitment which is to be linked. The adjoining option list displays all the commitment reference numbers maintained in the system. You can choose the appropriate one.

#### **Exchange Rate**

Specify the exchange rate of the linked amount.

## **13.4.9 Processing Commitment Linkage Changes**

LAMD (Linkage Amendment) event is used for this operation. This event fires at the loan level and no accounting entries are posted. If LAMD event is used for linking a commitment to a loan for the first time, then the LINK event fires at the commitment level.

If LAMD is done at the loan level to remove and add a new commitment, then the DLNK event fires at the old commitment level (even for non revolving commitments) and LINK event fires at the new commitment level. Linked amount is tracked only for new commitments.

Back valued activities beyond the commitment linkage date for principal increase/decrease is not allowed. If there is a partial reprice, then delinking of the commitment is done for the parent and child contract separately. The DLNK amount is based on the current outstanding of the loan for the loan contract that is linked to a revolving/non revolving commitment.

On partial payment of the loan principal, LAMD is done to delink the commitment and the system fires the DLNK for the current outstanding amount of the loan on old commitments. This is applicable for revolving and non revolving commitments.

Following operations can be performed:

- UNLOCK
- SAVE
- AUTHORISE
- DELETE



Note the following:

- Commitment linkage is applicable for revolving and non-revolving commitments. Value date wise balances of the commitments can be tracked and future dated LAMD is not allowed.


- LAMD of the loan to modify/add the commitment linkage is not allowed if a Rollover / Reprice instruction is captured.
- LAMD is also not allowed if, for the commitment, propagation of status to the underlying loans of the commitment is allowed ('Propagate Status to Loan' preference is checked at commitment level)
- Reversal of LAMD is not allowed. The value date of the LAMD cannot be beyond the schedule date or value date whichever is greater than the fee liquidation of the commitment.
- The following commitment level validations will be performed during the LAMD activity.
  - Sub-limits
  - Borrower
  - Currency
  - Commitment Blockage Period (if any)
  - Commitment reduction schedules (if any)
- The value date of the LAMD cannot be beyond the last DLNK event date of the underlying commitment. If a contract has overdue schedules, then LAMD is not allowed. If a future dated loan is linked to a commitment, then LAMD is allowed, however the value date of the same should be the loan contract value date.
- The existing commitment currency and new commitment currency should be the same. However, if there is no existing commitment, then user can link commitment of any currency.
- New Linkage details are mandatory.
- LAMD beyond LAMD will be blocked.
- The old and new commitment type should be the same, i.e., if old commitment is revolving then new commitment should also be revolving.
- Reversal of payments, which are done prior to the LAMD, are not allowed. Reversal of VAMI, which is done prior to the LAMD is not allowed.
- In case of REVC of a loan contract, system will reverse all the accounting entries posted at the loan and commitment (old and new) level will be reversed. However, the net effect at the old commitment will be the same.

#### 13.4.10 **Defining Schedules for Reduction of Commitment Amounts**

A commitment is a formal agreement between you and your customer, according to which, you agree to advance a loan to your customer at a future period. When you actually disburse a loan against the commitment, the amount that you have committed reduces to the extent of the loan availed.

If the commitment amount should be reduced at regular intervals, a schedule for reductions can be specified. These schedules would be executed during the Beginning of Day processing on the specified dates.

You can define such reduction schedules in the Schedules tab of the LD Contract Online screen, when you initiate the loan. Select 'C' in the Rev field to indicate that the schedule is being defined for a commitment, in which the commitment amount is being reduced at regular intervals.

You can view the reduction schedules on a contract by clicking  in the Contract Schedules screen.

LD ContractOnline [ESCCU01]

Template  ESC1  NORM Contract Ref Number CT4ESC1043662004 2 Of 2

Product  ESC1 User Ref Number CT4ESC1043662004 Reprgrm Cnt 1

Branch CT4 Department LSA Treasury  Custom Ref No CAL\_LOAN\_ITR2\_16 1,000,000.00

Alt Ref No  Projected Comm Bal

Facility Id

**Contract** **Schedules** **Linkages** **Rollover**

**Liquidation** **Commitment**

☐ Manual ☐ L ☐ Revolving

**Status Control**

☐ Auto ☐ Manual ☐ Non Revolving

**Other Details**

☐ Pledged Grace Days  0

☒ Verify Funds

☐ Apply back valued revisions

☐ Liquidate Back Valued Schedules

☐ Deduct Tax On Capitalisation

☐ Suppress Revision Notice

Revision Notice Days

☒ Verify Billed Amount

☐ Cost of Credit Valuation

☐ Propagate Status change to Loan

**Schedule Preferences**

Contract Sch Type  NORMAL **Amortisation Type**

☒ Reducing Balance ☐ Rule 78

**Holiday Treatment for Schedules**

☒ Ignore Holidays ☐ Move Across Months ☐ Move Backward

Ccy  USD ☐ Cascade Schedules ☐ Rate Code Ccy ☒ Move Forward P

**Holiday Treatment for Rate Rev Schedules**

☐ Apply payment holiday treatment ☐ Move Backward

Ccy  ☒ Ignore Holidays ☐ Cascade Schedules ☒ Move Forward

☐ Move Across Months ☐ Rate Code Ccy

**Holiday Treatment for Maturity Date**

CURRENCY ☒ Ignore Holidays ☐ Rate Code Ccy ☒ Move Backward

Ccy  USD ☐ Move Across Months ☐ Chk Contract Ccy ☐ Move Forward

☐ Chk Local Ccy

**Schedule Details**

Rev	Component	Start Date	No.	Frequency	Unit	Amount	Reset	Month	Tenor	End Ind
P	INSUR_ACCR	28-OCT-2004	11	Monthly	1	200.00				
P	INSUR_ACCR	28-SEP-2005	1	Bullet	1	200.00				
P	LD-FX-INT	28-SEP-2005	1	Bullet	1					
P	PRINCIPAL	28-SEP-2005	1	Bullet	1	1,000,000.00				
P	TAX_ACCR	28-OCT-2004	11	Monthly	1	100.00				
P	TAX_ACCR	28-SEP-2005	1	Bullet	1	100.00				

**Commitment Blockage**

Start Month  Start Day  End Month  End Day

Installment Amount

Handoff Status  ☐ Rollover Indicator Count  0 Parent Ref No

Internal Remarks

Entry By	Entry Time	Auth By	Auth Time	Contract Stat	Auth Status
MURAUTH	31/12/2004 17:46:32	MUR	31/12/2004 17:47:02	Active	Authorized



### 13.4.10.1 Batch Process for Reductions

During the execution of the automatic loan batch processes, the reduction schedules are processed. The reduction schedules are sequenced to run after auto liquidations and before accruals.

### 13.4.10.2 Partial Reductions

Reduction of the commitment amount according to the reduction schedule depends on the outstanding commitment amount when each schedule falls due. Due to availment of any linked loans, on a schedule date, the outstanding commitment amount could be insufficient to be reduced to the extent of the schedule amount.

You can define partial reduction to be applicable for the schedule. If defined, the commitment amount is reduced to the extent possible. If partial reduction is not defined, the reduction is not processed until the outstanding commitment amount is replenished sufficiently to the extent of the reduction, by repayments made by the customer.

To specify partial reductions to be applicable, you specify it in the Product Preferences for a loans product. Select the 'Allow Partial Reduction' box in the Product Preferences screen.

The following example will illustrate the concept of reduction of commitment amounts:

#### Example

Your bank has committed to lend a sum of 100000 USD to Mr. Joseph Nbele, one of your customers. The commitment is entered into on 1<sup>st</sup> January 2002, and reaches maturity one year later.

Mr. Nbele requests you to provide a reduction schedule for your commitment, to the tune of 10000 USD at the beginning of each month, beginning on 1<sup>st</sup> February 2002.

On 1<sup>st</sup> July 2002, the commitment amount has been reduced to 40000 USD, through the automatic execution of the reduction schedules by the batch process.

On the same day, Mr. Nbele avails a loan under the commitment, to the extent of 35000 USD.

On 1<sup>st</sup> August, when the batch process attempts to execute the next reduction schedule, there is an insufficiency in the outstanding commitment amount, to the extent of 5000 USD.

If partial reduction is specified for the commitment product, then the reduction schedule on 1<sup>st</sup> August will be executed, and 5000 USD will be reduced from the commitment amount, bringing the amount available to zero.

If partial reduction is not specified, the schedule is not executed on 1<sup>st</sup> August. It is attempted on a daily basis by the batch process, and will only be executed when the outstanding commitment amount is sufficient enough to make the reduction of 10000 USD.

Now, Mr. Nbele repays 10000 USD of the loan, on 15<sup>th</sup> August, bringing the outstanding commitment amount to 15000 USD. On that day, the batch process will successfully execute the reduction schedule that was to have been executed on 1<sup>st</sup> August.

## 13.5 Viewing Billing Notice History

Oracle FLEXCUBE facilitates storing the billing notice internally, which is generated as part of NOTC event. You can use this information for reporting activities.

You can view the component wise break up of a contract reference number through the 'Billing Notice History' screen. To invoke this screen from the Application Browser, select **Billing Notice History** under **Loans and Commitment Operations**.

Event	Billing Date	ESN	Maker ID	Checker ID
NOTC	18-MAR-2005	32	SYSTEM	SYSTEM
NOTC	18-APR-2005	62	SYSTEM	SYSTEM
NOTC	18-MAY-2005	92	SYSTEM	SYSTEM


  

Contract Ref No	ESN	Component	Billing Date	Due Date	Billed Amount
CT3SLM1050550001	32	SLRN-INT	18-MAR-2005	25-MAR-2005	43,055.550

Here you can view the following details about the billing notice, generated as part of NOTC event:

- Contact Reference Number
- User Reference number
- Event Details
- Component Wise Breakup Details

View Events						
Event Details						
Event No.	Event Date	Event	Maker Id	Maker Dt Stamp	Checker Id	Checker Dt Stamp
26	28-SEP-2005	NOTC	SYSTEM	28/09/2005 11:26:59	SYSTEM	28/09/2005 11:26:59
25	28-SEP-2005	NOTC	SYSTEM	28/09/2005 11:26:59	SYSTEM	28/09/2005 11:26:59
24	28-SEP-2005	NOTC	SYSTEM	28/09/2005 11:26:59	SYSTEM	28/09/2005 11:26:59
21	28-MAR-2005	NOTC	SYSTEM	28/03/2005 11:50:43	SYSTEM	28/03/2005 11:50:43
18	28-FEB-2005	NOTC	SYSTEM	28/02/2005 21:08:48	SYSTEM	28/02/2005 21:08:48
17	28-FEB-2005	NOTC	SYSTEM	28/02/2005 21:08:48	SYSTEM	28/02/2005 21:08:48
16	28-FEB-2005	NOTC	SYSTEM	28/02/2005 21:08:48	SYSTEM	28/02/2005 21:08:48
15	28-FEB-2005	NOTC	SYSTEM	28/02/2005 21:08:48	SYSTEM	28/02/2005 21:08:48
10	31-DEC-2004	NOTC	SYSTEM	31/12/2004 19:41:32	SYSTEM	31/12/2004 19:41:32
9	31-DEC-2004	NOTC	SYSTEM	31/12/2004 19:41:32	SYSTEM	31/12/2004 19:41:32
8	31-DEC-2004	NOTC	SYSTEM	31/12/2004 19:41:32	SYSTEM	31/12/2004 19:41:32
7	31-DEC-2004	NOTC	SYSTEM	31/12/2004 19:41:32	SYSTEM	31/12/2004 19:41:32

You can view the details of the notice in the 'Message Details' screen. To invoke this screen click the  button in the above screen.

Message Details						
Reference Number	ESN	Event	Txn Date			
CT4ACC104363A001	15	NOTC	28-FEB-05			
Outgoing / Archival	Message type	Receiver	Entity	Ccy	Amount	Status
OUTGOING	BILNOTC	CUSCT02		GBP		GENERATED


  

Name	CUSCT02
Location	
Address	

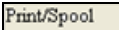
Exception

VIEW
Print/Spool


- Reference Number
- ESN
- Event
- Txn Date
- Outgoing/ Archival
- Message Type

- Receiver
- Entity
- Currency
- Amount
- Status
- Name
- Location
- Address
- Exception

You are allowed to reprint the generated bill for a given contract reference number by clicking the  button in the above screen.

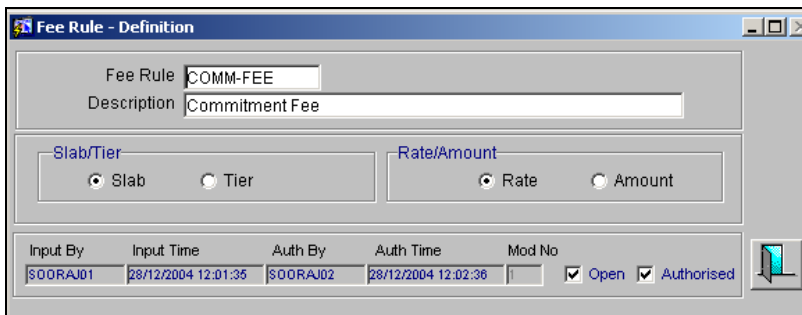
## 13.6 **Maintaining Slab/ Tier Based Fee for Commitment**

Oracle FLEXCUBE allows you to maintain a slab/tier based fee computed on the unutilized or utilized balance of commitment. You are also allowed to waive a portion of fee at the time of fee payment for various fee components. In order to facilitate this, you have to perform certain maintenance for the fee structure, they are:

- Fee Rule Definition Structure
- Fee Rule Maintenance Structure
- Fee Component Definition at the Product Level
- Fee component Definition at the Contract Level
- Liquidation of Fee component
- Reversal of Fee Liquidation

### 13.6.1 **Maintaining Fee Rule Definition Structure**

In the 'Fee Rule Definition' screen, you can define a rule for a particular fee component. It can be either Slab or Tier based. The fee computation can be either Rate or Amount based.

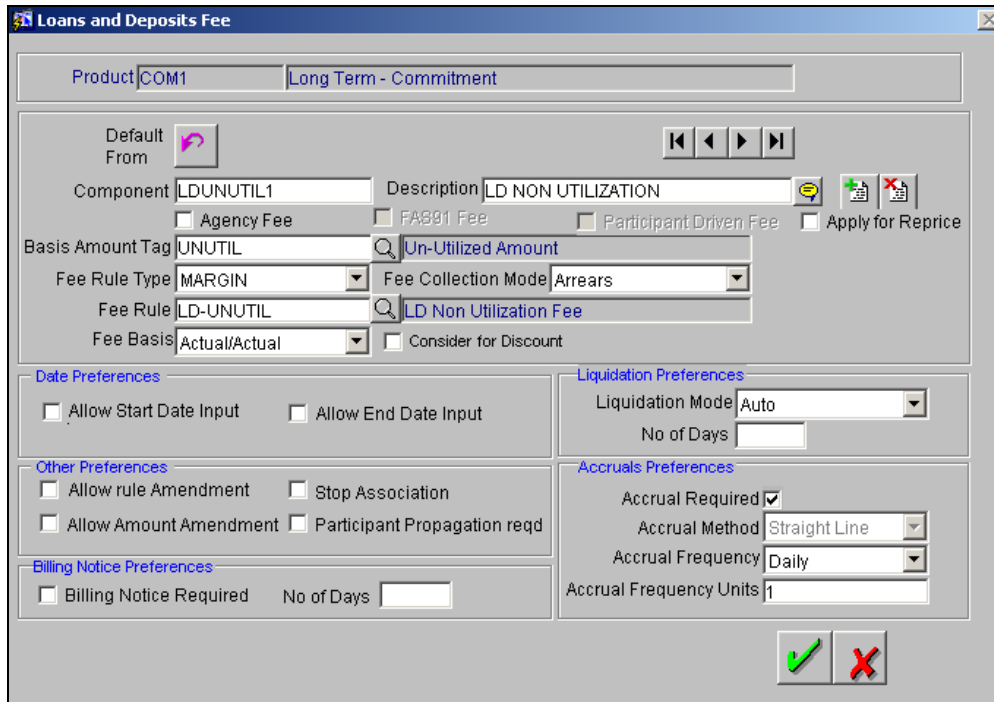


Input By	Input Time	Auth By	Auth Time	Mod No
\$00RAJ01	28/12/2004 12:01:35	\$00RAJ02	28/12/2004 12:02:36	
				<input checked="" type="checkbox"/> Open <input checked="" type="checkbox"/> Authorised

For further information Fee Rule Definition refer to the chapter Processing Charges and Fees in the Loans Syndication User Manual.

### 13.6.2 Associating Fee at Product Level

You can associate the fee by clicking the  button in the 'LD Contract Online' screen.



Here you can attach multiple fee components to the Product. The following are the preferences to be maintained:

- Select the Basis Amount available as one of the following as required:
  - Principal
  - UTIL—Only Arrear type of fees
  - User Input
  - UNUTIL—Only Arrear type of fees
  - OUTSTANDING
- Select the Fee Rule type as 'Margin'
- Fee should be collected in Arrears or in Advance
- The preferences for the fee class to be maintained as follows:
  - Allow Start Date Input – If you check this box at the product level, the system will allow start date input at the contract level.
  - Allow End Date Input: If you check this box at the product level, the system will allow end date input at the contract level.
  - Billing Notice Required – Check this flag for generating the billing notices

- No of days – The system generates the billing notices 'x' days before the fee liquidation is due, where 'x' is the days maintained.
- Allow rule Amendment – Check this flag to amend the Fee Rule at the contract level.
- Allow Amount amendment – Check this flag to amend the amount at the contract level.
- Stop Association – Check this flag to stop calculating the fees for the underlying contracts.

### 13.6.3 Maintaining Fee Rule Details

In the 'Fee Rule Maintenance' screen, you can define the Slab or Tier details, based on the rule and the fee amount or rate for each slab or tier for each of the fee components like loan fee and commitment fee. The fee basis amount is defined in amount or in percentage.

**Fee Rule Maintenance**

**Contract Details**

Module:  Loans and Deposits

Contract Ref No:

Counter Party:  ALL CUSTOMERS

Fee Rule:  Loan Fee

Facility Ref No:

User Ref No:

Book Date:

Value Date:

Component Type: ☒ Slab ☐ Tier ☐ Amount ☐ Rate ☐ Amount ☐ Percentage

**Currency Details**

CCY:  Currency Name:

**Effective Dates**

Effective Date:

**Fee Details**

Amount From	Amount To	Fee Rate
.00	20,000,000.00	1.12250
20,000,000.00	40,000,000.00	1.75250
40,000,000.00	60,000,000.00	2.01250
60,000,000.00	80,000,000.00	2.22750
80,000,000.01	100,000,000.00	2.51850

Input by:  Date Time:  Checked By:  Date Time:  Mod No:  ☒ Open ☒ Authorised

For further information Fee Rule Maintenance refer to the chapter Processing Charges and Fees in the Loans Syndication User Manual.

#### 13.6.3.1 Computing Facility Fee for Commitment

You can calculate the Facility Fee for a commitment to track the latest commitment amount. You can define the Facility Fee component using the Basis Amount Tag 'TRANSFER\_AVL' available in the Fee Class screen and Fee Definition screen for Commitment product maintenance.

'TRANSFER\_AVL' balance represents the sum of the Available Balance for a commitment and underlying Loans Outstanding Balance for a given value date.

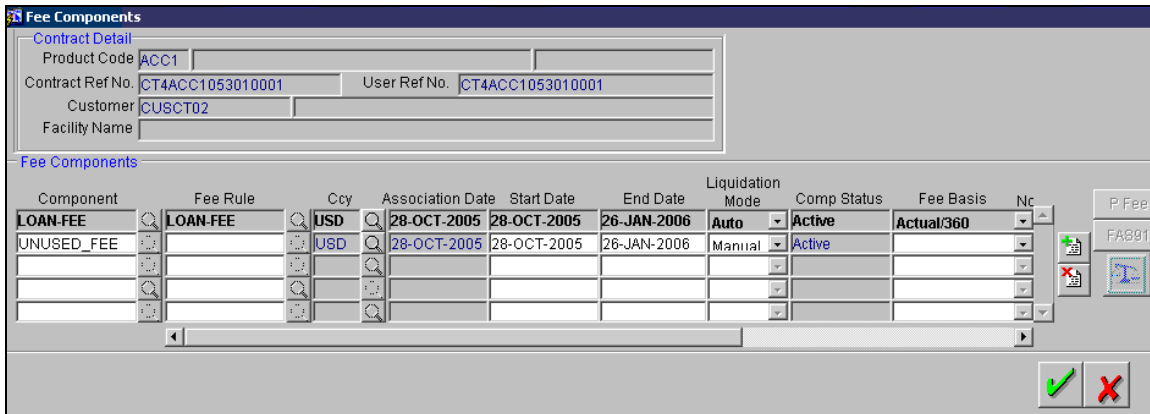
## 13.6.4 Associating Fee at Contract Level

You can associate the fee by clicking the **FEE** button in the 'LD Contract Online' screen.

The screenshot displays the 'LD Contract Online [ESCCU01]' interface. The top section contains contract identification fields: Template (ESCCU01), Product (ESCCU01), Branch (CT4), Department (LSA), Treasury, Contract Ref Number (CT4ESC1043662004), User Ref Number (CT4ESC1043662004), Reprgrm Cnt (1), Custom Ref No (CAL\_LOAN\_ITR2\_16), and Projected Comm Bal (1,000,000.00). Below this are tabs for Contract, Schedules, Linkages, and Rollover. The Contract tab is active, showing fields for Customer (ESCCU01), Agent CIF, Currency (USD), Cluster ID, Ext CUSIP/ISIN, CUSIP No, Amount (1,000,000.00), Limit CIF (ESCCU01), Lcy Eqt (1,000,000.00 GBP), LC Sublimit Amt, Global Commit Amt, and LC Bal. The Interest Details section includes Type (FIXED), Fixed Rate Type (USER\_DEFINED), User Rate (0.0000000000), Rate (+) (0.0000000000), Code Usage, Fixed Code, Reset Tenor, Rev Type, Penalty Code, Amount, Int Period Basis (Include From Dt), Ccy Round Rule (Down), Decimals (.01), and Unit (.01). The Maturity Type section has radio buttons for Fixed, Notice, and Call, with Maturity Date (28-SEP-2005) and Notice Days. The Tax Scheme section includes Tax Scheme, Pmt. Method (BEARING), Status (NORM), Status Since Last (31-DEC-2004), Contact Dt (31-DEC-2004), Funding method (Not Required), and Offset No (0). The Rollover section has radio buttons for Allowed (Yes/No), Mechanism (New Version), Method (Normal), Roll Inst Status (Incomplete), and Industry Code. The bottom section includes Administrator, Handoff Status, Internal Remarks, and a table with columns: Entry By, Entry Time, Auth By, Auth Time, Contract Stat, and Auth Status. The table contains one row: MURAUTH, 31/12/2004 17:46:32, MUR, 31/12/2004 17:47:02, Active, Authorized. A sidebar on the right contains buttons: B, E, !, D, S, T, M, E, N, L, PS, FEE, H, SR, W, Fil..., EI, AER, WT, NET, Msg, Pft, Bft, FRM, En..., His, ESC, and Spe.

For more information on Contract details, refer chapter Disbursing a Loan in Loans User Manual.

On clicking the  button, the 'Fee Component' screen is displayed.



Component	Fee Rule	Ccy	Association Date	Start Date	End Date	Liquidation Mode	Comp Status	Fee Basis	Nc
LOAN-FEE	LOAN-FEE	USD	28-OCT-2005	28-OCT-2005	26-JAN-2006	Auto	Active	Actual/360	
UNUSED_FEE	UNUSED_FEE	USD	28-OCT-2005	28-OCT-2005	26-JAN-2006	Manual	Active		

Here, the system defaults the following value from the product:

- Component
- Fee Rule
- Liquidation Mode
- Fee Basis Notice Required
- Notice Days


The system defaults all the other values on the contract value. You are allowed to change the following values:

- Start Date – Only if you check this at the product level, you can amend it.
- End Date - Only if you check this at the product level, you can amend it.
- Currency
- Liquidation Mode
- Fee Basis
- Notice Required
- No of Notice Days
- Fee Rule

The system performs the following validations:

- Start Date cannot be earlier than the Contract Value Date
- End Date cannot be greater than the Contract Maturity Date



You can modify the preferences in the 'Fee Rule Maintenance' screen. To invoke this screen, click  button in the 'LD Contract Online' screen.

**Fee Rule Maintenance**

**Contract Details**

Module  **Loans and Deposits**

Contract Ref No

Counter Party

Fee Rule

Component Type ☒ Slab ☐ Tier ☐ Amount ☐ Rate ☐ Amt ☐ Percentage

Facility Ref No

User Ref No

Book Date

Value Date

**Currency Details**

CCY

**Effective Dates**

Effective Date

**Fee Details**

Amount From	Amount To	Fee Rate
<input type="text" value=".00"/>	<input type="text" value="2,000,000.00"/>	<input type="text" value="1000.00000"/>
<input type="text" value="2,000,000.00"/>	<input type="text" value="9,999,999,999,999,999.00"/>	<input type="text" value="5000.00000"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>

Here you can modify the preferences only for a particular contract maintained at the contract level.

You can define the fee payment schedules in the LD Contract Online screen under 'Schedules' tab.

LD Contract Online [ESCCU01]

Template  NORM Contract Ref Number CT4ESC1043662004 2 Of 2

Product ESC1 User Ref Number CT4ESC1043662004 Reprgrm Cnt 1

Branch CT4 Department LSA Treasury Custom Ref No CAL\_LOAN\_ITR2\_16 1,000,000.00

Alt Ref No Projected Comm Bal

Facility Id

**Schedules**

**Schedule Preferences**

Contract Sch Type NORMAL Amortisation Type ☒ Reducing Balance ☐ Rule 78

**Holiday Treatment for Schedules**

☒ Ignore Holidays ☐ Move Across Months ☐ Move Backward

Ccy USD ☐ Cascade Schedules ☐ Rate Code Ccy ☒ Move Forward P

**Holiday Treatment for Rate Rev Schedules**

☐ Apply payment holiday treatment ☐ Move Backward

Ccy  ☒ Ignore Holidays ☐ Cascade Schedules ☒ Move Forward

☐ Move Across Months ☐ Rate Code Ccy

**Holiday Treatment for Maturity Date**

CURRENCY ☒ Ignore Holidays ☐ Rate Code Ccy ☒ Move Backward

Ccy USD ☐ Move Across Months ☐ Chk Contract Ccy ☐ Move Forward

☐ Chk Local Ccy

**Schedule Details**

Rev	Component	Start Date	No.	Frequency	Unit	Amount	Reset	Month	Tenor	End Ind	
P	INSUR_ACCR	28-OCT-2004	11	Monthly	1	200.00					P
P	INSUR_ACCR	28-SEP-2005	1	Bullet	1	200.00					R
P	LD-FX-INT	28-SEP-2005	1	Bullet	1						U
P	PRINCIPAL	28-SEP-2005	1	Bullet	1	1,000,000.00					C
P	TAX_ACCR	28-OCT-2004	11	Monthly	1	100.00					D
P	TAX_ACCR	28-SEP-2005	1	Bullet	1	100.00					F

**Commitment Blockage**

Start Month  Start Day  End Month  End Day  Installment Amount

Handoff Status  Rollover Indicator ☐ Count 0 Parent Ref No

Internal Remarks

Entry By	Entry Time	Auth By	Auth Time	Contract Stat	Auth Status
MURAUTH	31/12/2004 17:46:32	MUR	31/12/2004 17:47:02	Active	Authorized

Here the fee payment schedules are defined under Schedule Details as seen above.

You are allowed to amend the above preferences in future through the 'Fee Amendment' screen.

**Fee Amendment [ CUSCT02 ]**

**Contract Details**


Contract Reference No: CT4ACC1053010001    User Reference No: CT4ACC1053010001  
Product Code: ACC1    Bearing Loan: B001  
Customer: CUSCT02    CUSCT02  
Branch: CT4    Department: DEP    Treasury Source:

**Component Details**

Component	Fee Rule	Ccy	Association Date	Start Date	End Date	Liquidation Mode	Comp Status	Fee Basis
LOAN-FEE	LOAN-FEE	USD	28-OCT-2005	28-OCT-2005	26-JAN-2006	Auto	Active	Actual/360
UNUSED_FEE		USD	28-OCT-2005	28-OCT-2005	26-JAN-2006	Manual	Active	

Entry by: TEST08    Entry Time: 28/10/2005 16:36:24    Auth By: MADHU01    Auth Time: 28/10/2005 18:53:02    Contract Status: Active    Auth Status: Authorized

For further information on Fee Amendment details refer to the chapter Processing Charges and Fees in the Loans Syndication User Manual.

To amend the schedules of a particular component of a contract click on  button, the 'Fee Schedules' screen is invoked.

**Fee Schedules**

**Component Details**

Contract Ref No: CT4ACC1053010001    Component: LOAN-FEE  
Currency: USD    Fee Rule: LOAN-FEE  
Start Date: 28-OCT-2005    End Date: 26-JAN-2006  
Collection Mode: Arrears    Basis Amount: PRINCIPAL

**Schedule Details**

Sch Start Date	No	Frequency	Unit	Amount
28-NOV-2005	2	Monthlv	1	

**Amount Due**

Due Date	Amount Due
28-NOV-2005	11,599.16
28-DEC-2005	11,225.00

Here you can amend the schedules of a particular component of a contract if required.

For further information on Fee Schedules details refer to the chapter Processing Charges and Fees in the Loans Syndication User Manual.

The system posts the following entries in case of Fee Liquidation:

- Fee collected in Advance

➤ At Fee Collection ( FLIQ):

Accounting Role	Dr / Cr	Amount Tag
CUSTOMER	Dr.	Component_LIQD
Component_RIA	Cr.	Component_LIQD

➤ At Fee Accrual (FACR):

Accounting Role	Dr / Cr	Amount Tag
Component_RIA	Dr.	Component_ACCR
Component_INC	Cr.	Component_ACCR

- Component\_RIA - Fee Component Received in Advance
- Component\_INC - Fee Component Income
- CUSTOMER - Borrower
- Component\_LIQD - Fee Component Liquidated
- Component\_ACCR - Fee Component Accrued.

- Fee collected in arrears

➤ At Fee Accrual (FACR):

Accounting Role	Dr. / Cr.	Amount Tag
Component_REC	Dr.	Component_ACCR
Component_INC	Cr.	Component_ACCR

➤ At Fee Collection ( FLIQ):

Accounting Role	Dr. / Cr.	Amount Tag
CUSTOMER	Dr.	Component_LIQD
Component_REC	Cr.	Component_LIQD

- Component\_REC - Fee Component Receivable
- Component\_INC - Fee Component Income
- CUSTOMER - Borrower
- Component\_LIQD - Fee Component Liquidated
- Component\_ACCR - Fee Component Accrued.

During Fee Liquidation reversal, the system triggers the event FREV.

The system posts the following entries as part of FLIQ reversal.

Accounting Role	Dr. / Cr.	Amount Tag
CUSTOMER	Dr.	Component_LIQD (With -ve amount)
Component_REC	Cr.	Component_LIQD (With -ve amount)

**Example:**

The system posts the following entries as part of FLIQ:

Accounting Role	Dr / Cr	Amount Tag	Amount
CUSTOMER	Dr.	Component_LIQD	1000
Component_REC	Cr.	Component_LIQD	1000

The system posts the following entries as part of FREV:

Accounting Role	Dr / Cr	Amount Tag	Amount
CUSTOMER	Dr.	Component_LIQD	-1000
Component_REC	Cr.	Component_LIQD	-1000

#### 13.6.4.1 **Maintaining Parameter to Define Fee Schedule for Commitments**

Based on the value maintained for the parameter 'ALLOW\_FEE\_SCHEDULE' in the 'Parameter Mapping' screen, you can define the fee schedule for commitment contracts.

If the parameter 'INCLUDE\_ALL\_BR' is maintained as 'Y', then system does the following:

- System does not allow you to define Interim and Bullet fee schedules from Fee module.
- System does not allow tracking fees for a commitment from both Fee and ICCF modules.
- While defining a commitment product, you should associate the fee component from either the Fee or ICCF module and not from both the modules.
- While saving the commitment contract, if the fee component is attached from both Fee and ICCF modules, then system displays an appropriate error message.

If the parameter 'INCLUDE\_ALL\_BR' is maintained as 'N', then processes the fees as applicable for non-agency contracts.

## 13.7 Maintaining Escrow Account Details

You can link escrow accounts to a contract using the 'Escrow Account Maintenance' screen. Click **ESC** button in the 'LD Contract Online' screen to access this screen.

### 13.7.1 Commitment Fee Re-computation

Commitment fee is recomputed as and when there is a back valued activity beyond the fee liquidation date.

#### Example

A commitment of USD 12M is booked with a value date as 01-Jan-2004. The unutilized fee schedules are as below:

Component	Due Date	Amount Due	Amount Settled
UNUTIL-FEE	2/1/2004	10191.78	0.00
UNUTIL-FEE	3/1/2004	9534.25	0.00
UNUTIL-FEE	4/1/2004	10191.78	0.00
UNUTIL-FEE	5/1/2004	9863.01	0.00
UNUTIL-FEE	6/1/2004	10191.78	0.00
UNUTIL-FEE	7/1/2004	9863.01	0.00
UNUTIL-FEE	8/1/2004	10191.78	0.00
UNUTIL-FEE	9/1/2004	10191.78	0.00

Component	Due Date	Amount Due	Amount Settled
UNUTIL-FEE	10/1/2004	9863.01	0.00
UNUTIL-FEE	11/1/2004	10191.78	0.00
UNUTIL-FEE	12/1/2004	9863.01	0.00

Now on 01-Feb-2004, the payment of Unutilized Fee is done. This overpayment is of USD 10,191.78.00.

The schedules of the same are adjusted as below:

Component	Due Date	Amount Due	Amount Settled
UNUTIL-FEE	2/1/2004	10191.78	10191.78
UNUTIL-FEE	3/1/2004	9534.25	0.00
UNUTIL-FEE	4/1/2004	10191.78	0.00
UNUTIL-FEE	5/1/2004	9863.01	0.00
UNUTIL-FEE	6/1/2004	10191.78	0.00
UNUTIL-FEE	7/1/2004	9863.01	0.00
UNUTIL-FEE	8/1/2004	10191.78	0.00
UNUTIL-FEE	9/1/2004	10191.78	0.00
UNUTIL-FEE	10/1/2004	9863.01	0.00
UNUTIL-FEE	11/1/2004	10191.78	0.00
UNUTIL-FEE	12/1/2004	9863.01	0.00

Now a Loan is linked to this commitment with the value date as 01-Jan-2004, this will trigger a recompilation of the Unutilized Fee. As a result the fee will be recomputed and the schedules will be adjusted automatically as below:

Component	Due Date	Amount Due	Amount Settled
UNUTIL-FEE	2/1/2004	9342.47	9342.47
UNUTIL-FEE	3/1/2004	8739.73	849.31

## 13.7.2 Excluding Unutilized Fee Amount during Computation

Oracle FLEXCUBE provides a provision to exclude certain loans from the fee basis calculation for 'Unutil Fee' through the 'LD Contract Online' screen.

The screenshot displays the 'LD Contract Online' interface for contract 'ESCCU01'. The interface is divided into several sections:

- Contract Header:** Includes Template (NORM), Product (ESC1), Branch (CT4), Department (LSA), Treasury, Contract Ref Number (CT4ESC1043662004), User Ref Number (CT4ESC1043662004), Custom Ref No (CAL\_LOAN\_ITR2\_16), and Projected Comm Bal (1,000,000.00).
- Contract Details:** Customer (ESCCU01), Agent CIF (ESCCU01), Currency (USD), Ext CUSIP/ISIN, Ext Deal CUSIP/ISIN, Amount (1,000,000.00), Limit CIF (ESCCU01), Lcy Eqvt (1,000,000.00 GBP), LC Sublimit Amt, and LC Bal.
- Interest Details:** Type (FIXED), Fixed Rate Type (USER DEFINED), User Rate (0.0000000000), Rate (+) (0.0000000000), Fixed Code, Float Code, Penalty Code, Reset Tenor, Rev Type, and Amount.
- Maturity Details:** Maturity Type (Fixed, Notice, Call), Maturity Date (28-SEP-2005), Notice Days, and Cont. Eff Date (28-SEP-2004).
- Loan Statement:** Cycle, On, Type, and LC Contract options.
- Exclude from Unutil Fees:** A section with checkboxes for 'Suppress B. V. Payment Message', 'Reprogram Counter', 'MM Tracer Required', 'Suppress Confirmation', 'Waive Confirmation', 'Exclude from Unutil Fees', 'Allow FUDC Block', 'Net Across DD', 'WHT Tracking Req', 'Limits Tracking Req', 'Auto Extension', 'Agency Contract', 'Tenor Based Spread', 'Confirm', and 'WHT Currency'.
- Rollover:** Allowed (Yes, No), Mechanism (New Version), Method (Normal), Roll Inst Status (Incomplete), and Industry Code.
- Pool Funding:** Pool Funding Ref No, Master Funding Ref No, and Rollover Indicator.
- Administrative:** Administrator, Handoff Status, and Internal Remarks.
- Footer:** A table showing entry and authentication details for MURAUTH and MUR.

Here the following details are captured to exclude certain loans from the fee basis calculation:

### Exclude from Unutil Fees

Check this box to exclude loans from the fee basis calculation. You are not allowed to amend it after the first authorization at the contract level.



### **Example**

Let us assume the following:

There is a commitment of \$10MM, consisting of two term loans each \$0.5MM, one demand loan for \$2MM and one LC for 1.5M. As per Loan documents, the two term loans have to be included in the unused commitment fee equation, but the third (demand) loan and the LC should be excluded from the calculation. Unused Commitment fee (Fee Basis) calculated here is 9MM.



Only the basis for the calculation of fees is changing here.

The total Unutil will be 5.5 MM(10MM-1MM-2MM-1.5MM).

In the 'Loans and Deposits Fee' screen, the Basis Amount Tag should be maintained as UNUTIL for arriving at the basis amount.

Therefore, all the loans which have the flag set as 'Exclude from Unutil Fees' as checked will be excluded from the calculation of Unutil fees. However the overall utilized and unutilized amount will remain the same.

### 13.7.3 Provision for Waiving Fees

Oracle FLEXCUBE provides a provision for waiving a partial amount of fee during the fee payment. You can waive a partial amount by checking the waiver flag in the 'Fee Liquidation' screen.

Here the system populates the fee details based on the parameters specified. The schedule amount due is also populated in the 'Amount Paid' field and it is not allowed for modification.


The following details are captured to waive a partial amount of fee.

#### Waiver

Check this box to waive a partial amount of fee.

#### Waiver Amount

Indicate the amount to be waived after checking the Waiver option.

 You are allowed to waive full amount (i.e, without liquidation) then the amount entered in amount paid should be equal to amount waived.

The system posts the following entries as part of Fee Liquidation with waiver in the above case during Fee Liquidation:

GL	Amount Tag	Dr/Cr	Amount
Customer	FEE_LIQD	Dr	100
FEE_REC	FEE_LIQD	Cr	100

GL	Amount Tag	Dr/Cr	Amount
ADJ GL	FEE_WAIV	Dr	2
FEE_REC	FEE_WAIV	Cr	2



Note the following:

- You can waive fee only for current and overdue schedules.
- Tier based fee is rate based.
- For Slab based fee both Basis Amount Computation and Fee Computation basis is allowed for modification.
- For Tier based fee only Basis Amount Computation is allowed for modification.
- You cannot amend liquidated schedules through 'Fee Amendment' Screen.
- In case of waiver without liquidation, the amount paid should be equal to the Fee amount to be waived.
- Fee accruals will continue to happen on the Fee due amount.
- It is applicable only for derived type of Fees (Advance/Arrears).
- Fee waivers flags are made available in the upload routines for the conversion from legacy system.
- The Slab/Tier based fee is made available in the upload routine

## 13.8 Viewing Quick Query Details of Loans

You can view the most viewed details of Loans using 'Loans\Letter of Credit Quick Reference' screen. To invoke this screen, choose **Loans & Commitment Operations** from the Application Browser. Thereafter, choose **Loan Quick Query Screen** under it.

The screenshot displays the 'Loans/Letter of Credit Quick Reference Screen' with the following data:

Loan Details	
Contract Ref No	CT1LD04043630002
Company ID	CT1
Borrower ID	0001000
Borrower Name	AIR BUS
Rate Type	FIXED
Maturity Date	01-MAR-2005
Principal Cur. Bal	1,000,000.00
USD Equivalent	1,000,000.00
Collat Code	2600
Collat St Code	CHANNEL
Guarantee	<input type="radio"/> Yes <input checked="" type="radio"/> No
Sic Code	9721
Facility Memo No	FM0011111333
User Defined Status	NORM
Facility Name	DEMAND
Commitment Ref No	CT1LD04043630002
Expense Code	1000
Borrower Ssn / Tax id	111-11-1111
CR Classification	1
Reg Code	013
Currency	USD
Risk Rating	4+
Secured	<input type="radio"/> Yes <input checked="" type="radio"/> No
Recourse	<input type="radio"/> Yes <input checked="" type="radio"/> No

Bankers Acceptance	
Reg No	013
Status	NORM
Currency	USD
Facility Type	DEMAND
Principal Balance	1,000,000.00
USD Equiv	1,000,000.00
LOCR Avbl	1,000,000.00

On the right side of the screen, there are three buttons: 'Interest Info', 'Payment Info', and 'Transaction History'.

### Contract Reference Number

Specify the reference number of the contract whose details you wish to view.

### Loan Details

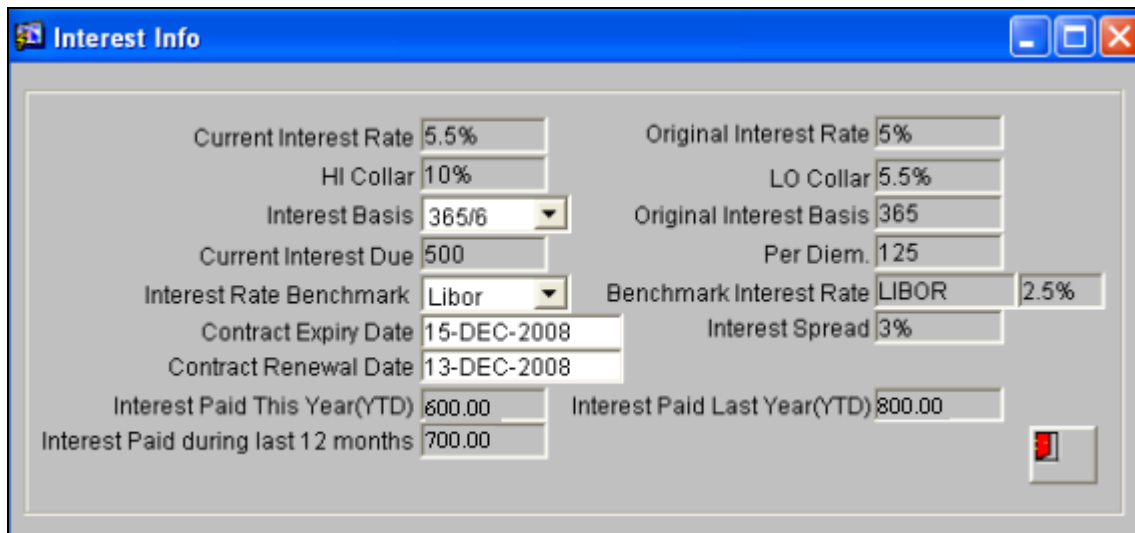
- Company ID
- Borrower ID
- Borrower name
- Rate Type
- Maturity Date
- Principal Current Balance
- USD Equivalent
- Collateral Code
- Guarantee Indicator
- Sic Code
- Facility Memo Number

- User Defined Status
- Facility Name
- Commitment Reference Number
- Expense Code
- Borrower SSN/Tax Id
- CR Classification
- Reg Code
- Currency
- Risk Rating
- Secured Indicator
- Recourse Indicator

### **Bankers Acceptance**

- Registration Number
- Status
- Currency
- Facility Type
- Principal Balance
- USD Equivalent
- LOC Availability

Click  to view the Interest Info details of the contract.



The 'Interest Info' window displays the following details:

Current Interest Rate	5.5%	Original Interest Rate	5%
HI Collar	10%	LO Collar	5.5%
Interest Basis	365/6	Original Interest Basis	365
Current Interest Due	500	Per Diem	125
Interest Rate Benchmark	Libor	Benchmark Interest Rate	LIBOR 2.5%
Contract Expiry Date	15-DEC-2008	Interest Spread	3%
Contract Renewal Date	13-DEC-2008		
Interest Paid This Year(YTD)	600.00	Interest Paid Last Year(YTD)	800.00
Interest Paid during last 12 months	700.00		

The following fields are displayed in this screen.

- Current Interest Rate
- HI Collar
- Interest basis
- Current Interest Due
- Interest Rate Benchmark
- Contract Expiry Date
- Contract Renewal Date
- Interest Paid This Year(YTD)
- Interest Paid during last 12 months
- Original Interest Rate
- LO Collar
- Original Interest Basis
- Per Diem
- Benchmark Interest Rate
- Interest Spread
- Interest paid Last Year (YTD)

Click Payment Info to view the payment Info details of the contract.

The screenshot shows a 'Payment details' window with a blue title bar. It contains two main sections: 'Interest Billing Frequency' and 'Principal Billing Frequency'. Each section has a dropdown menu for frequency and a table of payment details. The 'Interest' section shows a monthly frequency with current and next payments due in December 2004 and January 2005. The 'Principal' section shows a bullet frequency with the next principal payment due in March 2005.

Interest Billing Frequency: Monthlv	
Current Interest Payment Due	4,109.58
Next Interest Payment Due	4,246.57
Last Interest Payment Due	4,246.57
Interest Past Due Amount	.00

Principal Billing Frequency: Bullet	
Current Principal Payment Due	.00
Next Principal Payment Due	1,000,000.00
Last Principal Payment Due	.00
Principal Past Due Amount	.00

Additional fields on the right include: Auto Pay (Yes/No), Auto Pay Debit Account Number, Date of Current Interest Payment (01-DEC-2004), Date of Next Interest Payment (01-JAN-2005), Date of Last Interest Payment (01-NOV-2004), and Number of Days Past Due (30).

You can view the following details in this screen:

### **Interest Details**

- Auto Pay Indicator
- Auto Pay Debit Account Number
- Interest Billing Frequency
- Current Interest Payment Due
- Next Interest Payment Due
- Last Interest Payment Due
- Interest Past Due Amount
- Date of Current Interest Payment
- Date of Next Interest Payment
- Date of Last Interest Payment
- Number of Days Past Due

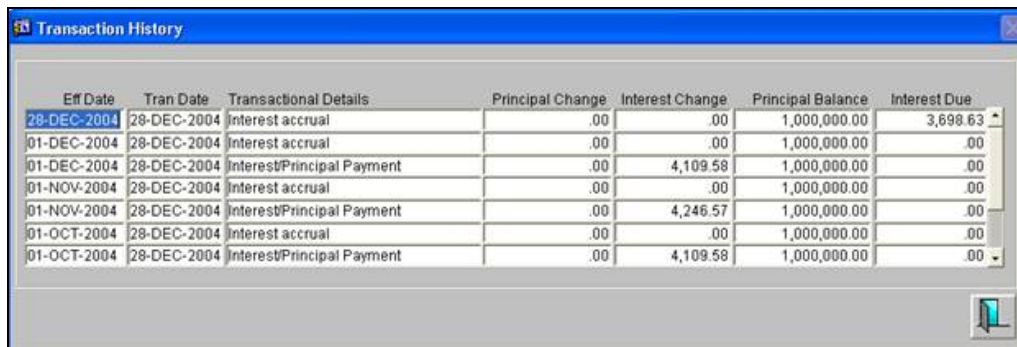
### **Principal Details**

- Principal Billing Frequency
- Principal Billing Frequency
- Current Principal Payment Due
- Next Principal Payment Due
- Last Principal Payment Due
- Principal Past Due Amount
- Date of Current Principal Payment
- Date of Next Principal Payment
- Date of Last Principal Payment
- Number of Days Past Due



The payment information needed for identifying amount to be paid in case of foreclosure can be viewed from LD Manual Payment screen.

Click **Transaction History** to view the Transaction History details of the contract.



The screenshot shows a window titled "Transaction History" with a table containing the following data:

Eff Date	Tran Date	Transactional Details	Principal Change	Interest Change	Principal Balance	Interest Due
28-DEC-2004	28-DEC-2004	Interest accrual	.00	.00	1,000,000.00	3,698.63
01-DEC-2004	28-DEC-2004	Interest accrual	.00	.00	1,000,000.00	.00
01-DEC-2004	28-DEC-2004	Interest/Principal Payment	.00	4,109.58	1,000,000.00	.00
01-NOV-2004	28-DEC-2004	Interest accrual	.00	.00	1,000,000.00	.00
01-NOV-2004	28-DEC-2004	Interest/Principal Payment	.00	4,246.57	1,000,000.00	.00
01-OCT-2004	28-DEC-2004	Interest accrual	.00	.00	1,000,000.00	.00
01-OCT-2004	28-DEC-2004	Interest/Principal Payment	.00	4,109.58	1,000,000.00	.00

You can view the following details in this screen:

- Effective date
- Transaction date
- Transactional Details
- Principal Change
- Interest Change
- Principal Balance
- Interest Due



## 13.8.1 Viewing Loan Quick Reference Summary Details

You can view summary details of Loan Quick Reference in 'Loan Quick Reference Summary' screen. To invoke this screen, choose **Loans & Commitment Operations** from the Application Browser. Thereafter, choose **Loans Quick Query Screen** and **Summary** under it.



Loan Quick Reference Summary									
Auth	Cont	Dept	Branch	Treasury	Reference No	OFCD	Facility Name	Workflow	Revision
Stat	Stat	Code	Code	Code				status	Status
A	A	DEP	CL1		CL1BIL1043630001			IN	CL1BIL1043630001
A	A	DEP	CL1		CL1BIL1043630002			IN	CL1BIL1043630002
A	A	DEP	CL1		CL1BIL1050280001			IN	CL1BIL1050280001
A	A	DEP	CL1		CL1BIL3043630004			IN	CL1BIL3043630004
A	A	DEP	CL1		CL1BIL3043630005			IN	CL1BIL3043630005
A	A	DEP	CL1		CL1BIL3043630006			IN	CL1BIL3043630006
A	A	DEP	CL1		CL1BIL3043630009			IN	CL1BIL3043630009
A	A	DEP	CL1		CL1BIL3043630010			IN	CL1BIL3043630010
A	A	DEP	CL1		CL1BIL3043630011			IN	CL1BIL3043630011
A	A	DEP	CL1		CL1BIL3043631001			IN	CL1BIL3043631001
A	A	DEP	CL1		CL1BIL3043631002				CL1BIL3043631002
A	A	DEP	CL1		CL1BIL3050240003			IN	BILNOTC
A	A	DEP	CL1		CL1BIL3050280001			IN	CL1BIL3050280001
A	A	DEP	CL1		CL1BIL3050280002			IN	CL1BIL3050280002
A	A	DEP	CL1		CL1BIL3050280003			IN	CL1BIL3050280003
A	A	DEP	CL1		CL1BIL3050280004			IN	CL1BIL3050280004
A	A	DEP	CL1		CL1BIL3050280005				CL1BIL3050280005
A	A	DEP	CL1		CL1BIL3050280006			IN	CL1BIL3050280006
A	A	DEP	CL1		CL1BIL3050280007			IN	CL1BIL3050280007
A	A	DEP	CL1		CL1BIL3050281002			IN	CL1BIL3050281002

**Auth Stat**  
A - Authorised  
U - Unauthorised

**Payment Method**  
B - Bearing  
D - Discounted  
T - True Discounted

**Contract Status**  
A - Active  
H - Hold  
V - Reversed

**Workflow/Revision Status**  
IN - Input  
AU - Auth  
RE - Released  
RA - Rate Assigned  
MI - Deal Date Reqd  
J - Reject at input  
JA - Reject at Auth  
JE - Reject at release  
JR - Reject at Rate Input  
JC - Reject at Rate Auth  
UP - Unprocessed  
CO - Completed  
JS - Reject by system



## 13.9 Viewing Quick Query Details of Commitments

You can view the most viewed details of commitments using 'Commitment Quick Details' screen. To invoke this screen, choose **Loans & Commitment Operations** from the Application Browser. Thereafter, choose **Commitment Quick Query Screen** under it.

The screenshot displays the 'Commitment Quick Query details' window. It contains several sections of data entry and display fields:

- Company Information:** Company ID (CT1), Exp Code (1000), Facility memo no.
- Commitment Details:** Commitment / Line No. (CT1CMT1043633001), Expiry Date (01-MAR-2005), Facility type (Commitment), Status (Normal), Closing date (01-MAR-2005), Secured (Yes/No), Guarantee (Yes/No), Revolver (Yes/No), Participation (Yes/No).
- Borrower Information:** Borrower No. (0000000), Borrower name (APPLE), Borrower SSN / Tax Id, Borrower address (Life in POLAND).
- Financial Data:** Original CMT / Line amount (100,000.00), USD Equivalent (100,000.00), Current CMT / Line amount (11,680.20), USD Equivalent (11,680.20), Total Disbursed amount (88,319.80), USD Equivalent (88,319.80), Direct (20,000.00), USD Equivalent (38,319.80), Contingent (50,000.00), USD Equivalent (50,000.00), Available Amount (11,680.20), USD Equivalent (11,680.20). Each amount field has a corresponding currency dropdown (USD, GBP).
- Outstanding Balances:** No. of consecutive days with 0 balance, Current YTD, Average outstanding line balance (63,319.80), Highest Outstanding Balance (88,319.80), Lowest Outstanding Balance (38,319.80), Last calendar Year, Average outstanding line balance (.00), Highest Outstanding Balance (.00), Lowest Outstanding Balance (.00).

On the right side, there is a vertical menu with links: Linkages, Facility Fee, Sublimits, Unused comt. Fees, and Transaction History.

### Commitment/Line Number

Specify the number of the commitment/Line whose details you wish to view.

The following fields are displayed in this screen.

- Company ID
- Exp Code
- Facility Memo Number
- Expiry Date
- Facility Type
- Secured Indicator


- Guarantee Indicator
- Status
- Closing Date
- Revolver Indicator
- Participation Indicator
- Borrower Number
- Borrower SSN/Tax Id
- Borrower name
- Borrower Address
- Original Commitment/Line Amount
- Currency
- USD Equivalent
- Current Commitment/Line Amount
- Currency
- USD Equivalent
- Total Disbursed Amount
- Currency
- USD Equivalent
- Direct
- Currency
- USD Equivalent
- Contingent
- Currency
- USD Equivalent
- Available Amount
- Currency
- USD Equivalent
- Number of Consecutive Days with 0 balance

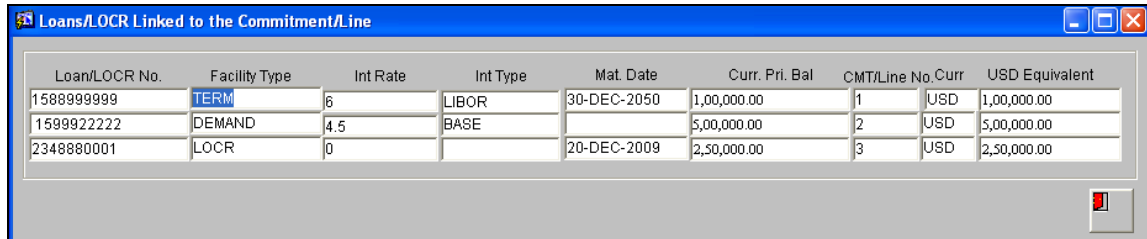
#### **Current YTD**

- Average Outstanding Line Balance
- Lowest Outstanding Balance
- Highest Outstanding Balance

## Last Calendar Year

- Average Outstanding Line Balance
- Lowest Outstanding Balance
- Highest Outstanding Balance

Click  to view the Loans/LOCs Linked to the Commitment/Line.



Loan/LOC No.	Facility Type	Int Rate	Int Type	Mat. Date	Curr. Pri. Bal	CMT/Line No.	Curr	USD Equivalent
1588999999	TERM	6	LIBOR	30-DEC-2050	1,00,000.00	1	USD	1,00,000.00
1599922222	DEMAND	4.5	BASE		5,00,000.00	2	USD	5,00,000.00
2348880001	LOC	0		20-DEC-2009	2,50,000.00	3	USD	2,50,000.00

The following details are displayed:

- Loan/LOC Number
- Facility Type
- Interest Rate
- Interest Type
- Maturity Date
- Currency Priority/Prior Balance
- CMT/Line Number
- Currency
- USD equivalent

Click **Facility Fee** to view the Facility/Restructuring (FASB/FASC)/Upfront Fee details.

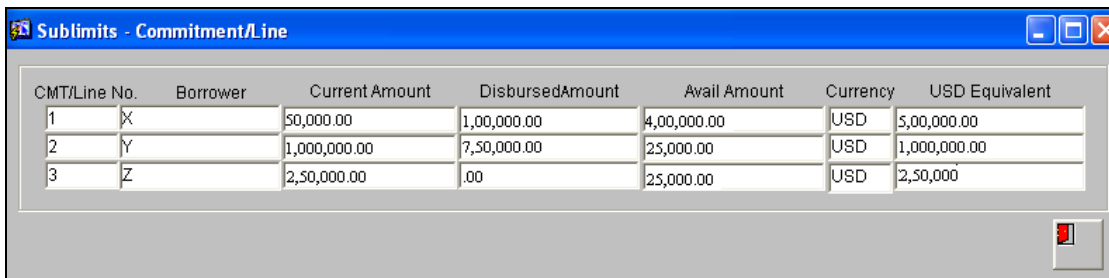
The screenshot shows a software window titled "Facility / Restructuring(FASB/FASC)/ Upfront Fees". It contains two main sections of data entry fields. The top section includes fields for "Fee Type" (set to "RESTRUCTURING"), "Total Fee Amount" (5000.00), "USD Equivalent" (10000.00), "How Payable?" (a dropdown menu set to "charge"), "Accrued Fee Amount Due" (2000.00), "Current Fee Due Date" (14-JUL-2008), "Currency" (USD), and "DDA number" (553342). The bottom section includes fields for "Last Fee Paid Amount" (1000.00), "Last Fee Paid Date" (14-MAR-2008), "Next Fee Amount" (1000.00), "Next Fee Due Date" (14-SEP-2008), "Past Due Fee Amount" (.00), and "No of Days Past Due" (0). A small icon of a document with a blue arrow is located in the bottom right area of the window.

Field	Value
Fee Type	RESTRUCTURING
Total Fee Amount	5000.00
USD Equivalent	10000.00
How Payable ?	charge
Accrued Fee Amount Due	2000.00
Current Fee Due Date	14-JUL-2008
Currency	USD
DDA number	553342
Last Fee Paid Amount	1000.00
Last Fee Paid Date	14-MAR-2008
Next Fee Amount	1000.00
Next Fee Due Date	14-SEP-2008
Past Due Fee Amount	.00
No of Days Past Due	0

The following details are displayed:

- Fee type
- Total Fee Amount
- Currency
- USD Equivalent
- How Payable (as charge etc.)
- DDA Number
- Accrued Fee Amount Due
- Current Fee Due Date
- Last Fee Paid Amount
- Last Fee Paid Date
- Next Fee Amount
- Next Fee Due Date
- Past Due Fee Amount
- No Of Days Past Due


Click  to view the Sublimits details.

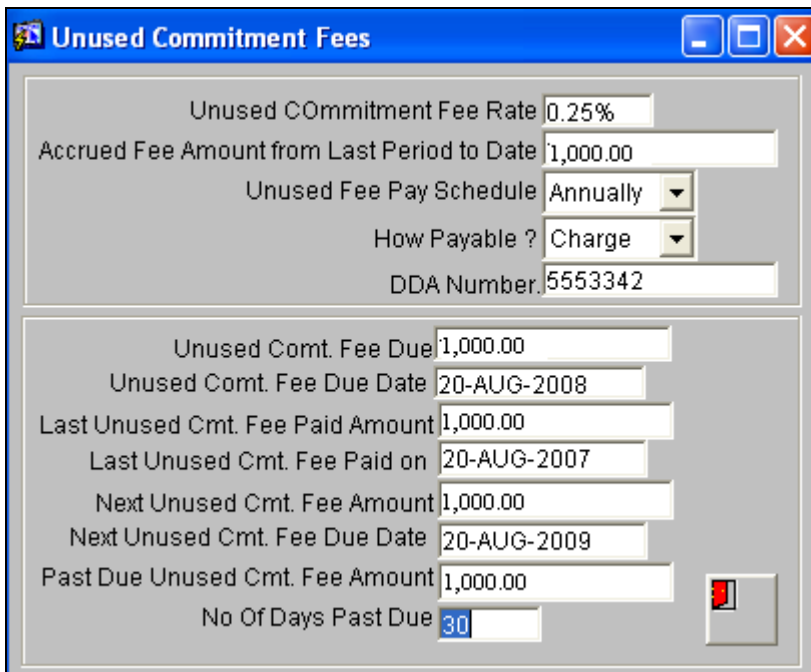


CMT/Line No.	Borrower	Current Amount	DisbursedAmount	Avail Amount	Currency	USD Equivalent
1	X	50,000.00	1,00,000.00	4,00,000.00	USD	5,00,000.00
2	Y	1,000,000.00	7,50,000.00	25,000.00	USD	1,000,000.00
3	Z	2,50,000.00	.00	25,000.00	USD	2,50,000

The following details are displayed:

- CMT/Line Number
- Borrower
- Current Amount
- Disbursed Amount
- Avail Amount
- Currency
- USD Equivalent

Click  to view the Unusual Commitment Fee details.



Unused COMmitment Fee Rate	0.25%
Accrued Fee Amount from Last Period to Date	1,000.00
Unused Fee Pay Schedule	Annually
How Payable ?	Charge
DDA Number	5553342

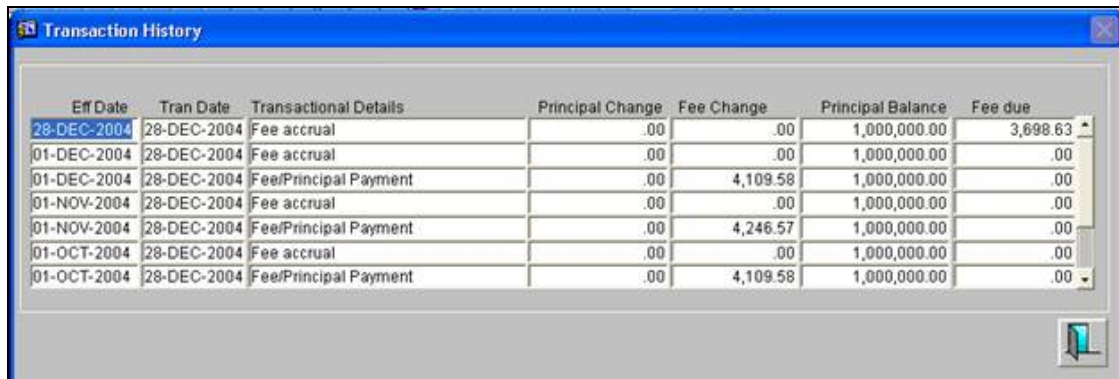
  

Unused Comt. Fee Due	1,000.00
Unused Comt. Fee Due Date	20-AUG-2008
Last Unused Cmt. Fee Paid Amount	1,000.00
Last Unused Cmt. Fee Paid on	20-AUG-2007
Next Unused Cmt. Fee Amount	1,000.00
Next Unused Cmt. Fee Due Date	20-AUG-2009
Past Due Unused Cmt. Fee Amount	1,000.00
No Of Days Past Due	30

The following details are displayed:

- Unused Commitment Fee Rate
- Accrued Fee Amount from Last Period to Date
- Unused Fee Pay Schedule
- How Payable
- DDA Number
- Unused Commitment Fee Due
- Unused Commitment Fee Due Date
- Last Unused Commitment Fee Paid Amount
- Last Unused Commitment Fee Paid On
- Next Unused Commitment Fee Amount
- Next Unused Commitment Fee Due Date
- Past Due Unused Commitment Fee Amount
- Number of Days Past Due

Click [Transaction History](#) to view the Transaction History details.



The screenshot shows a window titled "Transaction History" with a table of transactions. The table has seven columns: Eff Date, Tran Date, Transactional Details, Principal Change, Fee Change, Principal Balance, and Fee due. The data is as follows:

Eff Date	Tran Date	Transactional Details	Principal Change	Fee Change	Principal Balance	Fee due
28-DEC-2004	28-DEC-2004	Fee accrual	.00	.00	1,000,000.00	3,698.63
01-DEC-2004	28-DEC-2004	Fee accrual	.00	.00	1,000,000.00	.00
01-DEC-2004	28-DEC-2004	Fee/Principal Payment	.00	4,109.58	1,000,000.00	.00
01-NOV-2004	28-DEC-2004	Fee accrual	.00	.00	1,000,000.00	.00
01-NOV-2004	28-DEC-2004	Fee/Principal Payment	.00	4,246.57	1,000,000.00	.00
01-OCT-2004	28-DEC-2004	Fee accrual	.00	.00	1,000,000.00	.00
01-OCT-2004	28-DEC-2004	Fee/Principal Payment	.00	4,109.58	1,000,000.00	.00

The following details are displayed:

- Effective Date
- Transaction Date
- Transactional Details
- Principal Change
- Fee Change
- Principal Balance
- Fee Due

### 13.9.1 Viewing Commitment Quick Reference Summary Details

You can view summary details of Commitment Quick Reference in 'Commitment Quick Reference Summary' screen. To invoke this screen, choose **Loans & Commitment Operations** from the Application Browser. Thereafter, choose **Commitment Quick Query Screen and Summary** under it.

[illegible]

### 13.10 Revaluation of Commitment

Oracle FLEXCUBE process revaluation of a commitment as an EOD batch process. The system identifies active distinct commitment contracts, for each CUSIP/ISIN and revaluates net outstanding amount of the commitment as the 'Settled Position' using market price. During revaluation, the system considers 'Settled Position as 'Total Position'.

The EOD batch programs **MTMREVL/ MTMRRVL** process revaluation entry and the reversal entry for past revaluation entry, for a commitment in LD module, if a Market price is maintained for the CUSIP at Loan and Commitment Maintenance level.

During MRVL event at EOD batch, the system posts the accounting entries for the commitment contract

During MREV event at BOD batch of the next working day, the system posts the accounting entries, posted on the previous EOD, with a negative symbol.



**Example**

System posts EOD/BOD accounting entries as follows:

Day	Unrealized PL Computed	Entry Posted at BOD (MREV event)		Entry posted at EOD (MRVL event)	
1	(400,000.00)			Dr UNREAL_MTM_EXP	400,000.00
				Cr UNREAL_MTM_OFF	400,000.00
2	(300,000.00)	Dr UNREAL_MTM_EXP	(400,000.00)	Dr UNREAL_MTM_EXP	300,000.00
		Cr UNREAL_MTM_OFF	(400,000.00)	Cr UNREAL_MTM_OFF	300,000.00
3	(1,000,000)	Dr UNREAL_MTM_EXP	(300,000.00)	Dr UNREAL_MTM_EXP	1,000,000
		Cr UNREAL_MTM_OFF	(300,000.00)	Cr UNREAL_MTM_OFF	1,000,000
4	32,500.00	Dr UNREAL_MTM_EXP	(1,000,000)	Dr UNREAL_MTM_OFF	32,500.00
		Cr UNREAL_MTM_OFF	(1,000,000)	Cr UNREAL_MTM_INC	32,500.00
5		Dr UNREAL_MTM_OFF	(32,500.00)		
		Cr UNREAL_MTM_INC	(32,500.00)		

The PNL Calculations are as follows:

**As part of Day1 EOD:**

Loan= \$10mm and Price 96%

Par value of total facility \* price = value of the total facility

$10,000,000 * (96/100) = 9,600,000$

$PnL = 10,000,000.00 - 9,600,000.00 = 400,000.00$

DR     442303301 TradRev/Loss-CommLns-FVOptFAS159     400000

CR     125107202 CommercialLoansFVOptionSFAS159 MTM     400000

**As part of Day2 BOD:**

DR	442303301	TradRev/Loss-CommLns-FVOptFAS159	-400,000
CR	125107202	CommercialLoansFVOptionSFAS159 MTM	-400,000

**As part of Day2 EOD where price changes to 97%**

$10,000,000 * (97/100) = 9,700,000$

$PnL = 10,000,000.00 - 9,700,000.00 = 300,000.00$

DR	442303301	TradRev/Loss-CommLns-FVOptFAS159	300,000
CR	125107202	CommercialLoansFVOptionSFAS159 MTM	300,000

After the above entry the MTM loss will be 300000, creating a daily MTM P&L impact of \$100,000 profit

**As part of Day3 BOD:**

DR	442303301	TradRev/Loss-CommLns-FVOptFAS159	-300,000
CR	125107202	CommercialLoansFVOptionSFAS159 MTM	-300,000

**As part of Day3 EOD where price changes to 90%**

$10,000,000 * (90/100) = 9,000,000$

$PnL = 10,000,000.00 - 9,000,000.00 = 1,000,000.00$

DR	442303301	TradRev/Loss-CommLns-FVOptFAS159	1,000,000
CR	125107202	CommercialLoansFVOptionSFAS159 MTM	1,000,000

After the above entry the MTM loss will be 1,000,000, creating a daily MTM P&L impact of \$700,000 loss



During revaluation of commitments of CUSIP, the system assumes 100% holding cost/weighted average cost for 'Total Position'.

## 14. Booking the Loans Commitment from the RAPID

### 14.1 Introduction

You can book a loan commitment in Oracle FLEXCUBE from the information provided from RAPID. The system processes this information and updates the 'Loans and Commitments – Draft - Commitment' screen. You need to specify additional mandatory information in this screen. Alternatively, you can also have the loan automatically booked from a RAPID feed.

The commitment draft is verified and the contract is booked in the Loans and Deposits Module. The amendments including commitment amount changes, date changes are updated to the commitment contract.

### 14.2 Capturing Commitment Draft Details

The system uploads the information from RAPID to 'Loans and Commitment : Draft - Commitment' screen while processing the credit limit line. Access to this screen will be restricted based on user and branch restrictions. Note that only credit lines uploaded from Rapid will be shown in this screen. The clearing lines uploaded from Rapid will not create a commitment in this screen.

To invoke the 'Loans and Commitment: Draft - Commitment' screen, choose **Loan & Commitment Operations** from the Application Browser. Thereafter, choose **Draft Commitment** and **Detailed** under it.

You need to provide the below information before approving the draft.

### **Rapid ID**

Enter the rapid ID of the commitment details which you wish to save in the system.

### **Product Code**

Select the commitment product code from the option list.

The Static maintenance table is created to map the Committed and Uncommitted products. The list of product codes are based on the Committed/Uncommitted Field value received from Rapid system. The Product Preference detail gets defaulted to draft preference, after input of product code.

### **Approval Status**

Select the status of the commitment draft from the drop-down list. The list displays the following values::

- Unapproved
- Approved
- Pending
- Rejected

### **Facility Status**

Select the status of the facility from the drop-down list. The list displays the following values:

- New
- Cancellation
- Amendment

### **GFCID**

Specify the GFCID code here.



The system will fail the RAPID feed processing if the customer type associated with the GFCID is BANK (investor)

### **Expense code**

Select the expense code from the option list.

### **Cluster ID**

When RAPID sends GFCID having a length of 14, the system displays the first four characters of GFCID as cluster ID.

**Contract Ref No**

This is a unique number that is generated by the system. If the approval status is rejected, then you have to select the contract reference number from the option list.

**Facility Type**

Select the facility type from the drop-down list.

**Legal Status**

Select the legal status of the commitment from the drop-down list. The list displays the following values:

- Committed
- Uncommitted

**14.2.1.1 Specifying the Amendment Details****Amendment Date**

Specify the amendment date of the commitment here.

**New Maturity Date**

Specify the new maturity date of the commitment here.

**Performance Status**

The system will display the status received from RAPID for the commitment here. This can be either of the following values:

- Performing
- Non-Performing

This uploaded status will determine the user-defined status of the actual commitment.

**14.2.1.2 Viewing Cost of Credit Details**

Cost of credit values sent from RAPID will be used for cost of credit valuation. If values are not received from RAPID, the system will consider the percentages as '100'. You can view the following details for cost of credit:

**Effective Date**

The system will display the current application date here. You will not be allowed to modify it.

**Carrying Case %**

The system will display the carrying case percentage for the commitment. You will not be allowed to modify it.

**Write off Case %**

The system will display the write off case percentage for the commitment. You will not be allowed to modify it.

**Risk Loss Case %**

The system will display the risk loss case percentage for the commitment. You will not be allowed to modify it.

If the system receives amendments from RAPID, it will not perform any value-dated amendments for the commitment, if the change is:

- Only for Carrying Case
- Only for Write Off Case %
- Only for Carrying Case % and Write Off Case %

These values will only be updated and auto-authorized in this screen. However, if change in the values listed above is accompanied by a change in principal or maturity date, then the system will perform value-dated amendments.

**14.2.2 Capturing Contract Details****Customer Number**

The system displays the customer number.



Note the following:

- If 'Default RAPID Customer' is maintained in the 'Loans Parameters' screen, this field will get enabled. Select the customer number from the adjoining option list. The list displays all the valid customer numbers associated with the GFCID received from the RAPID feed.
- If the customer number is 'Default RAPID Customer', you cannot approve the Draft Commitment record, but you can enrich the details in the Draft commitment record.

**Currency**

Select the currency from the option list.

**Amount**

The amount field gets defaulted. However you can reduce the amount before Commitment booking.

**Booking Date**

Specify the booking date of the commitment here.

**Value Date**

Specify the value date of the commitment.

**Maturity date**

Specify the maturity date of the commitment.

**Transaction Effective Date**

Specify the transaction effective date as and when it will be populated with the transaction effective date received from RAPID feed.

**Credit line**

Specify the credit line here.

**Sub Limit Amount**

Specify the sub limit amount here.

**Legal Vehicle**

Select the legal vehicle from the option list.

**Loan Admin Name**

Specify the loan admin name.

**Department Code**

The system populates a default department code here. However, you can change this by selecting the required department code from the option list. The list displays the various department codes allowed for that particular branch.



For already booked commitments, the department code field is not amendable for records in this screen.

**Facility Name**

Specify the facility name of the commitment.

**Agent CIF**

Select the customer identification number of the agent from the option list.

**Remarks**

Specify remarks here, if any. You can specify the reason for the amendment activity while amendment.

### **14.2.2.1 Capturing Commitment Contract Preferences**

#### **Commitment**

Specify the commitment type as:

- Revolving
- Non Revolving

#### **Limit Tracking Required**

Select the checkbox if limit tracking is required for the commitment.

#### **Suppress B V Payment Msg**

Select this check box if you wish to suppress the payment for the back value dated schedules

#### **Verify Funds**

Select this check box if you wish the funds to be verified.

#### **Agency Contract**

If this is checked, then it indicates that the commitment contract is of agency type in which case you must specify the Agent CIF.



You need to uncheck this field to process bank's Consumer credit.

#### **Cost of Credit Valuation Reqd**

Check this preference to indicate that the system should calculate cost of credit details for the commitment. The system will not default the preference for the product in this screen and you cannot select this option at the draft commitment level, if the cost of credit valuation is not allowed for the product selected.

#### **Settlement Seq No**

Specify the sequence number for the RAPID uploaded commitments before authorizing the draft commitment.

#### **SSI Mnemonic**

The system displays the SSI mnemonic along with settlement sequence number.

### **14.2.2.2 Capturing Holiday Treatment for Commitment Schedules**

#### **Holiday Currency**

Select the currency for which you are maintaining the holiday from the option list provided.



You can select the checkbox for the below treatment for holidays.

- Move Across Month
- Cascade Schedules
- Ignore Holidays
- Move Forward
- Move Backward

### 14.2.3 Capturing Fee Schedule

**Loans and Commitments : Draft - Commitment**

Rapid Id: C4A Contract Ref No: [ ]  
Product Code: [ ] Global Amount: [ ]  
Approval Status: Unapproved Facility Type: [ ]  
Facility Status: New Legal Status: Committed  
GFCID: CT3-001-03  
Expense Code: [ ]  
Effective date: [ ]

**Amendment Details**  
Amendment date: [ ]  
New Limit Amount: [ ]  
New Maturity Date: [ ]

**Cost Of Credit Details**  
Effective Date: [ ]  
Carrying Case %: [ ]  
Writeoff Case %: [ ]  
Risk Loss Case %: [ ]  
Performance Status: NON-PERFORMING

**Contract Fee Schedule ICOF Fee**

**Fee Components**

Component	Fee Rule	CCY	Start Date	End Date	Collection Mode
[ ]	[ ]	[ ]	[ ]	[ ]	Arrears
[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
[ ]	[ ]	[ ]	[ ]	[ ]	[ ]
[ ]	[ ]	[ ]	[ ]	[ ]	[ ]

**Fee Schedules**

No	Frequency	Unit	Start Date	Amount
[ ]	Monthly	[ ]	[ ]	[ ]
[ ]	[ ]	[ ]	[ ]	[ ]
[ ]	[ ]	[ ]	[ ]	[ ]
[ ]	[ ]	[ ]	[ ]	[ ]

Entry By: SYSTEM Entry Time: 03/01/2005 00:00:00 Auth By: [ ] Auth Time: [ ]  
Draft Status: Pending Mod No: 1 Upload Type: New

#### 14.2.3.1 Specifying the Fee Components

You can specify the following details of each fee components:

- Component
- Fee Rule
- CCY
- Start Date
- End Date
- Collection Mode

### 14.2.3.2 Specifying the Fee Schedule Definition

You can specify the following fee schedule details:

- Number
- Frequency
- Unit
- Start Date
- Amount

After specifying the values for these fields, you can change the approval status to 'Approved' to perform any of the following in the commitment contract:

- Book
- Amend
- Cancel

### 14.2.4 Capturing Errors

To invoke this screen you need to click on the 'errors' tab on the 'Draft Commitment' screen. The error screen displays all the error records recorded during the Draft commitment population from RAPID feed and while Uploading the process from 'Draft commitment' to Oracle FLEXCUBE LD module.

[illegible]



The Draft status will be displayed as 'Failed' and Approval status will be 'Unapproved' in case of any errors.

### **14.2.5 Booking Loan Commitment**

After the authorization of the commitment draft, the booking screen gets invoked and the booking is done after the approval for the Commitment.

The Duplicate commitment validation is done by GFCID. The validations are done before booking the commitment contract, if there is duplicate Commitment exist in Loans module, you have to reverse the Commitment/loan contract. The new commitment has to create through the Draft commitment screen and book the new loan under commitment contract.

The Audit log is provided to track the Maker and Checker Activity on the draft. The screen always displays the latest maker and checker id detail.

### **14.2.6 Amending Loan Commitment Details**

During the amendment of commitment amount and dates in RAPID system, the details are uploaded into Commitment Draft with Approved status and the VAMI event is triggered on Commitment contract. In case of exception, the Amendment Draft commitment status will be kept as "Pending".

If the Amendment data received before booking commitment contract, the commitment contract is booked with Amendment detail. The Amendment Value date is allowed to change in the Draft commitment screen. The Amendment of GFCID or Expense code is done manually in Loans module.

If new Facility is created to replace the existing Facility, the New Facility flows to the system to create a new commitment. You have to operationally close the existing loan and commitment under old facility and create the new loans under New Facility/Commitment.

### **14.2.7 Canceling Loan Commitment Details**

When the Facility is cancelled in RAPID, VAMI event is triggered for the existing commitment contract and the same Facility is marked for cancelled in the Draft commitment with the availability amount to zero.

The commitment status is Unavailable in Commitment contract to restrict new loan booking and loan activities except for Payment activities. In case of any exception, the Cancelled Draft commitment status will be kept as "Pending".

### 14.2.8 Viewing Draft Commitment Summary

To invoke the 'LD Draft Commitment Summary' Screen, choose **Loan & Commitment Operations** from the Application Browser. Thereafter, choose **Draft Commitment** and **Summary** under it.

The screenshot displays the 'LD Draft Commitment Summary' window. It features a table with the following columns: Fac Stat, Proc Stat, Auth Stat, Rapid ID, Product Code, GFCID, Customer No, Limit Amount, Line CCY, Line Start Dt, Line Expiry Dt, Rev. Line Branch, Performance Status, and Cost Effective Date. Below the table, there are three legend boxes: 'Auth Stat' with 'A - Authorised' and 'U - Unauthorised'; 'Facility Status' with 'N - New', 'A - Amendment', and 'C - Cancellation'; and 'Process Status' with 'S - Success', 'U - Unprocessed', and 'F - Failed'. A search icon (magnifying glass) and a printer icon are also visible at the bottom right of the legend area.

You can view the following fields:

- Facility Status
- Process Status
- Rapid ID
- Product Code
- GF CID
- Customer No
- Limit Amount
- Line Currency
- Line Start Date
- Line Expiry Date
- Branch
- Performance Status
- Cost of Credit Effective Date
- Carrying Case Percent
- Write Off Case Percent
- Risk Loss Case Percent

## 14.2.9 Viewing Draft Commitment Amendment History

You can view the details of the draft commitment amendments in the 'LD Draft Commitment Amendment History' screen. You can invoke this screen by choosing **Loan & Commitment Operations** from the Application Browser. Thereafter, choose **Draft Commitment History** and **Detailed** under it.

The screenshot displays the 'LD Draft Commitment Amendment History' application window. It features a top header bar with the title. Below the header, there are several input fields and sections:

- Top Section:** Includes fields for Rapid Id (100036), Contract Ref No (001C00112227A0RU), Product Code (C001), Global Amount, Approval Status (Approved), Facility Type (0), Facility Status (Amendment), GFCID (1234567892), Expense Code (27289), Cluster ID, Legal Status (Committed), Amendment date (14-AUG-2012), New Limit Amount (7,000,000), New Maturity Date (02-JAN-2014), Cost Of Credit Details (Effective Date: 12-DEC-2013, Carrying Case %: 90, WriteOff Case %: 90, Risk Loss Case %: 90, Performance Status: \*\*NA\*\*), and an Additional Details button.
- Navigation Tabs:** Contract, Fee Schedule, ICCF Fee.
- Main Content Area:** Contains a large form with fields for Customer No, Currency, Amount, Booking Date, Deal Date, Value Date, Maturity Date, Txn Effective Date, Credit Line, Sub Limit Amount, Legal Vehicle, Agent CIF, Cusip No, Loan Admin Name, Facility Name, and Remarks. It also includes a Preferences section with options for Commitment (Revolving, Non Revolving), Limit Tracking Required, Suppress B.V. Payment Msgs, Verify Funds, Agency Contract, Cost Of Credit Valuation Req, Swing Line, Shared Line, Settlement Seq No, and SSI Mnemonic. A Holiday Treatment for schedules section includes options for Move Across Month, Cascade Schedules, Ignore Holidays, Move Forward, and Move Backward.
- Bottom Section:** Displays a table with columns: Entry Bv, Entry Time, Auth Bv, Auth Time, Draft Status, Mod No, and Upload Tvoe. The table shows a single entry with values: SYSTEM, 14-AUG-2012 00:00:00, SYSTEM, 14-AUG-2012 00:00:00, Pending, 5, and an empty field.

You can view the following detail:

### Cluster ID

When RAPID sends GFCID having a length of 14, the system displays the first four characters of GFCID as cluster ID.

### 14.2.9.1 Viewing Additional Details

Click on this button, from the **Draft Commitment History** screen to display the amendment details for the specific mod number. The fields in the main screen gets displayed in the commitment details for the latest mod number.

**Additional Details**

**Details**

Txn Effective Date	31-AUG-2012	Settlement Seq No	0
Value Date	01-FEB-2012	SSI Mnemonic	001USDOCIFC
Credit Line	0000074231	Loan Admin Name	LA IUT 268
Facility Name	AUTOAUTHY IUT268 0	Agent CIF	162210
Sub Limit Amount	12,340,009.00	Customer No	262740
Revolving Commitment	Y		
Department Code	702		

## 14.3 Viewing Draft Commitment Amendment Summary

To invoke the 'LD Draft Commitment Summary' Screen, choose **Loan & Commitment Operations** from the Application Browser. Thereafter, choose **Draft Commitment History and Summary** under it.

**LD Draft Commitment Amendment Summary**

Approval Auth Status	Stat	Contract Ref No	Rapid ID	GFCID	Customer No	Amendment Date	Amended Limit Amount	Amended Maturity Date	Txn Effective Date	Fac Stat	Avail Flag	Per Stat

**Auth Stat**  
A - Authorised  
U - Unauthorised

**Facility Status**  
N - New  
A - Amendment  
C - Cancellation

**Approval Status**  
A - Approved  
U - UnApproved  
R - Rejected  
P - Pending

You can view the following fields:

- Approval Status
- Authorisation Status
- Contract Ref No
- Rapid ID
- GFCID

- Customer No
- Amendment Date
- Amended Limit Amount
- Amended Maturity Date
- Facility Status
- Availability Flag – 'N' indicates the cancellation of the facility.
- Performance Status
- Cost of Credit Effective Date
- Carrying Case Percent
- Write Off Case Percent
- Risk Loss Case Percent

## 14.4 Manual Generation of Billing Advice

Oracle FLEXCUBE allows you to generate or regenerate billing advice for loan contracts during Transaction Input. You are allowed to generate notices for all the loan and commitment contracts even if the notices are suppressed at the product / contract level. To generate notices, it is not necessary that the advice has been already generated. You can generate notices any no of times for the given period through 'Manual Bill Generation' screen. To invoke this screen, select **Manual Bill Generation** under **Loans & Commitment Operations**.

**Manual Bill Generation**

**Billing Master**

Contract Ref No   Billing No

Period

☒ Previous ☐ Next

**Billing Detail**

Component	Start Date	End Date
LD-FL-INT	01-NOV-2004	01-DEC-2004
PRINCIPAL	01-NOV-2004	01-DEC-2004

Entry By: SUNDAR02 Date/Time: 28/12/2004 14:20:27 Auth By: SUNDAR01 Date/Time: 28/12/2004 14:20:45 Auth Status: Authorized

You have to capture the following details:

### **Contract Reference Number**

Select the reference number of the contract from the option list.

### **Billing No**

The system defaults the billing number.

### **Period**

Indicate the period to generate the bill. You can select one of the following options:

- Previous Period – If the bill has to be generated for the previous period.
- Next Period – If the bill has to be generated for the next period.

### **Component**

The system displays the component wise break up based on the period selected.

### **Start Date**

The system displays the start date based on the period selected.

### **End Date**

The system displays the end date based on the period selected.



You cannot modify the end date for the previous period, however you are allowed to modify it for the next period.

### **Example**

Let us assume the following:

- Next Period for Interest - 01-Jan-2009 to 30-Jan-2009
- Next Period for Principal - 01-Jan-2009 to 30-Mar-2009.



You are not allowed to amend the end date displayed by the system.

If the you amend the End date for principal as on 30-Jan-2009 and generate message, the system will not populate any due in the advice for principal for that specified period as the principal is not due till that day.

The bill regeneration happens based on the application date. The following example explains it in detail:



### Example

Let us assume the following:

- Interest Due Dates - 10-Jan-2008 to 30-dec-2008 - Monthly
  - Bullet Schedule - 30-Dec-2008

Here the Previous Period for Interest is 01-Apr-2008 to 30-Apr-2008 (Over due) and the Next Period for Interest is 01-May-2008 to 30-May-2008 (Next Schedule)

- Principal Due Dates - 10-Jan-2008 to 10-Sep-2008 - Quarterly
  - Bullet Schedule - 30-Dec-2008
- Appl. Date - 02-May-2008

Here the Previous Period for Principal is 01-Jan-2008 to 30-Mar-2008 (Overdue) and the Next Period for Principal is 01-Apr-2008 to 30-Jun-2008 (Next Schedule).



Note the following:

- The system triggers NOTC event when the bill is generated. You can view the advice generated by the system in the Contract events screen under the NOTC event. While generating notices for the period 'NEXT', the system will generate NOTC as usual in the EOD batch for the contract for the due date.
- The system generates the bill only for previous period or next period.
- The components are picked depending on the start date and end date of the period.

## 14.5 Maintaining Cost of Credit Details

You can enter the details pertaining to cost of credit in the 'Cost of Credit' screen which you can invoke by selecting **Cost of Credit** under **Loans and Commitment Operations** in the Browser and then selecting **Detailed**.

The screenshot displays the 'Cost of Credit' window with the following fields and values:

Contract Detail	
Commitment Ref No	CT2COMT043660001
Effective Date	31-DEC-2004
Rapid Effective Date	
Rapid Id	CT2COMT043660001
Contract Currency	GBP

Coc Valuation Status	
<input type="radio"/> UnProcessed	<input type="radio"/> Processed
<input type="radio"/> Error	

Field	Value
Writeoff Case%	085.00000000000000
Writeoff Case Amount	850,000.00
Carrying Case%	090.00000000000000
Carrying Case Amount	850,000.00
Risk Of Loss Case %	
Derived Writeoff Case%	100.00000000000000
Derived Carrying Case%	100.00000000000000
Operative Writeoff Case%	085.00000000000000
Operative Carrying Case%	085.00000000000000

Maker Id	Maker Dt Stamp	Checker Id	Checker Dt Stamp	Mod No
JIGAR01	31/12/2004 14:41:52	JIGAR02	31/12/2004 14:42:06	4

Buttons: Error Log, Authorized (checked)

You can create a new Cost of Credit record, save it and authorize it from this screen. For a new record, you can maintain the following details:

### **Commitment Ref No**

Select the reference number of the commitment for which you wish to change the cost of credit details from the adjoining option list. The list contains all the commitment reference numbers which have the 'Cost of Credit' option selected.

### **Write off Case %**

Enter the new write-off case percentage you wish to apply for the commitment. If this value is sent as a part of new commitment booking or as an update for an existing commitment by RAPID, the values will be updated by the system in this screen and automatically authorized.

### **Carrying Case %**

Enter the new carrying case percentage you wish to apply for the commitment. If this value is sent as a part of new commitment booking or as an update for an existing commitment by RAPID, the values will be updated by the system in this screen and automatically authorized.



If, for a new booking done through the 'Loans and Commitment – Draft – Commitment' screen, the write-off case % and carrying case % values are not received from RAPID, but the Cost of Credit derivation is required for the commitment (that is Cost of Credit preference is selected for the commitment), the system will assume these values to be 100% to facilitate calculation of cost of credit. In the screen, the system will leave these fields blank in the screen.

The following values will be displayed by the system:

- Effective Date (current application date)
- Rapid Effective Date
- Rapid Id
- Contract Currency
- Writeoff Case Amount
- Carrying Case Amount
- Risk of Loss Case %
- Derived Writeoff Case %
- Derived Carrying Case %
- Operative Writeoff Case %
- Operative Carrying Case %
- CoC Valuation Status
  - Will be 'Unprocessed' till the cost of credit computation is done
  - Will be 'Processed' on successful calculation and update of cost of credit fields

- Will be 'Error' if exceptions have been occurred during the valuation of the commitment or loan

To view the exceptions logged for the process, click 'Error Log'

### **14.5.1 Generating Balances for Cost of Credit**

Cost of credit valuation will be done for performing as well as non-performing commitments and the loans underlying them. During EOD, the system will run a batch to ascertain the balances that need to be maintained for commitments that are in non-performing status and which have been created using products that have the 'Cost of Credit' preference selected. These calculations are based on the cost of credit values uploaded into the system from RAPID, The balances that are computed and the process through which it is done is described below:

- The balances at the commitment level are:
  - Unfunded balance (This will include the Funded LC's too along with the Unfunded balance)
  - FAS 114 Reserve Unfunded
  - FAS 91 Fees -This will be the amortization fees at the commitment level. All amortization fee except the Asset Transfer Marks will be considered as FAS91 fees
  - Asset Transfer Marks
- The balances at the loan level are
  - Funded balance
  - Contra balance
  - Write-off balance
  - FAS 114 Reserve Funded
- As part of the batch, all the balances at the loan level will be converted and segregated at the commitment level in the commitment currency.
  - Current exchange rate will be used to convert these loan balances to commitment currency
  - Balances at the commitment level which is in a different currency will be converted to the commitment currency using the current exchange rate
- The batch process will then calculate the ending aggregate facility level balances for the following using the Cost of Credit valuation logic
  - Ending Contra
  - Ending Write off
  - Ending Asset Transfer Marks
  - Total Ending Reserve(Funded + Unfunded)
  - Ending Reserve Funded
  - Ending Reserve Unfunded

- The ending balances which need to be propagated pro-rata to the loan level (Contra, Write-off, FAS114 Reserve funded) will be done using the following %
  - Recovery % - This denotes the recovery of the write off balance that needs to be executed for each of the loan.
  - Contra % - This denotes the decrease of the contra that needs to be executed for each of the loan.
  - Write-off % - This denotes additional write-off that need to be executed for each of the loan.
  - Net Funded Reserve Build % - This denotes additional FAS114 reserve that needs to be executed for each of the loan.
  - Net Funded Reserve Release %- This denotes FAS114 reserve that needs to be released for each of the loan.
- The batch will then rebalance the balances at the loan level (Contra, Write-off, FAS114 Reserve funded) using the following rebalance %.
  - Re-balancing is necessary to avoid negative net funded values or negative net carrying values at the loan level. This could arise if a funded loan had write-offs or contra allocated to it and was repaid. The write-offs and/or contra would need to be re-allocated to all loans
  - Write-off Rebalance% - This denotes the % of re-distribution of the write-off balance across all the loans.
  - Contra Rebalance% - This denotes the % of re-distribution of the contra balance across all the loans
  - Funded Reserve Rebalance%- This denotes the % of re-distribution of the Reserve balance across all the loans



Note the following:

- The necessary accounting entries have to be maintained for these events at the product level
- Cost of Credit valuation batch will run every day; irrespective of the Carrying Case and/or Write-off case have changed, as re-balancing has to be done.
- In the instance of loan sales the Cost of Credit valuation will be done for the residual HFI balance
- All active commitments, commitments liquidated today, all underlying active loans for the commitments (both active and liquidated) will be considered for Cost of Credit valuation
- LC loans will be excluded from the Cost of Credit propagation

During cost of credit valuation of performing loans, the system will only recover the reserve decrease and process rebalancing of write-off balances.

During cost of credit valuation, the system computes the percentage of Derived Write-off and Carrying value based on the below formulae:

- $\text{Derived Write-off \%} = (\text{Gross OSUC} - \text{Existing Contra} - \text{Existing FAS91 Fees} - \text{Existing Write-Off}) / \text{Gross OSUC}$

- $\text{Derived Carrying Value \%} = (\text{Gross OSUC} - \text{Existing Contra} - \text{Existing FAS91 fees} - \text{Existing Write-Off} - \text{Existing Asset Transfer Marks} - \text{Existing Reserve}) / \text{Gross OSUC}$

The system arrives at the percentage of the Operative Write off and Carrying value based on the below logic. The system will use this % to perform the valuation for the application date:

- The Operative Write-off case % will be considered as 100% only if any of the below conditions are satisfied:
  - RAPID has not sent Write-off case % for the day
  - Record received from RAPID for the day and the Write-off case is received as null
  - RAPID has sent the Write-off case as 100% for the day
- If the above conditions are not satisfied, then the Operative Write-off Case will be computed as below:
  - Lesser of (RAPID Write-off Case %, Derived Write-off Case %)
- The system arrives the Operative Carrying case as 100% only in the below scenarios:
  - Record received from RAPID for the given day and the Carrying case is received as null
  - RAPID has never sent the Carrying case % in the past
  - RAPID has sent the Carrying case as 100% for the day
- If the above conditions are not satisfied, then the Operative Carrying case will be computed as follows:
  - If RAPID has sent new Carrying case % value, then the system will use the RAPID Carrying Case as the Operative Carrying case,
  - If there is no valuation received from RAPID for a given date, then the Derived Carrying Value % will be used
  - Operative Carrying Case % must always be lesser than or equal to the Operative Write-off Case %. If it is more, then Operative Write off Case % is used as Operative Carrying Case %

During CoC valuation, the system computes the Loan Level Net Funded Carrying Value (LLNFCV) and the Commitment Level Net Funded Carrying Value (CLNFCV).

If the LLNFCV becomes negative, the system will consolidate all such contra decrease events and the consolidated decreased contra amount will trigger single amortization fee liquidation (FELR event) at the commitment contract.

If the commitment is not associated with a deferred interest component, the reclassification will not be done. If the Contra decrease is not processed in batch to adjust LLNFCV, the reclassification will not be done for the commitment.

If the CLNFCV becomes negative, the system will trigger the refund process proportionally at the commitment contract to release each of the FAS91 amortization fee components including Asset Transfer Marks and Deferred Interest Components, associated with the commitment. This process will be done irrespective of the commitment being in performing or non-performing status.

- Total Commitment Amount – (Sum of Write-off, Contra and FAS114 Funded Reserve for all underlying loans) – (FAS114 Unfunded Reserve for the commitment) – (Sum of all outstanding FAS91 fees for the commitment) – (Outstanding Asset Transfer Marks fees for the commitment)

## 14.6 Viewing Cost of Credit Details

[illegible]

- Effective Date
- RAPID ID
- GFRN
- Contract Ref No
- Funded Loan
- Contra Interest
- Write Offs
- Sub Total Funded Value

- FAS114 Reserves Funded
- Net Carry value
- Unfunded
- FAS91 Fee
- Asset Transfer Marks
- FAS114 Reserve Unfunded
- Funded Reserve Build
- Funded Reserve Release
- Unfunded Build
- Unfunded Release
- Write Off
- Change in Asset Transfer Marks
- Recovery
- Cash Basis Income
- Net P&L

## 14.7 Reversing Cost of Credit Events

You can reverse the cost of credit events for a commitment or loan contract in the 'Cost of Credit - Event Reversal' screen. To invoke this screen, select **Cost of Credit** under **Loans & Commitment Operations** in the Browser and then select **Event Reversal**.

**Cost of Credit Event Reversal**

Contract Ref No	001FM01120870006	Commitment Ref No	001FM01120870006
Branch	001	Department Code	702
Product Code	FM01	Contract Ccy	USD
Value Date	01-JAN-2012	Writeoff Amount	.00
Maturity Date	01-JAN-2015	Reserve Amount	.00
User Ref No	001PTPR120870003	FAS114 Reserve	.00
Custom Ref No	12000056	Contra Amount	.00
Facility Name	CUSIP02	Principal Outstanding	1,000,000.00

Event Seq No	Event Code	Event Description	Reversal Event Seq No	Reverse
4	FELR	Fee liquidation	5	<input checked="" type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

Events

Entry By	Entry Time	Auth By	Auth Time	Auth Status	Contract Stat
KUNALD1	19-AUG-2012 06:18:42	KUNALD2	19-AUG-2012 06:18:42	Authorized	Active

Specify the following details:

### **Contract Ref No**

Select the reference number of the contract for which you wish to reverse the cost of credit details.

### **Reverse**

Check this box to reverse the selected event of a commitment or loan contract. You can check only one event at a time for reversal.

The system will display the following values:

- Branch
- Department Code
- Commitment Ref No
- Product Code
- Writeoff Amount
- Value Date
- Maturity Date
- Reserve Amount
- User Ref No
- FAS114 Reserve
- Custom Ref No
- Contra Amount
- Facility Name
- Principal Outstanding

You can perform the following operations in this screen:

- New
- Save
- Delete
- Authorize

On saving, the system will post the necessary reversal entries for the reversal event.




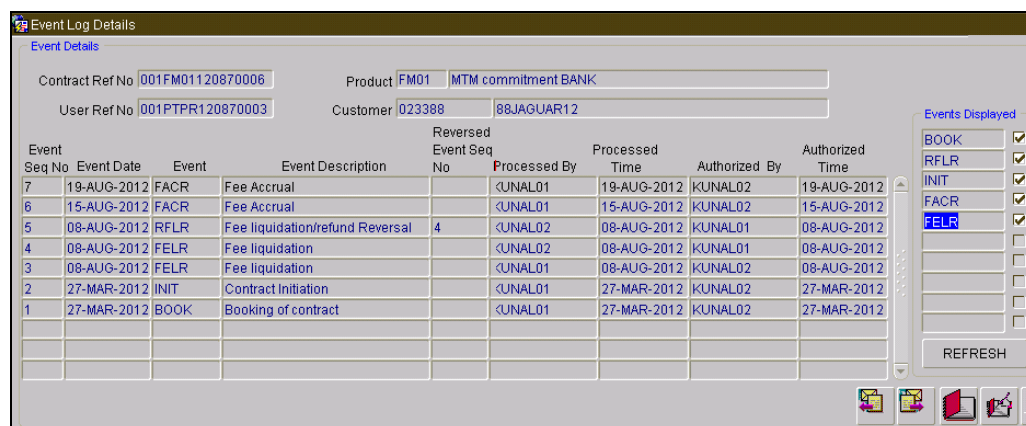
During the reversal of Cost of Credit (CoC) events, to avoid any loans having negative balances, the system will perform the following validations:

- If the Contra or Write-off or FAS114 Reserve CoC balance is in negative for the loan contract after reversal, the system will display an Override message. If you chose 'Yes', the reversal will be processed.
- If the CoC balance is in negative after rebalancing, then the system will display an error message and the valuation will not happen for the entire commitment contract. In this case, you need to manually correct the loan contracts under the commitment so that the CoC balance will be 0 or greater than 0 after rebalancing in the next CoC valuation process.

### 14.7.1 Viewing Events For The Reversal

You can view the events triggered during the contract life cycle in the 'Event Log Details' screen.

To invoke this screen, click the  button in the 'Cost of Credit - Event Reversal' screen.



**Event Log Details**

**Event Details**

Contract Ref No: 001FM01120870006      Product: FM01      MTM commitment BANK

User Ref No: 001PTPR120870003      Customer: 023388      88JAGUAR12

Event Seq No	Event Date	Event	Event Description	Reversed Event Seq No	Processed By	Processed Time	Authorized By	Authorized Time
7	19-AUG-2012	FACR	Fee Accrual		KUNAL01	19-AUG-2012	KUNAL02	19-AUG-2012
6	15-AUG-2012	FACR	Fee Accrual		KUNAL01	15-AUG-2012	KUNAL02	15-AUG-2012
5	08-AUG-2012	RFLR	Fee liquidation/refund Reversal	4	KUNAL02	08-AUG-2012	KUNAL01	08-AUG-2012
4	08-AUG-2012	FELR	Fee liquidation		KUNAL02	08-AUG-2012	KUNAL01	08-AUG-2012
3	08-AUG-2012	FELR	Fee liquidation		KUNAL01	08-AUG-2012	KUNAL02	08-AUG-2012
2	27-MAR-2012	INIT	Contract Initiation		KUNAL01	27-MAR-2012	KUNAL02	27-MAR-2012
1	27-MAR-2012	BOOK	Booking of contract		KUNAL01	27-MAR-2012	KUNAL02	27-MAR-2012

**Events Displayed**

BOOK ☒

RFLR ☒

INIT ☒

FACR ☒

FELR ☒

REFRESH

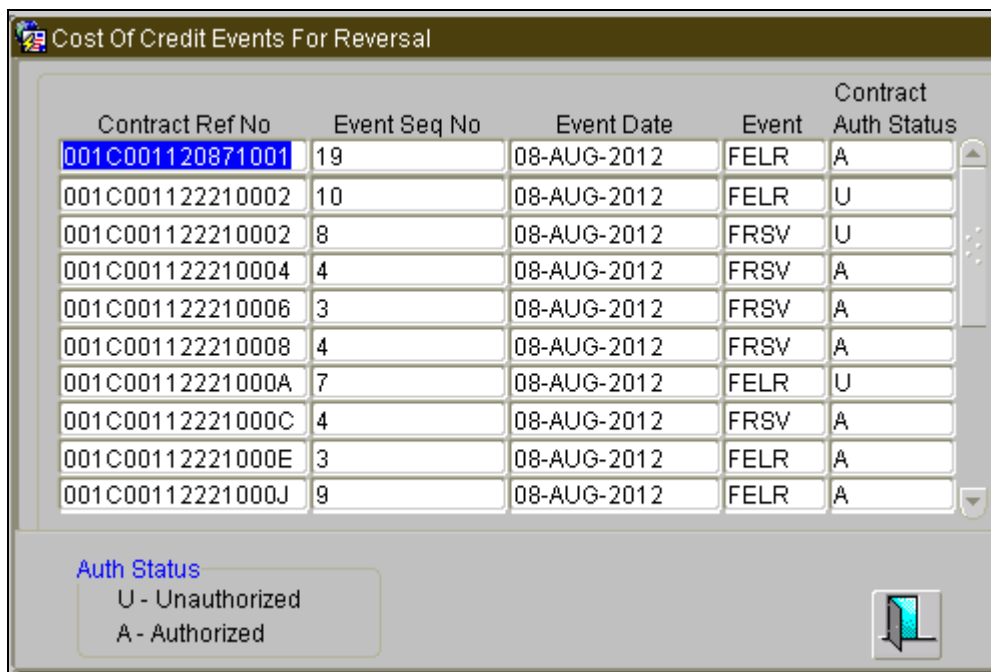
You can view the following fields:

- Contract Ref No
- Product
- User Ref No
- Customer
- Event Seq No
- Event Date
- Event
- Event Description
- Reversed Event Seq No
- Processed By

- Processed Time
- Authorized By
- Authorized Time
- Events Displayed

## 14.8 Viewing Cost of Credit Event Reversals

You can view the cost of credit details in the 'Cost of Credit Summary' screen. To invoke this screen, select **Cost of Credit** under **Loans & Commitment Operations** in the Browser and then select **View Events for Reversal**.



Contract Ref No	Event Seq No	Event Date	Event	Contract Auth Status
001C001120871001	19	08-AUG-2012	FELR	A
001C001122210002	10	08-AUG-2012	FELR	U
001C001122210002	8	08-AUG-2012	FRSV	U
001C001122210004	4	08-AUG-2012	FRSV	A
001C001122210006	3	08-AUG-2012	FRSV	A
001C001122210008	4	08-AUG-2012	FRSV	A
001C00112221000A	7	08-AUG-2012	FELR	U
001C00112221000C	4	08-AUG-2012	FRSV	A
001C00112221000E	3	08-AUG-2012	FELR	A
001C00112221000J	9	08-AUG-2012	FELR	A

**Auth Status**  
 U - Unauthorized  
 A - Authorized

The following details will be displayed:

- Contract Ref No
- Event Seq No
- Event Date
- Event
- Contract Auth Status

## 14.9 Automatic Booking from the RAPID feed

The system books new commitment contract automatically when RAPID sends the details for new booking and processes valid amendment for the commitment contract.

### 14.9.1.1 Processing New Commitment Booking

When the system receives the values for the following fields from the Rapid feed, the system defaults these values into Draft Commitment to automatically book a new commitment.

- Product Code
- Expense Code
- Department Code
- Deal Date
- Agent CIF
- Cusip No
- Facility Name

The system also derives appropriate product code based on the values received for below fields in RAPID feed:

Mapping Column in Oracle FLEXCUBE	Description
Currency	Field Value of tranche_currency_code from RAPID feed
Host Name	Field Value of Host_system_desc from RAPID feed
Committed	Field value of committed_indicator from RAPID feed
Syndicated/Participated	Field value of syndicated_participated_desc from RAPID feed
Facility Long Description	Field value of facility_description from RAPID Feed
Accounting Classification	accounting_classification_desc from RAPID feed
Branch code	Mapping value for legal_unit_code received from Rapid feed
Department Code	Will be derived based on Expense to Proof mapping

The product code can be linked to different combinations of mapping fields mentioned above. Once the above fields are resolved, Oracle FLEXCUBE will identify the mapped product code against these fields from product code mapping maintenance. The product code mapping maintenance gets uploaded into Oracle FLEXCUBE. This is a onetime exercise at the time of implementation.

The Draft commitment populates with appropriate product code once the product code is resolved. If the system fails to resolve the commitment product or resolved commitment product is not active in the system then RAPID details are kept in draft commitment screen with draft status as failed with appropriate error message

The below fields from RAPID feed gets resolved and populates in 'Draft Commitment' screen. That is:

- Expense code
- Proof code



Note the following

- If the expense code is not active or restricted for the branch in Oracle FLEXCUBE then the system will log an exception and update the draft status as 'Failed'.
- If the above branch parameter is not maintained with product code then Agent CIF is mandatory and the Agent CIF will be defaulted with the value maintained from the factory shipped table ('162210').

The Sample Factory shipped maintenance is given below

Source Code	Translation Type	External Value	Internal Value
RAPID	AGENT CIF	Department Code	Customer Number

- There can be only one Agent CIF (162210) maintained in the factory shipped table for the combination of RAPID ID, Agent CIF and department Code
- If there is no agent cif maintained in the factory shipped table, then the draft commitment record will be populated with agent cif as blank but with appropriate error message

The system gets the values automatically for the below fields in draft commitment:

- The Cusip Number defaults after prefixing PLC with RAPID id.

#### **Example**

If RAPID ID is 986537 then the system will populate Cusip No as PLC986537 under Draft commitment. The system will allow amending Cusip number through contract amendment in LD Contract Online screen.

- The facility name gets defaulted based on the customer name and facility type fields from rapid feed. customer\_desc and facility\_type\_id from RAPID feed gets concatenated with a space in between to arrive facility name.
- The facility Type in 'Draft Commitment' screen, gets populated as 0/1 based on the translation maintenance available in the factory shipped table for the below combination.

The agency contract flag is checked by default. The cost of credit valuation flag is checked by default. If the flag is not checked for the resolved Drawdown product, then the auto booking will not take place. The record gets populated in 'draft commitment' screen with status as pending with appropriate error message. The limit tracking required flag gets defaulted from product. The value gets defaulted as 'Y', if not maintained at the product level. The swing line indicator and shared line indicator gets defaulted as 'No'.

- The SSI Mnemonic gets defaulted based on counterparty, currency and Legal Vehicle (Branch), Product code and settlement sequence number
- The SSI Mnemonic gets defaulted based on module, Branch, Currency, Product code, Agent CIF/Counterparty and settlement sequence number

The Rapid record gets populated in 'Draft commitment' screen with draft status as 'Failed' in the following situations:

- If more than one settlement sequence number is found for the combination of counterparty, Product code, currency and branch
- If there is no maintenance exists for the combination of counterparty, currency, product code and branch then Rapid record will be populated in Draft commitment screen with Draft Status as 'Failed'
- You need to manually enrich the settlement sequence number in such cases and approve the draft commitment manually

During autobooking commitment contract, the system will automatically resolve the mnemonic for agent CIF, if maintained. Else settlement details of counterparty will be picked up. If agent CIF is maintained at the commitment contract level then the settlement details gets picked up for agent CIF else settlement details of counterparty will be picked up. During manual enrichment, the settlement Sequence number option list displays SSI details as below:

- If both Agent CIF and Counterparty are maintained then, SSI details of both will be displayed along with default settlement instruction
- If Agent CIF is not maintained, then only SSI details of counterparty will be displayed along with default settlement instruction

When you populate global amount, agent name and effective date in 'Draft commitment' screen the following changes need to be done:

- The 'Tranche\_size' from RAPID feed gets populated to the global amount fields in 'draft commitment' screen. Once the commitment is auto booked, 'Global amount' field in draft gets populated as global commitment amount in the 'Commitment online' screen.
- The 'Agent Name' from RAPID feed gets populated as loan admin name. Once the commitment is auto booked, the Loan Admin Name from the 'draft commitment' screen gets populated as 'Loan Admin Name' field value in the UDF screen at commitment contract level. The UDF field ADMIN will be used to populate the agent name

The global commitment amount and loan admin name is used for reporting and information purpose.



Note that the following UDFs at the commitment level gets auto populated during new commitment booking. There will not be any validation or processing for these fields in Oracle FLEXCUBE.

- Syndicated – This gets populated with the value of the Syndicated/Participated field from RAPID feed. The existing UDF SYNDICATED will be used and value will be populated with Y/N
- Rounding – This gets populated with the default value “Pending Review”. This will be a new factory shipped UDF in Oracle FLEXCUBE

The following fields will continue to be consumed for the Auto Book process:

- RAPID id
- Approval status
- Facility Status
- GFCID
- Currency
- Booking date,
- Value date
- Maturity date
- Credit line
- Legal vehicle

The system will allow enriching the fields in ‘Draft commitment’ screen, if Oracle FLEXCUBE fails to resolve them from RAPID feed. This will work as per the manual save and authorization.

In the RAPID Feed, GFCID is received along with the customer information. If multiple customers are linked to the same GFCID, the processing varies depending on whether ‘Default Rapid Customer’ is maintained in the ‘Loans Parameters’ screen.

If ‘Default Rapid Customer’ is maintained in the ‘Loans Parameters’ screen:

- The Draft Commitment will be auto populated with Approval status as ‘Unapproved’. The system displays ‘Default Rapid Customer’ in the ‘Customer Number’ field.
  - If ‘Autoauth Rapid contract’ is unchecked, the Draft Status will be populated as ‘Pending’.
  - If ‘Autoauth Rapid contract’ is checked, the Draft Status will be populated as ‘Failed’.
- You must select the appropriate customer for the commitment from the adjoining option list. The list displays only the customer numbers associated with the GFCID received.
- You can approve the commitment only when you select the appropriate customer replacing the default customer. Limit upload processing cannot be done until you select the valid customer number and approve the Draft commitment record.
- On authorization of the Draft commitment, the Limit record will be created for the customer selected in the ‘Draft Commitment’ screen. New commitment is booked upon successful upload processing.

- If the Facility feed is received before the Customer feed (before the customer has been uploaded or created in Oracle FLEXCUBE), you will have to manually create the customer for the GFCID received or process the customer feed from RAPID. Once the customer is available in Oracle FLEXCUBE, the aforementioned processing is carried out



Note the following:

- You can amend the 'Customer Number' field only if the existing value is default RAPID customer. Otherwise this field is disabled and you cannot change the customer number.
- You also cannot amend the 'Customer Number' field once the commitment is successfully created in Oracle FLEXCUBE for the RAPID id. This means that the 'Customer Number' field is disabled for draft commitment amendment processing.

During new commitment booking, if 'Available' box is unchecked, the draft commitment will be populated in the 'Draft Commitment' screen with approval status as 'Unapproved' and draft status as 'Pending' with a valid error message.

- When you approve the draft commitment and authorize it, new commitment contract is booked without linking credit line to the commitment contract. Also, the limit upload processing is not done in such cases.
- Once the commitment is created, you can amend the commitment contract and link the credit line later.



Note the following:

- This functionality will be applicable even if 'Autoauth Rapid contract' is checked at the Loans parameter level
- Commitment will be booked with performing status if 'Performance\_status\_id' value from Rapid is 1 (Performing), though the 'Available' box is unchecked.

If 'Default RAPID Customer' is not maintained in the 'Loans Parameters' screen:

- If multiple customers are linked to the same GFCID or the Facility feed is received before the Customer feed, the system will reject the RAPID feed and the details will not be populated in the 'Draft Commitment' screen.

#### **14.9.1.2 RAPID feed processing for Commitment Amendment**

One Amendment feed can comprise of amendment details for multiple Oracle FLEXCUBE fields for the commitment. Rapid will always send the amendment only with the fields that require amendment.

Oracle FLEXCUBE will process the Commitment amendment from RAPID systematically when the RAPID Id in the amendment feed is already associated with an active or uninitiated commitment in the system.

The following are the different scenarios:

If the amendment is for **Product code or Value Date** then,

- The system will hold the record in Draft commitment as the latest unauthorized version with the approval status as 'Unapproved' and draft status as 'Failed'. You need to maintain one of the below two options to process the amendment:
  - You can manually reverse the old commitment and the linked loans associated with the Rapid id
  - You can de-link all the loan contracts, if any, linked to the old commitment contract, using Commitment Linkage Amendment screen from the value date of the loan and this should be operationally controlled. After de-link, contract amendment should be done for the old commitment contract to de-link the Credit line associated with it
- Once you have addressed the old records manually as above, you have to release the commitment from Draft commitment by changing the approval status as 'Approved'. You have to manually authorize the draft commitment. On authorization, new commitment is booked with new product code or value date
- If the Commitment / loan contracts are already reversed or there is no credit line that has is linked with old commitment and Rapid amendment is received later, Oracle FLEXCUBE will proceed with auto booking of a new commitment and you need not manually book in such cases
- The Product code or value date amendment from RAPID will always book a new commitment contract with existing contract parameters with only change in Product code or Value Date
- The RAPID can send Product code or Value Date amendment for active commitment and the above mentioned process is applicable for both
- Always the product code related fields will be checked during amendment and then financial/non financial fields will be checked. If the amendment is for product code then it will be kept in draft layer with status as unapproved. Once user reverse commitment and loan, new commitment will be booked with the new product and with other new fields.

If the amendment is for **Commitment Amount** then,

- If any loan is present under the commitment and sum of all the active loan contract outstanding amount under that commitment exceeds the new amount sent from Rapid then the system will hold the record in Draft commitment as the latest version with the approval status as 'Unapproved' and draft status as 'Failed'
- You have to manually correct the Commitment Amount in 'Draft commitment' screen or decrease the loan outstanding amount in Oracle FLEXCUBE. Before that you need to release commitment amendment from Draft commitment by changing the approval status as 'Approved'
- Upon authorization, Value Dated Amendment is processed in Oracle FLEXCUBE and VAMI will be auto authorized
- If there is no loan linked to the commitment or sum of all active loans outstanding is within the new commitment amount then, Oracle FLEXCUBE will systematically process commitment amount amendment which will be VAMI in Oracle FLEXCUBE. VAMI will be successfully processed for the commitment and will be auto authorized



- RAPID can send Commitment amount amendment only for active commitments to Increase or Decrease the Commitment amount and the above mentioned process is applicable only for active commitment

If the amendment is for **Maturity date Decrease** for commitment then

- Below validations will be done before processing the amendment
  - The system checks if there are any active or uninitiated loans having maturity date greater than the new maturity date of the commitment
  - The system checks if there are paid fee schedules on the commitment that exceeds the new maturity date
- If both the validations are passed then amendment record populates in Draft commitment screen with approval status as 'Approved'. The Value Dated Amendment for commitment is automatically processed in Oracle FLEXCUBE and VAMI will be auto authorized
- Any unpaid fee schedules between the new maturity date and old maturity date will be deleted and the number of schedules will be updated accordingly. The bullet schedule if any will be moved to the new maturity date. Any amendments to the schedules as required post this update will have to be handled manually
- If anyone validation is failed then the amendment record will be kept in draft commitment screen with approval status as 'Unapproved' and Draft status as 'Failed'. Appropriate correction should be done by user as mentioned below
  - You have to manually correct the loan contracts having maturity date exceeding the new maturity date, or
  - You have to manually correct the new maturity date in such a way that the new date is greater than the paid fee schedule date
  - Before that user can release commitment amendment from Draft commitment by changing the approval status as 'Approved'
  - On authorizing the Draft Commitment, Value Dated Amendment will be processed in Oracle FLEXCUBE and VAMI will be auto authorized
  - RAPID can send maturity date decrease only for active commitment and the above mentioned process is applicable only for active commitment
- If the amendment is for **Maturity date Increase** for commitment then
  - The system validates if the maturity date of active loans under the commitment should not exceed the new maturity date sent from Rapid
  - If the validation is successful then amendment record will be populated in Draft commitment screen with approval status as 'Approved'. Value Dated Amendment for commitment will be processed in Oracle FLEXCUBE and VAMI will be auto authorized
  - The bullet schedule will be moved from old maturity date to new maturity date.
- If the validation is failed then the amendment record will be kept in 'Draft Commitment' screen with approval status as 'Unapproved' and Draft status as 'Failed'.
- Before that you need to release the commitment amendment from Draft commitment by changing the approval status as 'Approved'
- On authorizing the Draft Commitment, Value Dated Amendment will be processed in Oracle FLEXCUBE and VAMI will be auto authorized

- The RAPID can send maturity date Increase only for active commitment and the above mentioned process is applicable only for active commitment

If the amendment is for **Sublimit Amount** then

- The system validates the sum of all linked LC contract amount is not exceeding the new sublimit amount
- If the validation is successful then amendment record with new sublimit amount will be populated in 'Draft commitment' screen with approval status as 'Approved'. The CAMD event for commitment will be processed automatically in Oracle FLEXCUBE to update the sublimit amount for commitment and CAMD will be auto authorized
- If the validation is failed then the amendment record will be kept in draft commitment screen with approval status as 'Unapproved' and Draft status as 'Failed'
- You need to correct the Sublimit amount or to correct the LC Drawdown amount. Before that you can release commitment amendment from Draft commitment by changing the approval status as 'Approved'
- On authorizing the Draft Commitment, CAMD is processed and auto authorized in Oracle FLEXCUBE
- Oracle FLEXCUBE checks whether the amendment is received for the fields such as hostname, syndicated/Participated, which will result into product code amendment
- There will not be any product code sent in amendment feed and Oracle FLEXCUBE will always compare the fields used for product code resolution and then arrive the product code amendment

If RAPID sends feed only for **expense code** amendment then,

- If the expense code amendment results into product code amendment, Product code amendment approach mentioned above will be followed
- If the expense code amendment does not result into product code amendment but only to amend the expense code for commitment then, the system will not process the amendment but will update the approval status as 'Rejected'. To achieve amendment of Expense code

If the amendment is for **Facility Name** then,

- The system validates if the new facility name is different from the existing facility Id for the commitment contract
- The Facility Name arrives based on the Customer Name and Facility Type fields from RAPID feed. Customer\_desc and Facility\_type\_id from RAPID feed will be concatenated with a space in between to arrive Facility Name.
- If the resolved Facility Name is different from the Facility Id for the latest commitment contract in the system , only then the system will process Facility Amendment
- The Facility name length is 35 for the commitment contract and this will continue to exist
- The system fails to process the amendment, if the resolved facility name is blank or exceeding the length of 35

- If the amendment processing is failed then the amendment record will be kept in draft commitment screen with approval status as 'Unapproved' and Draft status as 'Failed'
- Before that you can release commitment amendment from Draft commitment by changing the approval status as 'Approved'
- On authorizing the Draft Commitment, CAMD will be processed and auto authorized in Oracle FLEXCUBE
- If the validation is successful then amendment record with the new Facility Name will be populated in Draft commitment screen with approval status as 'Approved'. CAMD event for commitment will be processed in Oracle FLEXCUBE to update the Facility Id for commitment and CAMD will be auto authorized
- If the validation is failed where the resolved Facility Name is same as the Facility Id for the latest commitment contract in the system then the amendment is not for facility name amendment. If there is no amendment received for other fields then the amendment record will not be populated into the Draft Commitment screen
- If Customer desc amendment alone is received during amendment, then the system will process only Facility name amendment. Customer short name will not be updated for the associated customer number in the commitment

If the amendment is for **Performance status** then,

- The Latest amendment record with the new status gets populated in 'Draft commitment' screen with approval status as 'Unapproved'. The Status change will happen automatically for commitment and loan Performance status amendment.

If the amendment is for **GFCID** then,

- The latest amendment record with the GFCID gets populated in Draft commitment screen with approval status as 'Unapproved'
- You have to manually reverse the active loans linked to the commitment and then have to reverse the commitment contract before approving and authorizing the GFCID amendment
- Upon approving and authorizing Draft commitment manually by user, below systematic process will be done
- The system will identify the credit line linked to Rapid id and also identify the associated GFCID for the credit line from 'Limit maintenance' screen. If the GFCID is different than the GFCID sent in the amendment feed then the Credit Line will be automatically detached from the linked commitment contract in 'Draft commitment' screen. It will be a direct removal and there will not be any indicator.
- After detaching credit line, the record status for credit line in Limits screen will be marked as 'Closed' with internal remarks as 'GFCID Change – New GFCID xxxxxxxxxxxx') where x is the new GFCID and Cluster

This will be auto authorized with Maker/checker as SYSTEM

The Limit details will be automatically uploaded for the new customer selected to create the new credit line for the Rapid ID and GFCID. This will be auto authorized with Maker/checker as SYSTEM.



Note the following:

- The customer associated with the new GFCID will be selected from customer maintenance screen.
- The values for the Credit Line creation values are as follows:
  - Start date will be taken as the amendment date
  - Expiry date will be taken as the old credit line's expiry date
  - Amount will be taken as the amount of the old credit line

The system automatically creates a new commitment contract with new GFCID with authorized status.

If there is any active commitment or loan contracts associated with the GFCID, the system will fail to amend the GFCID with an appropriate exceptional message.

If the amendment is for Global Commitment Amount (Tranche Size) then,

- The Latest amendment record with new Global amount gets populated in 'Draft commitment' screen with approval status as 'Approved' and the draft commitment gets auto authorized
- The Global Commitment amount gets updated at the commitment level. CAMD event will be registered to process this amendment and CAMD will be auto authorized

If the amendment is for Loan Admin Name (Agent Name) then,

- The Latest amendment record with new value for Loan Admin Name gets populated in 'Draft commitment' screen with approval status as 'Approved' and the draft commitment gets auto authorized
- The Loan Admin Name UDF value will be updated at the commitment level. CAMD event will be registered to process this amendment at commitment level and CAMD will be auto authorized

If the amendment is for **Syndicated** then, this amendment will result into Product Code amendment always. Hence Product code amendment will be processed as mentioned above and the new commitment will be booked with the new product and syndicated value

- The Rapid will send only those fields for which amendment required. But more than one field can be sent for amendment in the same feed.

When user manually saves the Rapid record for amendments mentioned above, authorization should be done manually by user. After authorization the system processes commitment amendment automatically.



Note the following:

- When RAPID sends the commitment details and the customer type for the associated GFCID is identified as BANK (investor) then the system will fail the upload processing.

- You are allowed to re-link the commitment with the RAPID id for which the amendment is processed in the system and results into a new commitment booking

### 14.9.1.3 RAPID Feed processing on Effective Date

All the amendment process will be initiated on the Txn Effective date and not on the date they are received. For the RAPID feed for new commitment booking, The 'Txn effective date' will always be the application date, irrespective of the value received from Rapid.

If Txn effective is in future for the amendment feed, then the amendment details get populated in the Draft commitment screen only when txn effective date reaches to application date. Until then, the feed will be kept in the interface layer with status 'U' (Unprocessed)

The Amendment gets processed on the 'Txn effective date' with value date as the 'Txn effective date'. This gets processed by the existing Rapid job and there will not be any new job introduced for this.

If Txn effective date is lesser than application date, then the feed will be processed on the application date with effective date as application date.

The Amendment Date will not be received from the Rapid system. The Amendment Date will be the date on which the amendment feed is processed in RAPID.

Below example will illustrate the Txn effective date processing:

Application Date – 1-Sep-2012

<b>Scenario-1</b>	Rapid amendment received with Txn Effective date as 01-sep-2012	Amendment will be processed on 1-sep-2012. In case of VAMI, the VAMI value date will be 1-sep-2012
<b>Scenario-2</b>	Rapid amendment received with Txn Effective date as 30-Aug-2012	Amendment will be processed on 1-sep-2012. In case of VAMI, the VAMI value date will be 1-sep-2012
<b>Scenario-3</b>	Rapid amendment received with Txn Effective date as 02-sep-2012	Amendment will be processed on 2-sep-2012. In case of VAMI, the VAMI value date will be 2-sep-2012

If Txn effective date is not received, then the Txn effective date gets populated with application date. This is applicable for both new commitment booking and commitment amendment feed from RAPID.

#### 14.9.1.4 **Rapid feed received for Commitment type change**

If a RAPID amendment feed is received for commitment type change from Revolver to Term (Non Revolving), the following conditions need to be followed:

- The Amendment record gets populated in the amendment browser with draft status as 'Pending' and Approval status as 'Unapproved'. The system displays an exception message as 'Amendment received for Commitment Type change. You have to manually approve and authorise the amendment, even if auto auth rapid contract is checked at the Loans parameters level. If there is any financial amendment is received along with commitment type amendment, then those amendments also will be kept in draft layer for manual approval and processing
- The Amendment will be processed successfully on the commitment contract if all validations are successful and CAMD event will be registered for the same.
- The system will consider the current available balance for commitment as (contract amount – sum of loan outstanding) as of conversion date and there will not be any processing other than updating the commitment type.
- The system fails to process the amendment for the RAPID record,
  - If the future dated event captured but pending to be processed as of the amendment date, for the commitment or for the underlying loan contracts
  - If overdue fee or interest/Principal Payment exists for the commitment/loan contracts, as of the amendment date
  - If unprocessed Reprice/Rollover event exists for the loan contract, as of the amendment date
  - If active LC loans are linked to a revolver commitment
- After the amendment is processed successfully, the following takes place
  - On further payments on loan contracts or for any decrease in outstanding balance, 'DLNK' event will not be fired on the commitment contract
  - Any backdated activity beyond the conversion date, including loan contract reversals which can change the commitment availability will not be allowed on the commitment or loan contract. But, Commitment reversal will be allowed after the amendment processing

### 14.10 **Processing HFI to HFS Transfer**

The system will process the message request from RAPID to reduce the commitment amount of the HFI position. RAPID should ensure that the commitment reduction amount should match the amount of the HFS commitment. The system will process the commitment reduction using the Value Dated Amendment (VAMI) event.

The system will validate that the commitment available amount should be '0' or positive after the transfer. If the validation fails, then RAPID message will not be uploaded and an exception will be raised. You will have to manually amend the underlying loans and LC loans to the extent of the commitment reduction amount. You can re-submit the RAPID message for amendment for processing. The system will trigger the VAMI event for the commitment.

If the validation is successful then RAPID message will be automatically processed and the VAMI event will be triggered for HFI commitment to reduce the commitment amount. You will have to manually reduce the LC sublimit balances. As part of contract amendment the system will post the entries to reduce LC sub-limit in the CAMD event.

In case of commitment increase, the transfer of position from HFI to HFS will also be sent using the RAPID message for the creation of a new commitment. The commitment amount in this message will represent the amount of HFS position to be created in Oracle FLEXCUBE. This message may be used for partial or 100% transfer of HFI to HFS. It will have a new RAPID ID. The system will automatically book/authorize the commitment contract if all validations are successful, else the system will place the message in the 'Loans and Commitment - Draft - Commitment' screen for manual enrichment/approval.

You should have maintained an HFS commitment product for the combination of currency, host name, committed, syndicated participated, facility long description, accounting classification, branch code and department code. RAPID will send the appropriate values for the above mentioned fields to resolve the HFS product.

If there is no HFS product found, or more than one HFS products mapped in the mapping table, then the RAPID record will be put in the 'Loans and Commitment - Draft - Commitment' screen for manual enrich of HFS product code. The CUSIP should remain same for both HFI and HFS commitments under a facility.

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## 15. Loans and Deposits Reports

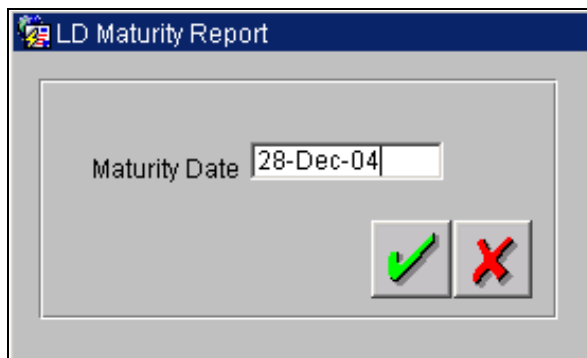
### 15.1 Introduction

This chapter explains the various types of reports generated at various stages in the Loans and Deposits module.

#### 15.1.1 Loan Maturity Report

You can generate report of the loans that are maturing on a particular day using the 'LD Maturity Report' screen.

To invoke the 'LD Maturity Report' screen, choose **Reports** from the Application Browser. Thereafter, choose **Loans and Deposits** and **LD Maturity Report** under it.



Specify the following here:

#### **Maturity Date**

Specify the date for which you need the report of the loans that are matured.

Click  to generate the report. Click  to cancel the report generation.

The RDF report gets generated with loan contract maturity detail. The following details are provided in Loan Maturity Report:

- Maturity date
- Counterparty
- Customer name
- Contract reference number
- Product code
- Custom reference number



- Contract Currency
- Deposit component
- Interest component
- Principal component
- Outstanding deposit into
- Outstanding principal
- Liquidation
- Trans ouch

### 15.1.2 Loan Contract Information Report

You can generate report with all information regarding the loan contract using the 'LD Contract Information Report' screen.

To invoke the 'LD Contract Information Report' screen, choose **Reports** from the Application Browser. Thereafter, choose **Loans and Deposits** and **LD Contract Information Report** under it.

You can specify the following details here:

#### **Contract Reference Number**

Select the contract reference number of the loan for which you wish to generate the report from the provided list.

#### **Counter Party**

Select the counterparty of the loan for which you wish to generate the report from the provided list.

### Product Code

Select the product code of the loan for which you wish to generate the report from the provided list.

### Currency

Select the currency code of the loan for which you wish to generate the report from the provided list.

### Credit Line

Select the credit line of the loan for which you wish to generate the report from the provided list.

Click  to generate the report. Click  to cancel the report generation.

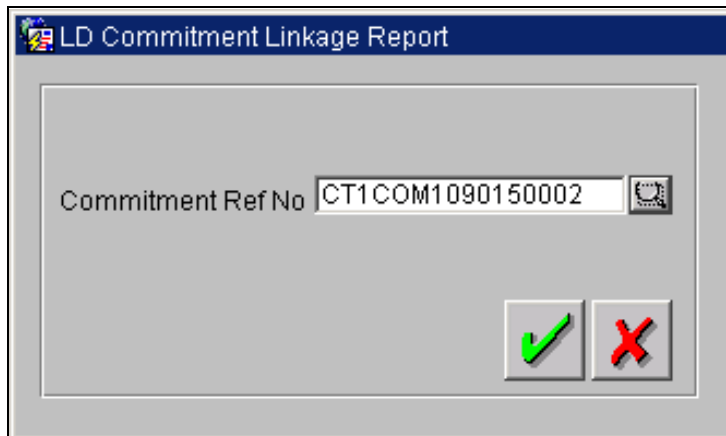
The RDF report gets generated with loan contract information detail. The following details are provided in Loan Contract Information Report event wise:

- Base Number
- Product Code
- Contract Ref Number
- Currency
- Amount
- OUC Code
- Commitment ref number
- Outstanding amount on Commitment
- Line number
- Value Date
- Maturity Date
- Interest Rate
- Refinance Rate
- Interest Due on maturity

### 15.1.3 Loan Commitment Linkage Report

You can generate report with details of loan-commitment linkage information using the 'LD Commitment Linkage Information Report' screen.

To invoke the 'LD Commitment Linkage Information Report' screen, choose **Reports** from the Application Browser. Thereafter, choose **Loans and Deposits** and **LD Commitment Linkage Information Report** under it.



Specify the following here:

#### **Commitment Reference Number**

Select the commitment reference number of the loan for which you wish to generate the report from the provided list.

Click  to generate the report. Click  to cancel the report generation.

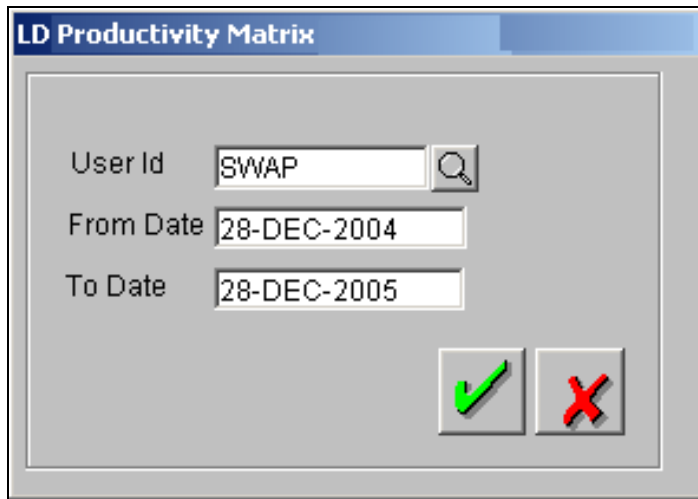
The RDF report gets generated with the details of loan-commitment linkage information. The following details are provided in Loan Commitment Linkage Information Report:

- Base Number
- Loan Contract Reference Number
- Currency
- Product Code
- OUC code
- Amount
- Commitment reference number
- Outstanding Commitment amount
- Line number
- Value date
- Maturity date
- Interest rate
- Refinance rate and Interest Due on maturity

#### **15.1.4 LD Productivity Matrix**

You can generate the LD Productivity matrix RDF report using the 'LD Productivity Matrix' screen.

To invoke the 'LD Productivity Matrix' screen, choose **Reports** from the Application Browser. Thereafter, choose **Loans and Deposits** and **LD Productivity Matrix** under it.



#### User Id

Select the user id of the person for whom you wish to generate the productivity matrix.

#### From date

Specify the starting date of the date range for the productivity matrix to be generated.

#### To Date

Specify the end date of the date range for the productivity matrix to be generated.

Click  to generate the matrix report. Click  to cancel the report generation.

The RDF report gets generated with the list of events occurred during the specified period by a specified user.

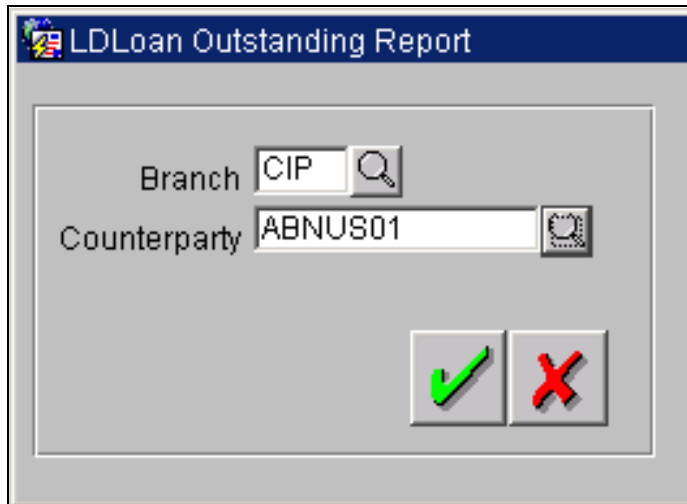
The following details are provided in the LD Oracle FLEXCUBE Productivity Matrix RDF Report:

- Contract Reference Number
- Event Date
- User ID
- Activity Description
- Maker ID & Checker ID

### 15.1.5 CDO – Outstanding Loan Report

You can generate the report with the details of an outstanding Loan using the 'Loan Outstanding Report' screen.

To invoke the 'Loan Outstanding Report' screen, choose **Reports** from the Application Browser. Thereafter, choose **Loans and Deposits** and **Loan Outstanding Report** under it.



You can specify the following details here:

#### **Branch**

Select the branch id of the branch for which you wish to generate the outstanding loan report from the provided list.

#### **Counterparty**

Select the counterparty id of the loan contract for which you wish to generate the outstanding loan report from the provided list.

Click  to generate the report. Click  to cancel the report generation.

The RDF report gets generated with the contract outstanding report which displays the outstanding in currency wise; contract outstanding balance and Summary of each currency outstanding amount.

The following details are provided in the Loan Outstanding Report:

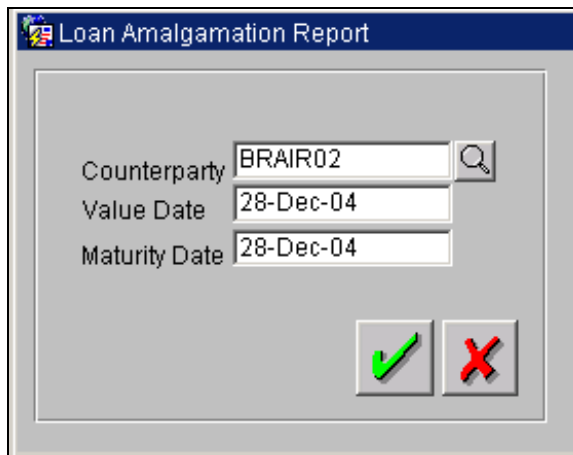
- Activity Description (Event Description)
- Base Number
- Customer name
- Currency
- Contract Number
- Principal Amount
- Value date

- Maturity date
- Rate
- Interest due
- Total loan amount outstanding

### 15.1.6 Loan Amalgamating Report

You can generate the report with the details of Amalgamating Loans using the 'Loan Amalgamation Report' screen.

To invoke the 'Amalgamation Report' screen, choose **Reports** from the Application Browser. Thereafter, choose **Loans and Deposits** and **Amalgamation Report** under it.



You can specify the following details here:

#### **Counterparty**

Select the counterparty for which the loan amalgamation is performed from the provided list.

#### **Value Date**

Specify the value date of the loan amalgamation here.

#### **Maturity Date**

Specify the maturity date of the loan amalgamation here.

Click  to generate the report. Click  to cancel the report generation.

System makes a call to Amalgamation Report File to generate the Amalgamation Report.

The following details are provided in the Loan Amalgamation Report:

- Currency
- Contract Number
- Narrative
- Oracle FLEXCUBE event
- Principal amount
- Net Principal after prepayment
- Value date
- Maturity Date
- Rate
- Interest Due
- Net Interest due after prepayment
- Total Loans outstanding (principal + interest)

### 15.1.7 Loan WOR Report

You can generate the Loan WOR report using the 'Loan WOR' screen.

To invoke the 'Loan WOR' screen, choose **Reports** from the Application Browser. Thereafter, choose **Loans and Deposits** and **Loan WOR** under it.

You can specify the following details here:

#### **Event**

Select the event from the list of loan events provided. The description of the even gets displayed.

#### **From Date**

Specify the from value date of the date range of the WOR report you wish to generate.

### To Date

Specify the to value date of the date range of the WOR report you wish to generate.

Click  to generate the report. Click  to cancel the report generation.

System makes a call to WOR Report File to generate the Loan WOR Report.

The following details are provided in the Loan WOR Report:

- Contract Ref No
- Product code
- Event code
- Currency
- Fcy amount
- Local Currency
- Lcy amount
- Value date
- Transaction date
- Maker Id
- Checker Id



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## 16. Appendix A - Customer Correspondence

### 16.1 Introduction

This chapter explains the various types of advises and notices generated at each stage for the type of contract that the Loans 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 advises 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 advises can be configured for your requirements. However, the default advice formats are available when Oracle FLEXCUBE is shipped to you.

Advises are generated to intimate the customer of the following:

#### 16.1.1 Contract Initiation

You can generate an advice on the initiation of a loan to inform the customer about the details of the initiated loan. Along with the details of contract initiation, the schedules defined for repayment are also printed in the contract initiation advice.

Once an event is authorized, you can generate the advice applicable for the event anytime you want. To generate the advice, click on Outgoing Message Browser, under Messages in the Application Browser.

The format and contents of the advises can be configured for your requirements. However, the default advice formats are available when Oracle FLEXCUBE is shipped to you.

#### 16.1.2 Amendments to the Terms of the Loan during its Tenor

You can generate this advice to notify the customer about amendments made to the terms of the loan.

##### **Rollover of a contract**

You can generate this advice to notify the customer about the rollover of the loan.

##### **Billing Advice for a loan**

You can generate the Billing Notice to inform the customer about a payment that will fall due.

## Delinquency Notice for a loan

You can generate the Delinquency Notice to inform the customer about a pending payment.

The sample advices for each of these are given in the following sections.



The loan payment advice that you send to the customer contains exhaustive tax details, as follows:

- Tax deducted at initiation
- Tax for each schedule. This includes the tax for each schedule of a component

### 16.1.3 Advice generated for Contract Initiation

INITIATION ADVICE FOR A LOAN

Term Loans Discounted

Transaction Date: 29-DEC-97

Our Reference No : 000LTLD973630008

User Reference No : 000LTLD973630008

US1007

7000 Construction Court

San Diego

CA 92121

WE CONFIRM HAVING PLACED WITH YOU

Principal Amount

-----  
Principal Amount : 1,000,000.00 USD

Value Date : 29-DEC-97

Maturity Date : 29-JAN-98

Tenor : 31 DAYS

INTEREST/FEE DETAILS

Description	Amount	CCY	Rate	Interest Basis	-----
-------------	--------	-----	------	----------------	-------

INTEREST - USD	15		2		
----------------	----	--	---	--	--

BOOKFEES	20,000.00 USD		-		-
----------	---------------	--	---	--	---

INITCHGS	20,000.00 USD		-		
----------	---------------	--	---	--	--

-----Transaction  
on Initiation  
-----

Component	Value Date	Account	Amount	CCY	Component
-----------	------------	---------	--------	-----	-----------

Description	Account	Branch	-----		
-------------	---------	--------	-------	--	--

INTEREST	29-DEC-97	CORCUF-US1007-010			
7,122.00 GBP					

Interest	000				
----------	-----	--	--	--	--

LDTAX1_AMT	29-DEC-97	CORCUF-US1007-010			
56,973.00 GBP					

Tax amount Tag	LDTAX1_AMT		000		
----------------	------------	--	-----	--	--

PRINCIPAL	29-DEC-97	CORCUF-US1007-010			
569,723.25 GBP					

Principal Amount	000				
------------------	-----	--	--	--	--

-----YOUR

PAYMENT SCHEDULE WILL BE AS GIVEN BELOW

Component	Amount	CCY	-----	Schedule
-----------	--------	-----	-------	----------

Date: 29-JAN-98

INTEREST	12,500.00 USD			
----------	---------------	--	--	--

PRINCIPAL	1,000,000.00 USD			
-----------	------------------	--	--	--

----- SETTLEMENT

DETAILS

Component	Dr/Cr	Br	Account	CCY	-----
-----------	-------	----	---------	-----	-------

				BOOKFEES	R
--	--	--	--	----------	---

CORCUF-US1007-01GBP

	10	
INTEREST	R	CORCUF-US1007-01GBP
	10	
LDTAX1_AMT	P	CORCUF-US1007-01GBP
	10	
LDTAX2_AMT	P	CORCUF-US1007-01GBP
	10	
LDTAX3_AMT	P	CORCUF-US1007-01GBP
	10	
LDTAX4_AMT	P	CORCUF-US1007-01GBP
	10	
LDTAX5_AMT	P	CORCUF-US1007-01GBP
	10	
LDTAX6_AMT	P	CORCUF-US1007-01GBP
	10	
PRINCIPAL	P	CORCUF-US1007-01GBP
	10	
PRINCIPAL_LIQD	R	CORCUF-US1007-01GBP
	10	
-----		

#### 16.1.4 Advice generated for Roll-over of a Loan

ROLLOVER ADVICE FOR A LOAN

Loans -Demand Loans

Transaction Date: 31-DEC-97

Our Reference No : 000LDLB973630007

User Reference No : ldbl.05Br0

US1005

250 - 20th Street

Washington

D C 20036

THE CONTRACT HAS BEEN ROLLED OVER WITH FOLLOWING DETAILS:

Principal Amount

-----Old  
Principal Amount : 450,000.00 USD

Principal Amount : 450,150.00 USD

Value Date : 31-DEC-97

Maturity Date : 02-JAN-98

Tenor : 2 DAYS

INTEREST/FEE DETAILS

Description	Amount	CCY	Rate	Interest Basis	-----
8	30[Euro]/360			COMMISSION	- USD
INTEREST - USD	12		30[Euro]/360		
PENINT - USD	6		30[Euro]/360		
PENPRN - USD	6		30[Euro]/360		

ARRFEES	12,850.00 USD	-
INITFEES	10,000.00 USD	-
LIQDFEES	10,500.00 USD	3
ROLLFEES	10,000.00 USD	-

-----  
Transaction on Initiation  
-----

Value	Date	Account	Amount	CCY	Component
-----					

Component Description	Account	Branch	-----
DEC-97 CORCUF-US1005-013	75.75	GBP	COMMISSION 31-

Commission 000

ROLLFEES	31-DEC-97 CORCUF-US1005-013	7,550.25
GBP		

Rollover Fees 000  
-----

YOUR PAYMENT SCHEDULE WILL BE AS GIVEN BELOW

Component	Amount	CCY	Schedule
-----			
Date: 02-JAN-98			

COMMISSION	200.00 USD
------------	------------

INTEREST	300.00 USD
----------	------------

PRINCIPAL	450,150.00 USD
-----------	----------------

-----

SETTLEMENT DETAILS  
-----

Component	Dr/Cr	Br	Account	CCY	-----
-----					
ARRFEES	R	000	CORCUF-US1005-013	GBP	
COMMISSION	R	000	CORCUF-US1005-013	GBP	

INTEREST	R	000	CORCUF-US1005-013	GBP
INTEREST	R	000	CORCUF-US1005-013	GBP
LDTAX3_AMT	P	000	CORCUF-US1005-013	GBP
LDTAX5_AMT	P	000	CORCUF-US1005-013	GBP
LIQDFEES	R	000	CORCUF-US1005-013	GBP
PENINT	R	000	CORCUF-US1005-013	GBP
PENPRN	R	000	CORCUF-US1005-013	GBP
PRINCIPAL	P	000	CORCUF-US1005-013	GBP
PRINCIPAL_INCR	P	000	CORCUF-US1005-013	GBP
PRINCIPAL_LIQD	R	000	CORCUF-US1005-013	GBP
ROLLFEES	R	000	CORCUF-US1005-013	GBP

### 16.1.5 Advice generated for Amendments on a Loan

AMENDMENT ADVICE

Date: 30-DEC-97

Reference No. : 0003P01973630007

Related Reference :

BA1000

Sehi Center

Diplomatic Area

Bahrain

The Contract has been Amended. The new details are as follows:

~~~~~

Value Date of Amendment : 30-DEC-97

THIS IS A COMPUTER GENERATED ADVICE

NO AUTHORIZED SIGNATURE IS REQUIRED

This advice will contain the updated values for the following UDFs if the contract is an agency contract and provided the box 'Intellect Feed for UDF Change' is checked in the 'Loan Parameters' screen:

- CUSTOMER RATE
- DEALER LIBOR RATE
- LATE TRADE
- RA COST

### 16.1.6 Advice generated for Loan Billing Notice

LOAN BILLING NOTICE

Date: 31-DEC-97

Reference No. : 001LDAB973630001

GB1001

ASHBURN APARTMENTS

ASHBURN GARDENS

LONDON SW7 4DG

The Details of the Schedules falling Due as follows:

~~~~~  
===== COMPONENT  
DUE DATE                      AMOUNT  
=====Interest  
05-JAN-98                      500 ITL  
===== THIS IS A  
COMPUTER GENERATED ADVICE

NO AUTHORIZED SIGNATURE IS REQUIRED

Delinquency Notice

CUSTOMER DELINQUENCY NOTICE

-----

Term Loans Bearing

Transaction Date: 28-FEB-98



American Bank, Los Angeles

#51 Woods North Bend Drive

Los Angeles

USA

Our Reference No : 002LTLB098590004

User Reference No : 002LTLB098590004

Value Date : 25-JAN-98

Maturity Date : 27-JAN-98

Contract Currency : GBP

Principal Amount : 1,000,000.00

Outstanding Principal : 1,000,000.00

FORD Corporation

Address:

250 - 20th Street

Washington

D C 20036

This is to remind you that payment is overdue for the undermentioned schedules.

Ccy	Schedule Amount	Overdue Amount	Component
-----	-----------------	----------------	-----------

Component Description

Date	Schedule
------	----------

Overdue Days : 32

COMMISSION	GBP	438.75	438.75
------------	-----	--------	--------

Commission

INTEREST        GBP            546.75 546.75

Interest

PENINT        GBP            3.00        3.00

Penalty on O/d Interest

PENPRN        GBP        4,247.25                    4,247.25

Penalty on O/d Principal

PRINCIPAL     GBP 1,000,000.00                    1,000,000.00

COMPONENT-WISE OVERDUE SUMMARY

-----  
          Earliest            Maximum  
  
Component    Ccy        Schedule Date            Overdue Days        Total  
Overdue Amount

Component Description

-----  
COMMISSION    GBP        27-JAN-98            32        438.75

Commission

INTEREST      GBP        27-JAN-98            32        546.75

Interest

PENINT        GBP        27-JAN-98            32        3.00

Penalty On O/d Interest

PENPRN        GBP        27-JAN-98            32        4,247.25

Penalty on O/d Principal

PRINCIPAL     GBP        27-JAN-98            32  
1,000,000.00

----- THIS IS A  
COMPUTER GENERATED ADVICE.

NO AUTHORIZED SIGNATURE IS REQUIRED.

---

## 17. Appendix B - Accounting Entries, Advices and Error Codes

### 17.1 Accounting Entries for Loans

This section contains details of the suggested accounting entries that can be set up, for the Loans module of Oracle FLEXCUBE. The details of the suggested accounting entries are given event-wise.

### 17.2 Loans Events

The following is an exhaustive list of events that can take place during the lifecycle of a Loans contract. In the subsequent paragraphs we shall examine the accounting entries and advices for each of the events listed below.

Event Code	Event Description	Remarks
BOOK	Booking a contract  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
INIT	Contract Initiation  The actual take down entries passed on the value date of the contract correspond to Initiation.	All Types
LIQD	Liquidation of contract/schedules	All Types
ACCR	Accrual of various components for a contract	All Types
CAMD	Contract Amendment	
DLNK	Release of Linkage to Loan	Discounted loans
FLIQ	Advance/Arrears Fee Liquidation	
FELR	Fee Liquidation	
FACR	Fee Accrual	
LINK	Linkage to Loan	
LIQD	Liquidation of contract/schedules	All Types

Event Code	Event Description	Remarks
NOTC	Billing of Notice	
REAS	Reassign User	
RESA	Reversal of Residual Accrual  In case the status of a contract changes to Non Accrual basis, all the accrued amounts are reversed using this Event Code.	
REVC	Contract Reversal	
REVN	Rate Revision	
REVP	Reversal of payments/contract	
RFND	Refund of Interest	
ROLL	Rollover of Contract	All Types
RCHG	Rate Change (Revision)	
RTFX	Rate Fixing	
RTAM	Rate Amendment	
SPRO	Provisioning	
SPWB	Write Back	
STCH	Status Change	All Types
VAMB	Value Dated Amendment Booking	
VAMI	Value Dated Amendment Initiation	
YACR	Yield To Maturity based Discount Accrual	
CREB	Contra Rebalance	
FREB	FAS114 Rebalance	
WREB	Write-off Rebalance	
FRSV	Unfunded and Funded FAS114 Reserve Increase/ Decrease	
TRCL	Trade Reclassification	
RESR	Reserve Decrease	
CICR	Contra Increase	

Event Code	Event Description	Remarks
CDCR	Contra Decrease	
SPWV	Special Penalty Waiver	
RSPW	Reversal of Special Penalty Waiver	
PNTC	Event to generate Payment Notice and Payoff Notice	
INNC	Event to generate Insurance Expiry Notice and 45 Day Flood Notice – Escrow and Non Escrow	
RFLR	Reversal of Fee Refund / Liquidation	
RFRV	Reversal of FAS114 Reserve for commitment and loan	
RVCR	Reversal of Contra Increase/Decrease	
REWR	Reversal of Reserve/Write-off	

## 17.3 Amount Tags

The amount tags listed below are hard-coded in Oracle FLEXCUBE.

Amount Tag	Description
COMMUTIL_DECR	Commitment Amount Reinstated
COMMUTIL_INCR	Commitment Amount Utilized
INT_DISC_ADJ	Discounted Interest Adjusted
PRINCIPAL	Principal Amount
PRINCIPAL_ADDL	Additional Principal
PRINCIPAL_DECR	Decrease in principal on amendment
PRINCIPAL_FWD	Forward takedown amount
PRINCIPAL_INCR	Increase in principal on amendment
PRINCIPAL_LIQD	Principal Amount Liquidated
PRINCIPAL_ROLL	Principal Amount Rolled over
PRINCIPAL_XFWD	Principal Amount Reclassified
PRINCIPAL_XREV	Principal Amount Unclassified

Amount Tag	Description
PRO_AMT	Provision Amount
ROLLOVER_AMT	Rollover Amount
WB_AMT	Write Back Amount
INT_RESINC / INT_LIQD	Restricted Interest Income liquidated / Interest Income Liquidated
UNRLZD-LOSS	LD Unrealized Loss
UNRLZD-PRFT	LD Unrealized Profit
COMPONENT_MCICR	Manual Contra Increase
Deferred Interest _Component_LIQD	Deferred interest component liquidated
<Fee_Component>_FRFD	Fee Component
<Fee Component>_FRLQ	Fee component liquidation
<Fee Component>_FRRF	Fee component refund


In addition to these you can define amount tags as per your requirements for interest and charges that will be attached to your product.

## 17.4 **Accounting Roles**

In this section we have provided a list of sample accounting roles.

Accounting Role	Description	Role Type
CHGSINC	Charges on the Loan Product	Income
FEESINC	Liquidation Fees	Income
INTREC	Interest Receivable	Asset
ASSETGL	Asset GL for loans	Asset
INTAQR	Interest on Principal	Asset
INTINC	Interest on Principal	Income
FRTAX1_PAY	Tax Payable role for FRTAX1	Liability
FRTAX1_EXP	Tax Expense role for FRTAX1	Expense

Accounting Role	Description	Role Type
FRTAXS_PAY	Tax Payable role for FRTAXS	Liability
FRTAXS_EXP	Tax Expense role for FRTAXS	Expense
FWDASSETGL	GL for Future Dated Loans	Contingent Asset
FWDASSETOFF	Offset for Future Dated Loans	Contingent Liability
ROLLFEESINC	Rollover Fees	Income
VAMBFEEESINC	VAMB Fees	Income
P_PRNINC	Penalty on Overdue Principal	Income
P_PRNREC	Penalty Interest Receivable	Asset
P_INTINC	Penalty Interest Income	Income
P_INTREC	Penalty Interest Receivable	Asset
ASSETGL_REF	Asset GL for Refinance	Asset
LAIBGL_REF	Liability GL for Refinance	Liability
ASSETGL_REF_OFF	Offset GL	Asset
LAIBGL_REF_OFF	Offset GL	Liability
RESINT	Restricted Interest	Income
UNREAL_MTM_INC	Unrealized MTM Income	Asset
UNREAL_MTM_OFF	Unrealized MTM Offset	Asset
UNREAL_MTM_EXP	Unrealized MTM Expense	Asset
<Fee Component>FLR		
<Fee Component>FIA		

 In the accounting roles listed above the prefixes CHGS (charges), FEES (Fees), INT (Interest), FRTAX1, FRTAXS (Tax), P\_PRN (Penalty), ROLLFEES (rollover fees), VAMBFEEES (value dated amendment fees) are ICCF components.

The suffixes stand for:

AQR	Acquired interest receivable
EXP	Expense



INC	Income
PAY	Payable
REC	Receivable

Given below is a possible set of events and the advices that could be generated during the life-cycle of a loan:

A payment was liquidated today by the Automatic Contract Update function of LD module	An advice is generated addressed to the customer intimating him about the payment that was liquidated today.
A back dated loan with a value date as of today was initiated	An advice is generated addressed to the customer. If any components like discounted interest, tax on principal etc., are liquidated on initiation, an advice is generated for each of them.
A change entered through the value dated changes function fell due today and was executed.	An advice is generated notifying the customer about the changed terms of the loan.
A floating rate/periodic rate of a loan has changed.	An advice is generated telling the customer of the new interest rate applicable on the loan.
A loan was rolled over into a new loan.	An advice is generated addressed to the customer intimating him of the rolling over of the loan and the initiation of a new loan.

## 17.5 **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 a Loan deal. Samples of accounting entries, advices, and events have been given for three different types of Loan and Commitment deals. They are:

- Term loan – Bearing
- Demand Loan
- Commitment



Some of the Amount Tag's linked to the Accounting Roles are user defined.

### 17.5.1 **Term Loan – Bearing**

The preferences set for this product are as follows:

- The payment type for this product is of Bearing type
- The schedule type for this product is of Capitalized type
- Forward Dating is allowed for this product

### 17.5.1.1 INIT: Contract Initiation

#### Accounting Entries

Accounting Role	Amount Tag	Dr./Cr. Indicator
INTREC	INT_ACQD	Debit
INTAQR	INT_ACQD	Credit
P_PRNREC	P_PRN_ACQD	Debit
P_PRNAQR	P_PRN_ACQD	Credit
ASSETGL	PRINCIPAL	Debit
CUSTOMER	PRINCIPAL	Credit
FWDASSETGL	PRINCIPAL_FWD	Credit
FWDASSETOFF	PRINCIPAL_FWD	Debit

#### Advices

Advice Name	Description
DEAL_SLIP	Contract Advice
CONT_ADV	Contract Advice
PAYMENT_MESSAGE	Payment Message

### 17.5.1.2 BOOK: Booking of Contract

#### Accounting Entries

Accounting Role	Amount Tag	Dr./Cr. Indicator
CUSTOMER	LIQD	Debit
BOOKCHGINC	LIQD	Credit
FWDASSETGL	PRINCIPAL_FWD	Debit
FWDASSETOFF	PRINCIPAL_FWD	Credit

#### Advices

Advice Name	Description
PAYMENT_MESSAGE	Payment Message

### 17.5.1.3 ACCR: Accrual

#### Accounting Entries

Accounting Role	Amount Tag	Dr./Cr. Indicator
INTINC	INT_ACCR	Credit
INTREC	INT_ACCR	Debit
P_PRNREC	P_PRN_ACCR	Debit
P_PRNINC	P_PRN_ACCR	Credit

#### Advices

No Advices allowed for this Event.

### 17.5.1.4 LIQD: Liquidation

#### Accounting Entries

Accounting Role	Amount Tag	Dr./Cr. Indicator
FRTAX1_PAY	FRTAX1_AMT	Credit
FRTAX1_EXP	FRTAX1_AMT	Debit
FRTAXS_PAY	FRTAXS_AMT	Credit
FRTAXS_EXP	FRTAXS_AMT	Debit
CUSTOMER	INT_ADJ	Debit
INTREC	INT_ADJ	Credit
INTREC	INT_CAP	Credit
ASSETGL	INT_CAP	Debit
CUSTOMER	P_INT_LIQD	Debit
P_INTREC	P_INT_LIQD	Credit
CUSTOMER	PRINCIPAL_LIQD	Debit
ASSETGL	PRINCIPAL_LIQD	Credit
CUSTOMER	INT_LIQD	Debit
INTREC	INT_LIQD	Credit
RESINTINC	INT_RESINC	Debit *

Accounting Role	Amount Tag	Dr./Cr. Indicator
INTINC	INT_RESINC	Credit *

\* - This entry is only for liquidation of interest on overdue loans on cash basis.

#### Advices

Advice Name	Description
CAP	Capitalization Advice
PAYMENT_MESSAGE	Payment Message

### 17.5.1.5 RFND: Refund of Interest/Fees

#### Accounting Entries

Accounting Role	Amount Tag	Dr./Cr. Indicator
COMPONENT_REC	LIQD	Debit
CUSTOMER	LIQD	Credit

#### Advices

Advice Name	Description
OVERPAYAMT	Overpayment Advice

### 17.5.1.6 Liquidation of Interest

GL	Amount Tag	Dr/Cr
Customer	INT_LIQD	Dr
INT_REC	INT_LIQD	Cr
ADJ GL	INT_WAIV	Dr
INT_REC	INT_WAIV	Cr

### 17.5.1.7 ROLL: Rollover of Contract

#### Accounting Entries

Accounting Role	Amount Tag	Dr./Cr. Indicator
ROLLFEESINC	LIQD	Credit
CUSTOMER	LIQD	Debit
CUSTOMER	INT_LIQD	Debit

Accounting Role	Amount Tag	Dr./Cr. Indicator
INTREC	INT_LIQD	Credit
ASSETGL	INT_ROLL	Debit
INTREC	INT_ROLL	Credit
CUSTOMER	P_INT_LIQD	Debit
P_INTREC	P_INT_LIQD	Credit
CUSTOMER	PPR_LIQD	Debit
PPRREC	PPR_LIQD	Credit
ASSETGL	PRINCIPAL_ADDL	Debit
CUSTOMER	PRINCIPAL_ADDL	Credit

#### Advices

Advice Name	Description
CAP	Capitalization Advice
ROLL_ADV	Rollover Advice
PAYMENT_MESSAGE	Payment Message

#### 17.5.1.8 LINK: Linkage to Loan

##### Accounting Entries

Nil

##### Advices

No Advices allowed for this Event.

#### 17.5.1.9 STCH: Status Change

##### Accounting Entries

Nil

##### Advices

Nil

## **NOTC: Billing Notice Generation**

### **Accounting Entries**

No Accounting Entries allowed for this Event.

### **Advices**

Advice Name	Description
BILNOTC	Billing Notice

## **VAMI: Value Dated Amendment Initiation**

### **Accounting Entries**

Accounting Role	Amount Tag	Dr./Cr. Indicator
ASSETGL	PRINCIPAL_INCR	Debit
CUSTOMER	PRINCIPAL_INCR	Credit
VAMBFEEINC	LIQD	Credit
CUSTOMER	LIQD	Debit

### **Advices**

Advice Name	Description
PAYMENT_MESSAGE	Payment Message

### **17.5.1.10 STPI:**

Accounting Role	Amount Tag	Dr./Cr. Indicator
Reprice Suspense	PRINCIPAL_SPTI	Dr
Asset	PRINCIPAL_SPTI	Cr.
Reprice Suspense	INTERESTFL_SPTI	Dr.
Interest Receivable	INTERESTFL_SPTI	Cr.

## **VAMB: Value Dated Amendment Booking**

### **Accounting Entries**

Nil

### **Advices**

Advice Name	Description
-------------	-------------

Advice Name	Description
AMDADV	Amendment Advice
PAYMENT_MESSAGE	Payment Message

### **CAMD: Contract Amendment**

#### **Accounting Entries**

Nil

#### **Advices**

Advice Name	Description
AMDADV	Amendment Advice



## 17.5.2 Demand Loan

The preferences set for this product are as follows:

- The payment type for this product is of Bearing type
- The schedule type for this product is of Normal type
- Forward Dating is allowed for this product

### 17.5.2.1 NOTC: Billing Notice Generation

#### Accounting Entries

No Accounting Entries allowed for this Event.

#### Advices

Advice Name	Description
BILNOTC	Billing Notice

### 17.5.2.2 ROLL: Rollover of Contract

#### Accounting Entries

Nil

#### Advices

Advice Name	Description
PAYMENT_MESSAGE	Payment Message

BOOK: Booking of Contract

#### Accounting Entries

Accounting Role	Amount Tag	Dr./Cr. Indicator
CHGSINC	LIQD	Credit
CUSTOMER	LIQD	Debit

#### Advices

Advice Name	Description
PAYMENT_MESSAGE	Payment Message

### 17.5.2.3 LIQD: Liquidation

#### Accounting Entries

Accounting Role	Amount Tag	Dr./Cr. Indicator
CUSTOMER	INT_LIQD	Debit
INTREC	INT_LIQD	Credit
CUSTOMER	P_INT_LIQD	Debit
P_INTREC	P_INT_LIQD	Credit
CUSTOMER	P_PRN_LIQD	Debit
P_PRNREC	P_PRN_LIQD	Credit
CUSTOMER	PRINCIPAL_LIQD	Debit
ASSETGL	PRINCIPAL_LIQD	Credit

#### Advices

Advice Name	Description
PAYMENT_MESSAGE	Payment Message

### 17.5.2.4 INIT: Contract Initiation

#### Accounting Entries

Accounting Role	Amount Tag	Dr./Cr. Indicator
INTAQR	INT_ACQD	Credit
INTREC	INT_ACQD	Debit
CUSTOMER	PRINCIPAL	Credit
ASSETGL	PRINCIPAL	Debit

#### Advices

Advice Name	Description
PAYMENT_MESSAGE	Payment Message
CONT_ADV	Contract Advice

#### 17.5.2.5 ACCR: Accrual

##### Accounting Entries

Accounting Role	Amount Tag	Dr./Cr. Indicator
INTINC	INT_ACCR	Credit
INTREC	INT_ACCR	Debit
P_INTINC	P_INT_ACCR	Credit
P_INTREC	P_INT_ACCR	Debit
P_PRNINC	P_PRN_ACCR	Credit
P_PRNREC	P_PRN_ACCR	Debit

##### Advices

No Advices allowed for this Event.

#### 17.5.2.6 VAMB: Value Dated Amendment Booking

##### Accounting Entries

Nil

##### Advices

Nil

#### 17.5.2.7 VAMI: Value Dated Amendment Initiation

##### Accounting Entries

Nil

##### Advices

Nil

### 17.5.3 Commitment

The preferences set for this product are as follows:

- The payment type for this product is of discounted type
- The schedule type for this product is of Normal type
- Forward Dating is allowed for this product

### 17.5.3.1 **BOOK: Booking of Contract**

#### Accounting Entries

Accounting Role	Amount Tag	Dr./Cr. Indicator
CUSTOMER	CHARGES	Debit
CHARGEINC	CHARGES	Credit

#### Advices

Nil

### 17.5.3.2 **INIT: Contract Initiation**

#### Accounting Entries

Accounting Role	Amount Tag	Dr./Cr. Indicator
ASSETGL	PRINCIPAL_FWD	Debit
ASSETOFF	PRINCIPAL_FWD	Credit

#### Advices

Nil

### 17.5.3.3 **LINK: Linkage to Loan**

#### Accounting Entries

Accounting Role	Amount Tag	Dr./Cr. Indicator
ASSETGL	COMMUTIL_INCR	Credit
ASSETOFF	COMMUTIL_INCR	Debit

#### Advices

No Advices allowed for this Event.

### 17.5.3.4 **LIQD: Liquidation**

#### Accounting Entries

Accounting Role	Amount Tag	Dr./Cr. Indicator
ASSETGL	PRINCIPAL	Credit
ASSETOFF	PRINCIPAL	Debit

**Advices**

Nil

**17.5.3.5      VAMI: Value Dated Amendment Initiation****Accounting Entries**

Accounting Role	Amount Tag	Dr./Cr. Indicator
ASSETGL	PRINCIPAL_DECR	Credit
ASSETOFF	PRINCIPAL_DECR	Debit
ASSETGL	PRINCIPAL_INCR	Debit
ASSETOFF	PRINCIPAL_INCR	Credit

**Advices**

Nil

**17.5.3.6      DLNK: Release of linkage to Loan****Accounting Entries**

Accounting Role	Amount Tag	Dr./Cr. Indicator
ASSETGL	COMMUTIL_DECR	Debit
ASSETOFF	COMMUTIL_DECR	Credit

**Advices**

No Advices allowed for this Event.

**17.5.3.7      EXPY: Expiry of the commitment availability on the Last Availability Date**

The End of Day Batch Function marks the Expiry of the commitment availability on the Last Availability Date. The event "EXPY" is fired to mark the expiry of the commitment. The contingent accounting entries maintained for EXPY Event are as follows:

**Accounting Entries**

Accounting Role	Amount Tag	Dr./Cr. Indicator
CONASSETOFF	PRINCIPAL	Debit
CONASSETGL	PRINCIPAL	Credit

### 17.5.3.8 MRVL: Post Accounting Entries for Revaluation on Commitment

EOD batch posts reversal entries for past revaluation entry on commitment, if the market price is maintained for the CUSIP.

Accounting Role	Amount Tag	Dr./Cr. Indicator
UNREAL_MTM_OFF	UNRLZD-LOSS	Credit
UNREAL_MTM_EXP	UNRLZD-LOSS	Debit
UNREAL_MTM_OFF	UNRLZD-PRFT	Debit
UNREAL_MTM_INC	UNRLZD-PRFT	Credit

### 17.5.3.9 STCH: Status Change

You can maintain the following entries for change of status from 'Non-performing' to 'Performing' in order to reverse the memo interest and also to move the memo interest into real GLs.

#### **Accounting Entries**

Accounting Role	Amount Tag	Dr./Cr. Indicator
INTERESTMNC	INTEREST_ACCR	Debit
INTERESTMRC	INTEREST_ACCR	Credit
INTERESTREC	INTEREST_ACCR	Debit
INTERESTINC	INTEREST_ACCR	Credit

### 17.5.3.10 FELR: Fee Liquidation

If the Commitment Level Net Funded Carrying Value (CLNFCV) goes negative, refund will have to be triggered proportionally at the commitment contract to release each of the FAS91 amortization fee components, including Asset Transfer Marks and Deferred Interest Components, associated with the commitment. You need to set up the following entries for such unamortized refund:

Accounting Role	Amount Tag	Dr./Cr. Indicator
<Fee Component>FIA	<Fee Component>_FRFD	Debit
AMORTFEE-PNL	<Fee Component>_FRFD	Credit

If the value of backend parameter 'ALLOW\_REPERFORMING\_LOAN\_FUNC' is set to 'Y', amortization fee liquidation will be done on deferred fee interest component for the memo interest amount that is moved to Real GL. The effective date for this movement will be as of the status change date.

The following entries need to be set up for liquidating deferred interest fees:

Accounting Role	Amount Tag	Dr./Cr. Indicator
<Deferred Interest Component>INC	<Deferred Interest Component> _LIQD	Debit
<Deferred Interest Component>FIA	<Deferred Interest Component> _LIQD	Credit

Note that the Accounting Head for Accounting Role <Deferred Int\_component>INC should be the same as Income GL mapped to the Accounting Role 'INTERESTINC\_GL' so that the GL balance will be zero after processing memo interest transfer. Alternately, a Wash GL can be mapped to the accounting role '<Deferred Int\_component> INC' in which case the balance in this GL will mirror the balance in the interest Income GL.

The following entries need to be set up for manual liquidation and refund for amortization fees:

#### Liquidation

Accounting Role	Amount Tag	Dr./Cr. Indicator
Customer	<Fee Component>_LIQD	Debit
<Fee Component>FIA	<Fee Component>_LIQD	Credit

#### Refund

Accounting Role	Amount Tag	Dr./Cr. Indicator
<Fee Component>FIA	<Fee Component>_DECR	Debit
Customer	<Fee Component>_DECR	Credit

The following entries need to be set up for systematic liquidation and refund for amortization fees:

#### Liquidation

Accounting Role	Amount Tag	Dr./Cr. Indicator
<Fee Component>FLR	<Fee Component>_FRLQ	Debit
<Fee Component>FIA	<Fee Component>_FRLQ	Credit

#### Refund

Accounting Role	Amount Tag	Dr./Cr. Indicator
<Fee Component>FIA	<Fee Component>_FRRF	Debit
<Fee Component>FLR	<Fee Component>_FRRF	Credit



### 17.5.3.11 FRSV: Unfunded and Funded FAS114 Reserve Increase/ Decrease

The following accounting entries need to be maintained for release of FAS114 Reserve Funded balance when the commitment status changes from 'Non-performing' to 'Performing':

Accounting Role	Amount Tag	Dr./Cr. Indicator
FASFNDEDRSV	FUND_FASDEC	Debit
FASFUNDEDREL	FUND_FASDEC	Credit

The following accounting entries need to be maintained for release of FAS114 Reserve Unfunded balance when the commitment status changes from 'Non-performing' to 'Performing':

Accounting Role	Amount Tag	Dr./Cr. Indicator
FASUNFNDEDRSV	UNFUND_FASDEC	Debit
FASUNFUNDRLS	UNFUND_FASDEC	Credit

Note that these accounting entries will be posted only if 'Cost of Credit' box is checked for the loan.

### 17.5.4 Late Payment Charges

The following accounting entries need to be maintained for 'LIQD' and 'SPWV' events at loan product level to process late payment charges.

#### 17.5.4.1 LIQD: Liquidation

Accounting Role	Amount Tag	Dr./Cr. Indicator
CUSTOMER	<Special Penalty Component>_LIQD	Debit
<Special Penalty Component>INC	<Special Penalty Component>_LIQD	Credit

#### 17.5.4.2 SPWV: Special Penalty Waiver

Accounting Role	Amount Tag	Dr./Cr. Indicator
ADJMNT_GL	<Special Penalty Component>_WAIV	Debit
ADJMNT_GL_OFF	<Special Penalty Component>_WAIV	Credit

#### 17.5.4.3 PRLQ: Partial Liquidation

Accounting Role	Amount Tag	Dr./Cr. Indicator
CUSTOMER	<Special Penalty Component>_PAY	Credit
<Special Penalty Component>PAY	<Special Penalty Component>_PAY	Debit
CUSTOMER	<Special Penalty Component>_REC	Debit
<Special Penalty Component>REC	<Special Penalty Component>_REC	Credit

#### 17.5.4.4 RSPW: Reversal of Special Penalty Waiver

Accounting entries for RSPW event will be derived by the system from the entries defined for SPWV.

Accounting Role	Amount Tag	Dr./Cr. Indicator
ADMNT_GL	<Special Penalty Component>_WAIV	Credit
ADMNT_GL_OFF	<Special Penalty Component>_WAIV	Debit

### 17.6 Accounting Entries for Contract Adjustment

Contract Ref No	Account	Amount Tag	EVENT	DrCr	FCY Amt	LCY Amt
CIPLBN105118F3V4	160100501	PRINCIPAL_ADJ	CADJ	Cr		2,000,000.00
CIPLBN105118F3V4	330850401	PRINCIPAL_ADJ	CADJ	Dr		2,000,000.00
CIPLBN105118F3V4	0701000511	CONTRA-INT-ADJ	CADJ	Cr		1,000,000.00
Contract Ref No	Account	Amount Tag	EVENT	DrCr	FCY Amt	LCY Amt
CIPLBN105118F3V4	0702000921	CONTRA-INT-ADJ	CADJ	Dr		1,000,000.00



Note the following:

- The contract Adjustment entries are authorized when the Adjustment Activity is authorized.
- The Adjustment entry process flow is similar to journal entry process with respect to the GL updates and the handoff to the down stream systems

- The adjustment entries are always passed in the contract currency
- Payment messages are not applicable for the adjustment entries
- The Adjustment entry account balance is stored in Value dated and Monthly turnover table.

## 17.7 Payable Receivable Liquidation

PRLQ: - Liquidation of the Payables/Receivables

RVPR: - Reversal of the Payable/Receivable Payment

Accounting Role	Account	Dr/Cr Indicator
Expense	COMPONENT_PAY	Dr
Customer	COMPONENT_PAY	Cr
Asset	PRINCIPAL_PAY	Dr
Customer	PRINCIPAL_PAY	Cr
Customer	COMPONENT_REC	Dr
Accounting Role	Account	Dr/Cr Indicator
Income	COMP_REC	Cr
Customer	PRINCIPAL_REC	Dr
Asset	PRINCIPAL_REC	Cr

## 17.8 Accounting for Discounted Loans

In this section, we shall discuss the manner in which you can define attributes and pass accounting entries specific to a Discounted Loan product.

A discounted loan is one for which the interest is collected upfront.

### Example

On Jan 01, 2002, you lend USD 100 to customer ABC for a tenor of 1 year at a rate of interest of 10% per year. On Dec 31, 2002, he would pay you back USD 110 – repayment of principal amount of USD 100 and payment of interest of USD 10.

Instead, in a Discounted Loan, you collect the interest of USD 10 upfront.

Therefore, you book a loan of USD 100 while disbursing USD 100 – USD 10 = USD 90.

For each event (INIT, ACCR, LIQD), the Product Event Accounting Entries Maintenance Screen allows you to select the Accounting Roles, the corresponding Amount Tags and the Debit/Credit Indicator.

## Event INIT

For the above example, the following accounting entries will be passed on INIT:

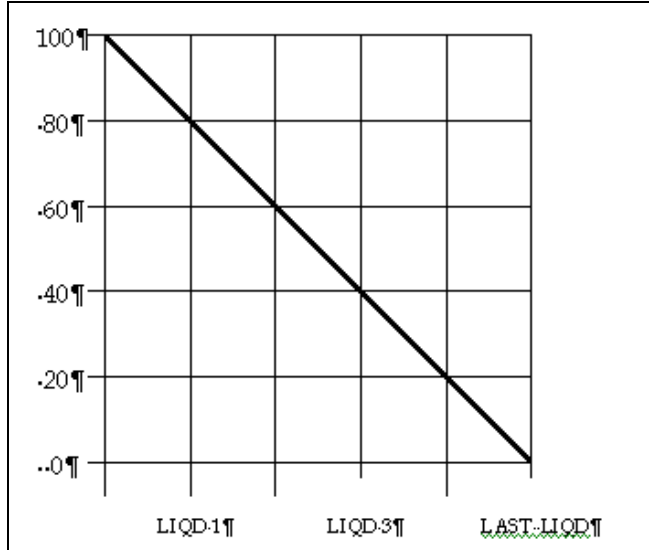
Accounting Role	Amount Tag	Dr/Cr Indicator	Amount
ASSETGL	PRINCIPAL	Dr	100.00
CUSTOMER	PRINCIPAL	Cr	100.00
LDDL-INTRIA	LDDL-INT_LIQD	Cr	10.00
CUSTOMER	LDDL-INT_LIQD	Dr	10.00

## Event: ACCR

Accrued interest is pro-rated over the life of the loan. Accrual entries passed are as follows:

Accounting Role	Amount Tag	Dr/Cr Indicator
LDDL-INTREC	LDDL-INT_ACCR	Dr
LDDL-INTINC	LDDL-INT_ACCR	Cr

## Event: LIQD



For the above example, let us assume that the principal amount of USD 100 is liquidated in equal installments as shown in the graph above, i.e., USD 20 is liquidated in each of five tranches. Entries for liquidation of accrued interest are passed along with the installment liquidation entries.



During each liquidation, the entire interest accrued till that date will be liquidated, irrespective of the whether the customer is repaying the full installment or not.

For the above example, the entries passed during each of the five liquidations are:

Accounting Role	Amount Tag	Dr/Cr Indicator	Amount
ASSETGL	PRINCIPAL_LIQD	Cr	20.00
CUSTOMER	PRINCIPAL_LIQD	Dr	20.00
LDDL-INTRIA	LDDL-INT_LIQD	Dr	2.00
LDDL-INTREC	LDDL-INT_LIQD	Cr	2.00

## 17.9 Accounting Entries for Non-Performing Loans

The following entries are applicable when interest payment is done for non-performing loans:

### **LIQD: Interest Payment**

Account	Amount	Dr/Cr Indicator
CUSTOMER	INTEREST	Dr
RECEIVABLE	INTEREST	Cr

### **ACCR: Memo To Real Movement**

Account	Amount	Dr/Cr Indicator
MEMO INCOME	INTEREST	Dr
MEMO RECEIVABLE	INTEREST	Cr
RECEIVABLE	INTEREST	DR
INCOME	INTEREST	CR

### **CICR: Contra Increase**

Account	Amount	Dr/Cr Indicator
INCOME	INTEREST	Dr
CONTRA	INTEREST	Cr

The following entries are passed when interest payment for non-performing loans is reversed:

**REVP: Interest Payment Reversal**

Account	Amount	Dr/Cr Indicator
RECEIVABLE	INTEREST	Dr
CUSTOMER	INTEREST	Cr

**ACCR: Memo To Real Movement**

Account	Amount	Dr/Cr Indicator
MEMO RECEIVABLE	INTEREST	Dr
MEMO INCOME	INTEREST	Cr
INCOME	INTEREST	DR
RECEIVABLE	INTEREST	CR

**CICR: Contra Increase**

Account	Amount	Dr/Cr Indicator
CONTRA	INTEREST	Dr
INCOME	INTEREST	Cr

The following are the entries for interest payment for non-performing loans which are partially or fully reserved:

**LIQD: Interest Payment**

Account	Amount	Dr/Cr Indicator
CUSTOMER	INTEREST	Dr
RECEIVABLE	INTEREST	Cr

**ACCR: Memo To Real Movement**

Account	Amount	Dr/Cr Indicator
MEMO INCOME	INTEREST	Dr
MEMO RECEIVABLE	INTEREST	Cr
RECEIVABLE	INTEREST	DR
INCOME	INTEREST	CR

**CICR: Contra Increase**

Account	Amount	Dr/Cr Indicator
INCOME	INTEREST	Dr
CONTRA	INTEREST	Cr

**FRSV: FAS114 Reserve Decrease**

Account	Amount	Dr/Cr Indicator
FAS114 FUNDED RESERVE	Least of (Reserve Decrease Amt, Existing FAS 114 Reserve)	Dr
FAS114 FUNDED RELEASE	Least of (Reserve Decrease Amt, Existing FAS 114 Reserve)	Cr

**RESR: Reserve Decrease**

Account	Amount	Dr/Cr Indicator
RESERVE	Least of (Residual of Reserve Decrease Amt after FRSV, Existing Reserve)	Dr
RECOVERY	Least of (Residual of Reserve Decrease Amt after FRSV, Existing Reserve)	Cr

## **17.10 Accounting Entries for Manual Contra for Reserved and Non-reserved Loans**

The following entry is posted when a manual contra increase is performed for an Non-reserved Loan:

**CICR: Contra Increase**

Account	Amount	Dr/Cr Indicator
CUSTOMER	INTEREST	Dr
CONTRA	INTEREST	Cr



The following entries are posted when a manual contra increase is performed for a reserved Loan:

**CICR: Contra Increase**

Account	Amount	Dr/Cr Indicator
CUSTOMER	INTEREST	Dr
CONTRA	INTEREST	Cr

**FRSV: FAS114 Reserve Decrease**

Account	Amount	Dr/Cr Indicator
FAS114 FUNDED RESERVE	Least of (Reserve Decrease Amt, Existing FAS 114 Reserve)	Dr
FAS114 FUNDED RELEASE	Least of (Reserve Decrease Amt, Existing FAS 114 Reserve)	Cr

**RESR: Reserve Decrease**

Account	Amount	Dr/Cr Indicator
RESERVE	Least of (Residual of Reserve Decrease Amt after FRSV, Existing Reserve)	Dr
RECOVERY	Least of (Residual of Reserve Decrease Amt after FRSV, Existing Reserve)	Cr

## **17.11 Accounting Entries for Cost of Credit Valuation**

The following entries are posted for cost of credit valuation:

**FELR: Fee Liquidation**

The entries posted for fee liquidation are listed below:

Accounting Role	Amount Tag	Dr/Cr Indicator
COMPONENT_FIA	COMPONENT_DECR	D
MARKWOFFSET	COMPONENT_DECR	C
CUSTOMER	COMPONENT_LIQD	D

Accounting Role	Amount Tag	Dr/Cr Indicator
COMPONENT_FIA	COMPONENT_LIQD	C
COMPONENT_FIA	COMPONENT_DECR	D
CUSTOMER	COMPONENT_DECR	C
COMPONENT_FIA	COMPONENT_LIQD	C
CUSTOMER	COMPONENT_LIQD	D

#### **FACR: Fee Accrual**

The entries for fee accrual are listed below:

Accounting Role	Amount Tag	Dr/Cr Indicator
COMPONENT_FIN	COMPONENT_ACCR	C
COMPONENT_FIA	COMPONENT_ACCR	D

#### **FRSV: Unfunded and Funded FAS114 Reserve Increase/ Decrease**

The entries for unfunded FAS114 reserve decrease are listed below:

Accounting Role	Amount Tag	Dr/Cr Indicator
FASUNFNDEDRSV	UNFUND_FASDEC	Dr
FASUNFUNDRLS	UNFUND_FASDEC	Cr

The entries for unfunded FAS114 reserve increase are listed below:

Accounting Role	Amount Tag	Dr/Cr Indicator
FASUNFUNDBLD	UNFUND_FASINC	Dr
FASUNFNDEDRSV	UNFUND_FASINC	Cr

The entries for funded FAS114 reserve increase are listed below:

Accounting Role	Amount Tag	Dr/Cr Indicator
FASFUNDEDBUILD	FUND_FASINC	D
FASFNDEDRSV	FUND_FASINC	C

The entries for funded FAS114 reserve decrease are listed below:

Accounting Role	Amount Tag	Dr/Cr Indicator
FASFNDEDRSV	FUND_FASDEC	D
FASFUNDEDREL	FUND_FASDEC	C

#### TRCL: Trade Reclassification

The entries posted for trade reclassification are listed below:

Accounting Role	Amount Tag	Dr/Cr Indicator
CONASSETGL	PRINC_HFS_DECR	D
CONASSETGLHFS	PRINC_HFS_DECR	C
CONASSETGLHFS	PRINC_HFS_INCR	D
CONASSETGL	PRINC_HFS_INCR	C
ASSETGL	PRINC_HFS_DECR	D
ASSETGLHFS	PRINC_HFS_DECR	C
ASSETGLHFS	PRINC_HFS_INCR	D
ASSETGL	PRINC_HFS_INCR	C

#### CREB: Contra Rebalance

The entries posted for contra rebalancing are listed below:

Accounting Role	Amount Tag	Dr/Cr Indicator
CONTRAGL	LD-FX-INT_CDCR	D
WASHACC	LD-FX-INT_CDCR	C
WASHACC	LD-FX-INT_CICR	D
CONTRAGL	LD-FX-INT_CICR	C

#### FREB: FAS114 Rebalance

The entries posted for FAS114 rebalancing are listed below:

Accounting Role	Amount Tag	Dr/Cr Indicator
FASFNDEDRSV	FUND_FASDEC	D

Accounting Role	Amount Tag	Dr/Cr Indicator
WASHACC	FUND_FASDEC	C
WASHACC	FUND_FASINC	D
FASFNEDRSV	FUND_FASINC	C

#### **WREB: Write-off Rebalance**

The entries posted for write-off rebalancing are listed below:

Accounting Role	Amount Tag	Dr/Cr Indicator
RESERVEGL	PRINCIPAL_RDEC	D
WASHACC	PRINCIPAL_RDEC	C
WASHACC	PRINCIPAL_RINC	D
RESERVEGL	PRINCIPAL_RINC	C

#### **RESR: Reserve Decrease**

The entries posted for reserve decrease are listed below:

Accounting Role	Amount Tag	Dr/Cr Indicator
RESERVEGL	PRINCIPAL_RDEC	D
URECOVERY_GL	PRINCIPAL_RDEC	C
WRITEOFFEXP	PRINCIPAL_RINC	D
RESERVEGL	PRINCIPAL_RINC	C

#### **CDCR: Contra Decrease**

The entries posted for contra decrease are listed below:

Accounting Role	Amount Tag	Dr/Cr Indicator
CONTRAGL	COMPONENT_CDCR	D
CUSTOMER	COMPONENT_CDCR	C

#### **CICR: Contra Increase**

The entries posted for contra increase are listed below:

Accounting Role	Amount Tag	Dr/Cr Indicator
COMPONENTINC	COMPONENT_CICR	D

Accounting Role	Amount Tag	Dr/Cr Indicator
CONTRAGL	COMPONENT_CICR	C
CUSTOMER	COMPONENT_MCICR	D
CONTRAGL	COMPONENT_MCICR	C

## 17.12 Accounting Entries for LC Sublimit Re-classification

The possible accounting entries for the event TRCL are given below:

Event	Amount Tag	Accounting Role	Dr/Cr
TRCL	LCLMT_HFS_INCR	LCSUBLIMITHFS	Dr
TRCL	LCLMT_HFS_INCR	LCSUBLIMIT	Cr
TRCL	LCLMT_HFS_DECR	LCSUBLIMIT	Dr
TRCL	LCLMT_HFS_DECR	LCSUBLIMITHFS	Cr

## 17.13 Error Codes

### 17.13.1 Amortized Exchange Details

The following error codes are available for exchange details:

Error_Code	Description
CF-NRTE01	Amort Exch Rate cannot be less than equal to Zero

### 17.13.2 Effective Date of Exchange Rate Amendment

The following error codes are available for effective date:

Error Code	Message	Type
LD-EXAMD102	Effective date cannot be earlier than the last commitment fee liquidation date	E
LD-EXAMD101	Effective date cannot be earlier or equal to VAMI date. + code change	E

### 17.13.3 Adjustment Reversal Details

The following error codes are available for adjustment reversal details:

Error_Code	Description
LD-ADJ-022	Invalid Debit GL Account.
LD-ADJ-023	Invalid Credit GL Account.
LD-ADJ-026	Accounting entries not found for the Debit account type
LD-ADJ-025	Accounting entries not found for the Credit account type
LD-ADJ-027	Adjustments Reversal Processing Failed
LD-ADJ-028	Value Date cannot be less than today for Operation Adjustments
LD-ADJ-029	Auto reversal is not allowed for Operation Adjustments

### 17.13.4 Cost of Credit Valuation

The following error codes are available for the cost of credit valuation process:

Error_Code	Description
LD-COC-01	COC Revaluation failed
LD-COC-02	Failed in COC balances population
LD-COC-03	Failed in commitment COC population
LD-COC-04	Failed in commitment COC balances population
LD-COC-05	Failed in loan balances population for a commitment
LD-COC-06	Failed in populating loan balance
LD-COC-07	Error in loan COC balance population
LD-COC-08	Error in updating commitment COC balance
LD-COC-09	Error in updating loan COC balance
LD-COC-10	Net carry value for a loan cannot be negative
LD-COC-11	Failed in updating loan COC rebalance values

Error_Code	Description
LD-COC-12	Failed in Transfer Asset Marks processing
LD-COC-13	Failed in populating Transfer Asset Marks
LD-COC-14	Failed in FAS114/ Write-off processing
LD-COC-15	Failed in populating FAS114/ Write-off amounts
LD-COC-16	Failed in Recovery processing
LD-COC-17	Failed in Rebalance processing
LD-COC-18	Failed in Cost of Credit Validation
LD-COC-19	Error in populating Cost of Credit details
LD-COC-20	Error in setting Cost of Credit valuation required flag
LD-COC-21	Failed in Cost of Credit valuation status update
LD-COC-22	Cannot set Cost of Credit Valuation, as Product is not checked for Cost Of Credit Valuation
LD-COC-23	Failed in computing FAS114 Reserve Release values
LD-COC-24	Failed in CoC balances archiving
LD-COC-26	FAS91 Fee Refund / Liquidation population failed
LD-COC-27	FAS91 Fee Refund / Liquidation process failed
LD-COC-28	At least one event should be chosen for reversal
LD-COC-29	Only one event at a time can be reversed
LD-COC-30	Failed in Deferred interest component processing on commitments
LD-COC-31	Failed in Negative carrying value processing on commitments
LD-COC-33	Failed in Amort fee accrual restart
LD-COC-39	Contra/Writeoff/Fas114 Reserve balance will be in negative after reversal. Do you want to continue?
LD-COC-34	COC Valuation required flag will be defaulted from product as contract is in Non-Performing Status. Do you want to proceed?
LD-COC-40	COC balance is negative after rebalancing

Error_Code	Description
CF-AC005	Only one component is allowed to check as Deferred interest component

### 17.13.5 LC Sublimit Balance (HFI) Update

The following error codes are available for LC Sublimit Balance (HFI) Update:

Error_Code	Description
LD-STP-LC06	LC Sublimit HFI Balance Update failed

### 17.13.6 Late Payment Charges

The following error codes are available for late payment charges:

Error_Code	Description	Error Type
LD-CON-310	Grace days for the Loan is defaulted from the commitment contract	O
LD-CON-311	Grace period is defaulted from loan product	O
LD-VAM-61	For special rate type Amount/Rate change should be current dated	E
CS-WVR-001	Penalty Waiver Details need to be captured	E
CS-WVR-002	Amendment is not allowed on the Reversed Transactions	E
CS-WVR-003	Transaction did not happen from here, amend it from appropriate screen	E
CS-WVR-004	Transactions can be saved only with waive flag checked	E
CS-WVR-005	Prior schedules are unpaid for this component. Please pay/waive all such schedules before proceeding	E
CF-CL0021	For the given amount category, Accrual Required flag should be set to N	E
CS-WVR-006	Reversal of Waiver not allowed as nothing is due on the given due date	E
CS-WVR-007	Reversal not allowed, Latest due date should be reversed first.	E



CS-WVR-008	Later schedules are waived for this component. Please reverse waiver for all such schedules before proceeding	E
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### 17.13.7 All-In Rate Floor/Ceiling for Loans

Error Code	Description	Error Type
LD-FLR-001	Rate for \$1 component is lesser than the Floor defined at Commitment Level. Do you want to override?	O
LD-FLR-002	Rate for \$1 component is greater than the Ceiling defined at Commitment Level. Do you want to override?	O
LD-FLR-003	Failed in getting the floor and ceiling rate	E
LD-FLR-004	Rate for \$1 component is lesser than the Floor defined at Commitment Level. Do you want to Continue?	O
LD-FLR-005	Rate for \$1 component is greater than the Ceiling defined at Commitment Level. Do you want to Continue?	O
LD-FLR-006	Maintenance was not done from here, so authorize it from appropriate screen.	E
LD-FLR-007	Maintenance was not done from here, so delete it from appropriate screen	E

### 17.13.8 Pool Funds

The following error codes are available for Pool Funds:

Error Code	Description
LD-POOL-01	Pool Amount cannot be Blank or zero or negative
LD-POOL-02	Cannot Copy Unauthorized Record
LD-POOL-05	Pool funding ref no cannot be null.
LD-POOL-06	Master funding ref no cannot be null.
LD-POOL-07	Contract Amount is not maintained.
LD-POOL-08	Contract currency is not maintained
LD-POOL-09	Unable to compute available amount for the pool \$1.
LD-POOL-10	Insufficient balance in the Pool \$1, booking not allowed.
LD-POOL-11	Failed in validating funding pool details.
LD-POOL-12	Pool \$1 is either unauthorized or locked by another process. Cannot proceed.

Error Code	Description
LD-POOL-16	Loan and Commitment currency should be same for Commitments linked to a Pool.
LD-POOL-17	This Commitment is linked to loans in a different currency; hence Pool cannot be attached.

### 17.13.9 Chinese Characters in Payment

The following error code is available for Chinese Characters in payment:

Error Code	Description
LD-BR103	Do you want to disable Chinese characters in Payment ?

### 17.13.10 UCC Processing

The following error codes are available for UCC processing of disclosure codes and contract disclosure schedule:

Error Code	Description
LS-DSC-017	Expiry Date cannot be less than Application Date
LS-DSC-018	Expiry Date is Mandatory if UCC code is selected
LS-DSC-019	Expiry Date will be propagated to UCC linked contracts upon authorization, do you wish to continue?
LS-DSC-022	Contract Disclosure schedule for \$1 is being amended by another user; expiry date will not be propagated
LS-DSC-028	Expiry Date will not be propagated to contracts, do you wish to continue?
LS-DSC-031	Multiple schedules are not allowed for UCC disclosure codes
LS-DSC-032	End date cannot be lesser than Start date
LS-DSC-033	Cannot delete the schedule for UCC disclosure codes

### 17.13.11 Marking Contracts as Liquidated

The following error codes are available for marking the status of a loan or commitment contract from 'Active' to 'Liquidated'.

Err Code	Error Message
LD-PMT304	Active Loans exist for the commitment. Liquidation not allowed.

Err Code	Error Message
LD-PMT306	Contract will be liquidated. Proceed?
LD-PMT307	Maturity date is greater than application date. Liquidation not allowed.
LD-PMT308	Validation for marking the liquidation is failed.
LD-PMT309	Principal Outstanding/amount due balance still exists. Liquidation not allowed.
LD-PMT310	Active STP contract exists. Liquidation not allowed.
LD-PMT311	The escrow balances linked to this contract is not zero. Liquidation not allowed.
LD-PMT313	Pending STP contract yet to be processed. Liquidation not Allowed

### 17.13.12 Clearing Line Validation

The following error codes are available for clearing line and credit line validation on Tranche and Drawdown contracts.

Err Code	Error Message
LD-C0802	Approved Clearing Line is Not Specified.
LD-C0812	Origination self participant \$1 of the tranche is not linked to credit line.
LD-C0813	Self Participant \$1's amount \$2 is more than credit limit amount \$3.
LD-C0814	Clearing line limit check for tranche is failing .Tranche non HFI amount \$1 is more than limit amount \$2
LD-C0815	Tranche is linked to an unavailable clearing line.
LD-C0816	Origination self participant \$1 is linked to an unavailable credit line.
LD-C0817	The Credit line GFRN value cannot change to clearing line GFRN.
LD-C0818	The Clearing line GFRN value cannot change to credit line GFRN.

### 17.13.13 Participant Margin Maintenance

The following error codes are available for participant level margin maintenance on Tranche and Drawdown contracts.

Err Code	Error Message
LN-PMAR-001	Lender margin maintenance is not allowed as this functionality is not enabled at Loan parameter maintenance level

Err Code	Error Message
LN-PMAR-002	Margin maintenance for lenders is not applicable for LOR type of contracts
LN-PMAR-003	NPVAMI is already performed on \$1 hence participant margin can not be changed
LN-PMAR-005	Lender margin can be maintained only for main interest margin components
LN-PMAR-006	Floor/Ceiling is already maintained. Do you want to override it?
LN-PMAR-007	Total margin rate of all the participants is not same with borrower margin rate
LN-PMAR-010	Participant margin is not allowed on the tranche \$1 having non prorata payment captured on underlying drawdowns
LN-PMAR-011	Lender margin can not be maintained for non-cascade participation types of tranche
LN-PMAR-016	Please visit the participant margin screen to correct the margin there
LN-PMAR-015	Participant margin maintained for effective date \$1 will also be cleared. Do you want to proceed.

### 17.13.14 CUSIP Reclass

The following error codes are available for CUSIP reclass.

Error Code	Error Description
LD-RCLS-001	Batch No/No of job for CUSIP no reclass is not available could not proceed with reclass processing
LD-RCLS-002	Cusip No Reclass has happened for this contract. Do you want to proceed?.
LD-RCLS-003	CUSIP Reclass reprocessed successfully
LD-PMT317	Marking the tranche as Inactive is failed

## 17.14 Examples of Calculating TEAC

### 17.14.1 Example I – Simple Bearing loan

The Loan details are as follows:

- Loan Amount – 10,000

- Tenor 12 Months
- Nominal Rate – 12.0%
- Start Date – 1<sup>st</sup> Jan 2002
- End Date – 1<sup>st</sup> Jan 2003
- Loan Type – Bearing
- Number of Periods– 12
- Unit Period – Monthly
- Sub-period 30 days
- TEAC = 11.8372461257062%

Date (Outflow)	Period	Outflow Amount	Sub Periods Fraction	Discounted Outflow	Date (Receipts)	Periods	Total Pay	Sub Period Fraction	Discounted Value of Receipts
1/1/2002	0	10000	0.0000	10000	1/1/2002	0		0.0000	0.00
2/1/2002	1.00		0.0333		2/1/2002	1.00	100	0.0333	98.99
3/1/2002	1.00		0.9667		3/1/2002	1.00	100	0.9667	98.09
4/1/2002	3.00		0.0000		4/1/2002	3.00	100	0.0000	97.10
5/1/2002	4.00		0.0000		5/1/2002	4.00	100	0.0000	96.15
6/1/2002	5.00		0.0333		6/1/2002	5.00	100	0.0333	95.18
7/1/2002	6.00		0.0333		7/1/2002	6.00	100	0.0333	94.25
8/1/2002	7.00		0.0667		8/1/2002	7.00	100	0.0667	93.30
9/1/2002	8.00		0.1000		9/1/2002	8.00	100	0.1000	92.36
10/1/2002	9.00		0.1000		10/1/2002	9.00	100	0.1000	91.45
11/1/2002	10.00		0.1333		11/1/2002	10.00	100	0.1333	90.53
12/1/2002	11.00		0.1333		12/1/2002	11.00	100	0.1333	89.65

Date (Outflow)	Period	Outflow Amount	Sub Periods Fraction	Discounted Outflow	Date (Receipts)	Periods	Total Pay	Sub Period Fraction	Discounted Value of Receipts
02	0								
1/1/2003	12.00		0.1667		1/1/2003	12.00	10100	0.1667	8,962.96

### 17.14.2 Example II – True Discounted Loan

The Loan details are as follows:

- Loan Amount – 10,000
- Tenor 12 Months
- Start Date – 1<sup>st</sup> Jan 2002
- End Date – 1<sup>st</sup> Jan 2003
- Nominal Rate – 12.0%
- Number of Periods– 1
- Sub-period - 360 days
- TEAC = 10.55227%

Date (Outflow)	Period	Outflow Amount	Sub Periods Fraction	Discounted Outflow	Date (Receipts)	Periods	Total Pay	Sub Period Fraction	Discounted Value of Receipts
1/1/2002	0	10000	0.0000	10000	1/1/2002	0	\$0.00	0.0000	0.00
2/1/2002	0.00		0.0861		2/1/2002	0.00	0	0.0861	0.00
3/1/2002	0.00		0.1639		3/1/2002	0.00	0	0.1639	0.00
4/1/2002	0.00		0.2500		4/1/2002	0.00	0	0.2500	0.00
5/1/2002	0.00		0.3333		5/1/2002	0.00	0	0.3333	0.00
6/1/2002	0.00		0.4194		6/1/2002	0.00	0	0.4194	0.00
7/1/2002	0.00		0.5028		7/1/2002	0.00	0	0.5028	0.00

Date (Outflow)	Period	Outflow Amount	Sub Periods Fraction	Discounted Outflow	Date (Receipts)	Periods	Total Pay	Sub Period Fraction	Discounted Value of Receipts
8/1/2002	0.00		0.5889		8/1/2002	0.00	0	0.5889	0.00
9/1/2002	0.00		0.6750		9/1/2002	0.00	0	0.6750	0.00
10/1/2002	0.00		0.7583		10/1/2002	0.00	0	0.7583	0.00
11/1/2002	0.00		0.8444		11/1/2002	0.00	0	0.8444	0.00
12/1/2002	0.00		0.9278		12/1/2002	0.00	0	0.9278	0.00
1/1/2003	1.00		0.0139		1/1/2003	1.00	11071.43	0.0139	10,000.00

### 17.14.3 Example III – Bearing Loan (Irregular Interest periodicity)

The Loan details are as follows:

- Loan Amount – 10,000
- Tenor 12 Months
- Start Date – 1<sup>st</sup> Jan 2002
- End Date – 1<sup>st</sup> Jan 2003
- Nominal Rate – 12.0%
- Loan Type – Bearing (Irregular Interest periods).
- Number of Periods – 15
- Sub-period 24 days
- TEAC = 11.82894%

Date (Outflow)	Period	Outflow Amount	Sub Periods Fraction	Discounted Outflow	Date (Receipts)	Periods	Total Pay	Sub Period Fraction	Discounted Value of Receipts
1/1/2002	0	10000	0.0000	10000	1/1/2002	0	\$0.00	0.0000	0.00
2/1/2002	1.00		0.2917		2/1/2002	1.00	100	0.2917	98.99



Date (Outflow)	Period	Outflow Amount	Sub Periods Fraction	Discounted Outflow	Date (Receipts)	Periods	Total Pay	Sub Period Fraction	Discounted Value of Receipts
3/1/2002	2.00		0.4583		3/1/2002	2.00	100	0.4583	98.09
4/1/2002	3.00		0.7500		4/1/2002	3.00	100	0.7500	97.10
5/1/2002	5.00		0.0000		5/1/2002	5.00	100	0.0000	96.15
6/1/2002	6.00		0.2917		6/1/2002	6.00	100	0.2917	95.18
7/1/2002	7.00		0.5417		7/1/2002	7.00	100	0.5417	94.25
8/1/2002	8.00		0.8333		8/1/2002	8.00	100	0.8333	93.30
9/1/2002	10.00		0.1250		9/1/2002	10.00	100	0.1250	92.35
10/1/2002	11.00		0.3750		10/1/2002	11.00	100	0.3750	91.45
11/1/2002	12.00		0.6667		11/1/2002	12.00	100	0.6667	90.53
12/1/2002	13.00		0.9167		12/1/2002	13.00	100	0.9167	89.64
12/5/2002	14		.0833		12/5/2002	14.00	13.33	0.0833	11.93
12/12/2002	14		.3750		12/12/2002	14.00	23.33	0.3750	20.84
12/27/2002	14		.0000		12/27/2002	15.00	50	0.0000	44.44
1/1/2003	15.00		0.2083		1/1/2003	15.00	10013.33	0.2083	8,885.76

#### 17.14.3.1 Example IV – Bearing loan (with Rate Changes)

The Loan details are as follows:

- Loan Amount – 10,000
- Tenor 12 Months
- Nominal Rate – 12.0%
- Rate Change – 18% (on 1<sup>st</sup> March 2002)
- Loan Type – Bearing
- Number of Periods – 12

- Sub Period – 30 days
- TEAC - 16.7001012606821%

Date (Outflow)	Period	Outflow Amount	Sub Periods Fraction	Discounted Outflow	Date (Receipts)	Periods	Total Pay	Sub Period Fraction	Discounted Value of Receipts
1/1/2002	0	10000	0.0000	10000	1/1/2002	0	\$0.00	0.0000	0.00
2/1/2002	1.00		0.0333		2/1/2002	1.00	100	0.0333	98.58
3/1/2002	1.00		0.9667		3/1/2002	1.00	100	0.9667	97.32
4/1/2002	3.00		0.0000		4/1/2002	3.00	150	0.0000	143.91
5/1/2002	4.00		0.0000		5/1/2002	4.00	150	0.0000	141.93
6/1/2002	5.00		0.0333		6/1/2002	5.00	150	0.0333	139.92
7/1/2002	6.00		0.0333		7/1/2002	6.00	150	0.0333	138.00
8/1/2002	7.00		0.0667		8/1/2002	7.00	150	0.0667	136.04
9/1/2002	8.00		0.1000		9/1/2002	8.00	150	0.1000	134.11
10/1/2002	9.00		0.1000		10/1/2002	9.00	150	0.1000	132.27
11/1/2002	10.00		0.1333		11/1/2002	10.00	150	0.1333	130.40
12/1/2002	11.00		0.1333		12/1/2002	11.00	150	0.1333	128.61
1/1/2003	12.00		0.1667		1/1/2003	12.00	10150	0.1667	8,578.91

#### 17.14.4 Example V – Premature Liquidation

The Loan details are as follows:

- Loan Amount – USD 10000
- Tenor - 12 Months
- Start Date – 1<sup>st</sup> Jan 2002
- End Date – 1<sup>st</sup> Jan 2002
- Prepayment Date – 1<sup>st</sup> March 2002
- Nominal Rate – 12.0%

- Number of Periods in a Year – 12
- Sub-period - 30 days
- TEAC = 12.2003939724179%

Date (Outflow)	Period	Outflow Amount	Sub Periods Fraction	VP Outflow	Date (Receipts)	Periods	Total Pay	Sub Period Fraction	Discounted Value of Receipts
1/1/2002	0	10000	0.0000	10000	1/1/2002	0	\$0.00	0.0000	0.00
1/31/2002	1.00		0.0333		1/31/2002	1.00	96.67	0.0000	95.70
3/1/2002	1.00		0.9667		3/1/2002	1.00	10103.33	0.9667	9,904.30
4/1/2002	3.00		0.0000		4/1/2002	3.00	0	0.0000	0.00
5/1/2002	4.00		0.0000		5/1/2002	4.00	0	0.0000	0.00
6/1/2002	5.00		0.0333		6/1/2002	5.00	0	0.0333	0.00
7/1/2002	6.00		0.0333		7/1/2002	6.00	0	0.0333	0.00
8/1/2002	7.00		0.0667		8/1/2002	7.00	0	0.0667	0.00
9/1/2002	8.00		0.1000		9/1/2002	8.00	0	0.1000	0.00
10/1/2002	9.00		0.1000		10/1/2002	9.00	0	0.1000	0.00
11/1/2002	10.00		0.1333		11/1/2002	10.00	0	0.1333	0.00
12/1/2002	11.00		0.1333		12/1/2002	11.00	0	0.1333	0.00
1/1/2003	12.00		0.1667		1/1/2003	12.00	0	0.1667	0.00

---

## 18. Appendix C – Archival and Purge

### 18.1 Introduction

Archival is the process of moving contracts which have completed their life cycle or reversed out from the contract tables to the archival tables based on the lapse of specified days from the date of the last event processed. The days after which contracts are to be archived is captured at the Branch parameters – Archival/Purge parameters maintenance screen.

Matured or reversed Contracts should be archived to reduce the size of the contract tables in order to improve system performance. A Soft purge is done to move the contract level information to another database to reduce the size of the database. Further, a hard purge will be done to the history tables on the archive database.

Soft purge process will be carried out on the Production Server. All validations done for archival will be applied to soft purge if the archival setup is not done.

If archival is setup is done, then the validation will be effected only on the last event date of the contracts that are lying in the archival tables.

If soft purge is executed with archiving, contract information will be moved from the archival tables directly to a set of temporary tables which are in the same database.

If soft purge is executed without archiving, contract information will be moved from contract tables directly to the same set of temporary tables.

*Refer to the Operations Manual for details on Purging and Archival of Data.*

All LD contracts that were matured or were reversed before the number of days maintained in the branch parameters will be identified for archival. Oracle FLEXCUBE will ensure that the delinquency status for these contracts is not active.

Module specific validations will be carried out for every contract that is identified for Archival.

After a contract is successfully validated for archival, then the contract level information will be moved to the respective archive tables.

The processes carried out will be as follows:

- Linkages

For an LD contract which is linked to any another type of contract the archival of the contract will be done only if the linked contract is liquidated and last event date of the contract is before the archival date.



If the contract is linked to an account then there will not be any validation for the account linkage.

- Rollover

If the rollover mechanism for a particular contract is spawned or linked type, then Oracle FLEXCUBE will check the immediate child rolled over contract. If the child contract is completely liquidated and past the archival date or the contract is reversed or the contract is not there, then the parent contract will be archived. If the child contract is active or liquidated within the archival period, then the parent contract will not be archived.



If the rollover mechanism is new version, then there will not be any rollover specific validation.


On completion of archival reports generated will not contain the archived contracts information. However detailed account statement will be supported.

Reversal or any other actions on the archived contracts will not be possible after the archival is completed on the production database.

## 18.2 Viewing Archived LD Contracts

To view archived LD Contracts, select '**LD Archival**' from the **Application Browser**. Select '**Archived Contract**' and then '**Detailed**' under it to view the details of archived 'LD contract Online' screen.


The screenshot displays the 'LD Contract Online - Archive' interface. At the top, there are search filters for Template, Product, Branch, Department, Treasury, Contract Ref Number, User Ref Number, Custom Ref No, and Reprgrm Cnt. Below these are tabs for Contract, Schedules, Linkages, and Rollover. The Contract tab is active, showing fields for Customer, Amount, Currency, Lcy Eqvt, Reporting Details, Default Settlement Details, Tenor, Interest Details, Maturity Type, Tax Scheme, Funding Method, and Internal Remarks. The Rollover tab is also visible, showing fields for Cluster Id, Size, Credit Amendment, Amendment, Date, and Rollover details like Mechanism, Method, and Roll Inst Status. A table at the bottom shows contract details with columns for Entry By, Entry Time, Auth By, Auth Time, Contract Stat, Auth Status, Confirmation Status, Workflow status, and Revision Status.

You can also view the Accrual Fee Details for the selected archived contract. Click the  button in the above screen, the Accrual Fee Details will be displayed.

**Accrual Fee Details - Archive**

Contract Ref No

Component	Effective Date	Accrual Method	Amount	Currency
PRINCIPAL	02-FEB-2002		7.60	USD




## 18.3 Maintaining Accrual Fee Input


You can maintain and view details related to Accrual Fee in “Accrual Fee Input” screen. You can invoke this screen by selecting ‘**Detailed**’ under ‘**Amortization Fee**’ which is under ‘**Loan & Commitment Operations**’ in the **Application Browser**.

**Accrual Fee Input**

Contract Ref No  User Ref No   
 Product Code  Custom Ref No   
 Counterparty  Wells Fargo Currency   
 Value Date  Outstanding Balance   
 Maturity Date  User Defined Status   
 Event  of

Component  Outstanding Amount  

**Contract** **Schedules**

Component Currency   ☒ Default contract status


Fee Amount  Accrual Method


Refund Amount  Basis Amount

Liquidation Amount  Fee Type

Realized Amount  Payment Method

Value Date  Calculation Start Date

Account Branch   Calculation End Date


Account  

Amort Exch Rate

Exch Rate Appl Event

☐ Consider as Discount  
☒ Accrual Required  
☐ Asset Transfer Marks  
☐ Deferred Interest Component

Payment Entry By  Entry Time  Auth By  Auth Time  Workflow Status  Contract Status  Auth Status  Component Status   
 Reversal



You can view the following details in this screen:

- Contract Ref No
- User Ref No
- Product Code
- Custom Ref No
- Counterparty
- Currency
- Value Date
- Maturity Date
- Outstanding Balance
- User Defined Status
- Event

#### **Component**

Component for Amortize fee accrual is defaulted here from 'Accrual Fee Association' tab in 'Loans and Deposits Product Maintenance' screen.

#### **Outstanding Amount**

Outstanding fee accrual amount If any, for the amortize fee component will be displayed here.

### **18.3.1 Contract Tab**

You can maintain the following contract details here:

#### **Component Currency**

Specify a valid currency for the specified component from adjoining option list.

#### **Default Contract Status**

Check this box if you need to maintain the status at default contract status.

#### **Accrual Method**

Specify a valid method you need to for accrual from the adjoining drop-down list. This list displays the following details:

- Straight Line – Select if you need a straight line method of accrual.
- Yield – Select if you need a yield method of accrual.
- Flat Amount – Select if you need a flat amount method of accrual.

**Fee Amount**

Specify fee amount of the contract.

**Refund Amount**

Specify refund amount of the contract.

**Liquidation Amount**

Specify liquidation amount of the contract.

**Realized Amount**

Specify realized amount of the contract.

**Basis Amount**

Select a valid amount you need as basis for the accrual from the adjoining drop-down list. This list displays the following values:

- Expected Outstanding Facility – Select if you need expected outstanding facility as the basis amount.
- Expected Utilized Facility – Select if you need expected utilized facility as the basis amount.
- Expected Balance – Select if you need expected balance as the basis amount.

**Fee Type**

Select a valid fee type for accrual from the adjoining drop-down list. This list displays the following values:

- Income – Select if you need income as fee type.
- Expense – Select if you need expense as fee type.

**Payment Method**

Select a valid payment method from the adjoining drop-down list. This list displays the following values:

- Bearing – Select if you need bearing method of payment.
- Discounted – Select if you need discounted method of payment.

**Calculation Start date**

Specify a valid date from when you need to calculate of fee accrual.

**Calculation End Date**

Specify a valid date till when you need to calculate of fee accrual.



**Value Date**

Specify value date for the contract.

**Account Branch**

Specify branch code of the contract from the adjoining option list.

**Account**

Specify account number of the contract from the adjoining option list

**Amort Exch Rate**

Specify FX rate for amortization fee, if the settlement currency is different from branch local currency. You can modify this amortized exchange rate at Amortization, liquidation, or refund of the amortization fee levels. Subsequent accounting entries and liquidation/refund will be processed with amended exchange rate.



Note the following:

- You cannot change the past entries.
- If only 'Amort Exch Rate' is amended, then the system will trigger an event to default 'Amort Exch Rate' value to 'Exch Rate' at 'Settlement Message Details' sub-screen in LD Contract screen. However, the system will not post any accounting entries as part of exchange rate amendment.

**Consider as Discount**

Check this box if you need to consider the fee as discount.

**Accrual Required**

Check this box if you require accrual of fee.

**Asset Transfer Marks**

Check this box to indicate that the component is for Asset Transfer Marks. The value selected here will be available at the commitment contract level, from the product, when you enter details of amortization fee for the contract. You cannot change this at the commitment level.

If the commitment for which the amortization fee is being charged is non-performing, the system will allow additional liquidation or refund of the fee. This is applicable to Asset Transfer Marks as well. If there is a change in status of the commitment, the system will also facilitate the transfer of the amortization fee between the different GLs you have maintained for the corresponding statuses. Similarly, the system will also allow refund of amortization fee, if there has been a status change for the commitment. This will be determined by how much outstanding amount is being moved.

**Deferred Interest Component**

This field value is defaulted from the linked product. You will not be able to change it.

If checked, it will indicate that this component represents deferred interest. When the loan status changes to 'Performing' from 'Non-performing', the system checks the value of the backend parameter 'ALLOW\_REPERFORMING\_LOAN\_FUNC'. If the value of this parameter is 'Y', the system will perform memo interest reversal. Amortization fee liquidation will be done on deferred fee interest component for the memo interest amount that is moved to Real GL as part of the reversal.

### 18.3.2 Schedules Tab

You can maintain schedule details of fee accrual, by clicking on the 'Schedules' tab.

**Accrual Fee Input**

Contract Ref No: 001C001120870009      User Ref No: 001C001120870009  
Product Code: C001      Custom Ref No: 12000062  
Counterparty: 018600      Currency: USD  
Value Date: 27-MAR-2012      Outstanding Balance: 1,000,000.00  
Maturity Date: 27-MAR-2013      User Defined Status: NORM  
Event: 18 of 18

Component: AGENCYFEE      Outstanding Amount: 1,000.00 USD

**Contract** | **Schedules**

**Frequency Basis**  
☐ Accrual Frequency    ☒ Schedule Frequency    Schedules Upload: [File Icon]    Error Log

**Accrual Frequency**  
Frequency: Daily  
Start Month: [Dropdown]  
Start Date: [Text]

**Holiday Treatment**  
Holiday Check: [Dropdown]    ☐ Ignore Holidays    ☐ Cascade Schedules  
☐ Move Across Months    ☐ Move Backward  
☐ Chk Rate Code Ccy Hols    ☒ Move Forward

Component	Start Date	No	Frequency	Unit	Amount
AGENCYFEE	11-AUG-2012	2	Monthly	1	100.00
AGENCYFEE	10-MAR-2013	1	Bullet	1	800.00

Payment: Entry By: PRADIPT1    Entry Time: 10-AUG-2012 13:28:09    Auth By: PRADIPT2    Auth Time: 10-AUG-2012 13:35:55    Workflow Status: [Dropdown]    Contract Status: Active    Auth Status: Authorized    Component Status: [Dropdown]

Reversal: [Fields]

You can maintain the following details here:

#### Frequency Basis


Select a valid frequency basis for fee accrual from the options. The following values are available for selection:

- Accrual Frequency – Select if you need accrual as frequency basis.
- Schedule Frequency – Select if you need schedule as frequency basis.

#### Schedules Upload

Select the excel file in which fee schedules for fee amortization and amounts are present to upload to the system. You can upload the excel file for the changes in unamortized schedule dates/amounts during the amendment.

The system will apply the holiday treatment for the uploaded schedules as per the preference. Also, the system validates the sum of all the schedule amount with the Fee amount along with contract reference number, currency, calculation start date and calculation end date provided in the excel file is matching with the fee input data. If the last schedule is not matching the with the calculation end date, a bullet schedule is introduced for balance amount. The system will amend the unamortized schedules to change the amount, schedule date, schedule amount and amendment to calculation end date is done in the Accrual fee input screen before uploading the fee schedules.

 Accrual method should be defined as 'Flat Amount' for the fee component for which schedule upload is required. Unit and No. will be defaulted to 1 and Frequency will be defaulted to 'Monthly' for all the uploaded schedules. The Frequency Basis to be selected as 'Schedule Frequency' and appropriate Holiday Treatment to be defined.

## Error Log

Click on the 'Error Log' button to view the errors while uploading the excel file.

[illegible]

### Accrual Frequency

You need to maintain the following details if you have selected Accrual as frequency basis.

## Frequency

Select a valid frequency type for accrual from the adjoining drop-down list. This list displays the following values:

- Daily – Select if you need daily accrual.
- Monthly – Select if you need monthly accrual.
- Half Yearly – Select if you need half yearly accrual.
- Quarterly – Select if you need quarterly accrual.
- Yearly – Select if you need yearly accrual.

**Start Month**

Select month in which you need to start the accrual from the adjoining drop-down list. This list displays months in a year.

**Start Date**

Select date from when you need to start the accrual.

## **Holiday Treatment**

You need to maintain the following details if you have selected Schedule as frequency basis.

### **Holiday Check**

Select a valid holiday check type from the adjoining drop-down list. This list displays the following values:

- Currency – Select if the Holiday check has to be in FCY.
- Local – Select if the Holiday check has to be in LCY.
- Both – Select if the Holiday check has to be any of the both.

### **Holiday Ccy**

Specify a valid currency type, if you have selected 'Currency' for 'Holiday Check'.

### **Ignore Holidays**

Check this box if you need to ignore holidays.

### **Move Across Months**

Check this box if you need to move accrual across months.


### **Chk Rate Code Ccy Hols**

Check this box if you need to check rate code for the selected Holiday Currency.

### **Cascade Schedules**


Check this box if you need cascading schedules for accrual. Select cascading type from the options, if you have checked this box. The following options are available for selection:

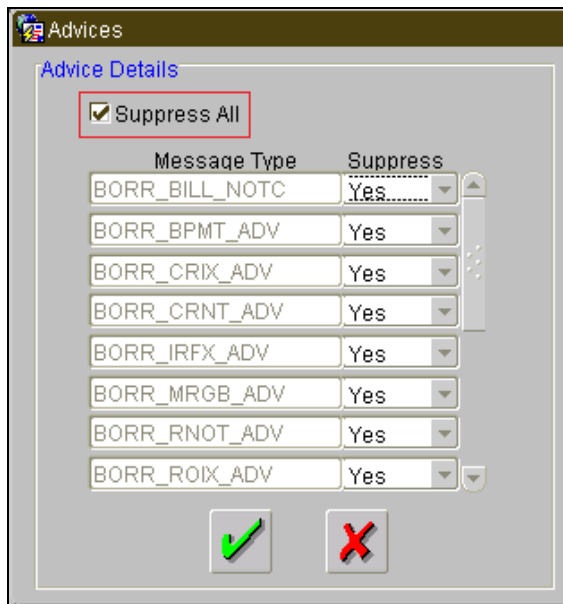
- Move Backward – Select if you need backward cascading.
- Move Forward – Select if you need forward cascading.

Click on  button to view Accrual details. The following details will be displayed:

- Component
- Start Date
- No
- Frequency
- Unit
- Amount

### 18.3.3 Viewing Advices


You can view the advices generated for fee accrual by clicking on the  button in the 'Accrual Fee Input' screen.



The 'Advices' dialog box displays a table of message types and their suppression status. A red box highlights the 'Suppress All' checkbox, which is checked. The table lists eight message types, all with 'Yes' selected in the 'Suppress' column. At the bottom are green checkmark and red X buttons.

Message Type	Suppress
BORR_BILL_NOTC	Yes.....
BORR_BPMT_ADV	Yes
BORR_CRIX_ADV	Yes
BORR_CRNT_ADV	Yes
BORR_IRFX_ADV	Yes
BORR_MRGB_ADV	Yes
BORR_RNOT_ADV	Yes
BORR_ROIX_ADV	Yes

### 18.3.4 Viewing Events

You can view the events for fee accrual by clicking on the  button in the 'Accrual Fee Input' screen.

**View Events**

Contract Ref No:  User Ref No:  [Navigation Buttons]

**Events**


Event	Sequence No	Event Date	Maker Id	Maker Date Stamp	Checker Id	Checker Date Stamp

**Accounting Entries**

Branch	Account	Dr/Cr	Amount Tag	Code	Date	Value Date

**Overrides**


### 18.3.5 Viewing Settlement Details

If you want to make changes to the settlement accounts and the currency conversion rates, you can invoke 'Settlement Message Details' screen by clicking the  button.

**Settlement Message Details**

Contract Reference Number:  Component:

Tabs: Acct Details | **Msg Details** | Msg Details | Pay Parties | Pay Parties | Recv. Notice | DD Parties | Clearing

Gen Msg	Gen Recv	Gen DD	Component	CCY	SSI Mnemonic	Branch	Account	A/c CCY	Accou
<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>							
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>							
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>							
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>							
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>							
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>							
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>							
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>							

**Settlement Direction**

P - Pay  
R - Receive

Account Desc:   
IBAN A/C Number:

[SV] [GI] [Green Checkmark] [Red X]

Oracle FLEXCUBE defaults 'Contract Reference Number' and 'Component' from the main screen and displays the message details for the following criteria here:

- Acct Details
- Msg Details




- Msg Details
- Pay Parties
- Pay Parties
- Recv. Notice
- DD Parties
- Clearing

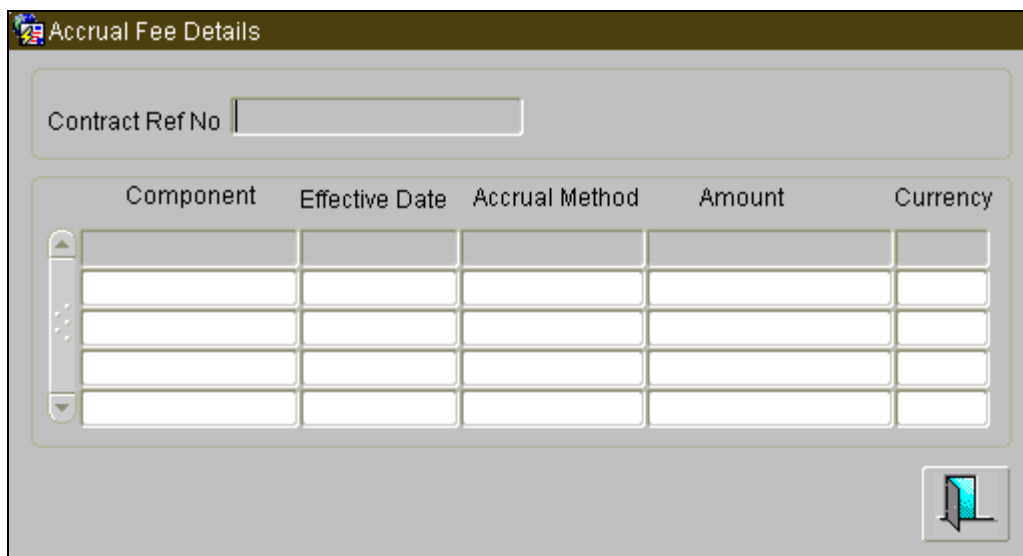
*For a detailed explanation of these details, refer to the 'Processing Settlement's section in 'Settlements Manual' user manual in the 'Modularity' Module.*



If only 'Amort Exch Rate' is amended, the system triggers an event to default 'Amort Exch Rate' value to 'Exch Rate' in the 'Acct Details' Tab of this screen.


### 18.3.6 Viewing Accrual Fee Details

You can view the accrual fee details for fee accrual by clicking on the  button in the 'Accrual Fee Input' screen.



### 18.3.7 Maintaining Overwrite Settlement Details

You can maintain the overwrite settlement instructions during contract booking or amendment for a component and the same is applicable for all amount tags for that component. Overwrite Settlement instructions captured for the Amortization fee components will be applicable for all the subsequent events done on that particular contract and for that component.

Click the  button in the Accrual Fee Input screen to invoke the following screen.



The Overwrite SI accounts maintained or amended for the commitment will be restricted to the Commitment only. They will not be defaulted/propagated to the Linked Loan contracts.

During authorization, you can view the settlement information by clicking button in the 'Accrual Fee Input' screen.

A rectangular button with a thin black border and a light gray background. The text "Settlement Info" is centered within the button in a dark gray, sans-serif font.

## 18.4 Maintaining Pay Receive Liquidation Details

You can maintain and view details related to payable and receivable liquidation in 'Pay Receive Liquidation' screen. You can invoke this screen by selecting '**Detailed**' under '**Pay Receive Liquidation**' which is under '**Loan & Commitment Operations**' in the **Application Browser**.

Contract Ref No	Department	Counterparty	Value Date	Branch	0	Of 0

During authorization of the event, you can view the settlement information by clicking

**Settlement Info**

button in the 'Pay-Receive Liquidation Authorization' screen.

## 18.5 Viewing Soft Purged LD Contracts

To view soft purged LD contracts, select 'LD History' from the Application Browser. Select 'Contract History' and then 'Detailed' under it to view details of soft purged LD contracts.

**LD Contract Online - History**

Template:  NORM Contract Ref Number:  CIPLD01020321398  
 Product:  LD01 User Ref Number:  CIPLD01020321398  
 Branch:  CIP Department:  DEP Treasury Custom Ref No:  dsfdfsdfsdf Reprgrm Cnt:  0

**Contract** Schedules Linkages Rollover

Customer:  8111111111 Amount:  100.00 Currency:  USD  
 Lcy Eqvt:  175.13 GBP Limit CIF:  8111111111  
 Reporting Details: Amount:  O/S Amount:   
 Default Settlement Details: Branch:  CIP Account:  0011111111

**Tenor** Interest Details

Booking Date:  01-FEB-2002 Type:  FIXED Fixed Rate Type:  USER DEFINED User Rate:   
 Value Date:  01-FEB-2002 Rate:  5.0000000000 Code Usage:  Spread:   
 Org Start Date:  Fixed Code:  Reset Tenor:  Liqd Prem Type:   
 Float Code:  Rev Type:  Liqd Prem:   
 Penalty Code:  Amount:


**Maturity Type** Int Period Basis:  Include From Dt:  Ccy Round Rule:  Decimals:  Unit:   
☐ Fixed ☐ Notice ☐ Call  
 Maturity Date:  01-MAY-2002  
 Notice Days:

**Tax Scheme** Loan Statement: Cycle:  On:  Loan Stmt Type:  None Line:   
 SALES  
 Pmt. Method:  BEARING  
 Status:  NORM

**Funding** ☒ Suppress B. V. Payment Message  
 Method:  Automatic  
 Offset No:  0  
☐ Reprogram Counter ☐ Limits Tracking Req'd  
☐ MM Tracer Required ☐ Suppress Confirmation  
☐ WHT Tracking Req'd WHT Currency:   
 Post Rollover: ☐ Rollover Indicator Count:  0 Parent Ref No:   
 Rollover: ☐ Yes ☐ No  
 Mechanism:  New Version  
 Method:   
 Roll Inst Status:  Incomplete

Internal Remarks:

Entry By	Entry Time	Auth By	Auth Time	Contract Stat	Auth Status	Confirmation Status	Workflow status	Revision Status
RUPRETHAL	01-FEB-2002 20:18:25			Active	Unauthorized	UnConfirmed		

Click the  button in the above screen to view the soft purged Accrual Fee Details.

**Accrual Fee Details - History**

Contract Ref No:  CIPLD01020321390

Component	Effective Date	Accrual Method	Amount	Currency
PRINCIPAL	02-FEB-2002		7.60	USD

## 18.6 Viewing Soft Purged Accrual Fee Input

To view soft purged Accrual Fee Input details, select 'LD History' from the Application Browser. Select 'Fee History' and then 'Detailed' under it to view the details of soft purged Accrual Fee Input.

The screenshot displays the 'Accrual Fee Input - History' window. At the top, it shows contract details: Contract Ref No (CIPLD01020321364), Product Code (LD01), Counterparty (811111111), Value Date (01-FEB-2002), Maturity Date (01-MAY-2002), User Ref No (CIPLD01020321364), Custom Ref No (MISTEST95), Currency (USD), Outstanding Balance (1,000.00), User Defined Status (NORM), and Event (10 of 10). Below this, there are fields for Component and Outstanding Amount. The main section is divided into 'Contract' and 'Schedules' tabs. Under 'Contract', there are fields for Component Currency, Fee Amount, Refund Amount, Liquidation Amount, Realized Amount, Value Date, Account Branch, and Account. To the right of these fields are dropdown menus for Accrual Method, Basis Amount, Fee Type, and Payment Method, along with checkboxes for 'Default contract status', 'Consider as Discount', and 'Accrual Required'. At the bottom, there is a table with columns: Entry By, Entry Time, Auth By, Auth Time, Workflow Status, Contract Status, Auth Status, and Component Status. The table has two rows: 'Payment' and 'Reversal'.

## 18.7 Purging Accounting Entries

- An accounting entry will be purged if
  - The value date and booking date is less than or equal to the purge date
  - The contract has been archived or purged
- One consolidated entry (for the purged entries) will be posted with the value date and the booking date as of the purge date
- Ad-hoc account statement for the account can be taken from the archival server to view the entries that have been soft purged
- Ad-hoc account statement beyond the last purge date will not be allowed on the production server
- GL balances, GL MIS balances or Unit balances beyond the last purge date will also be soft purged
- Only soft purge and hard purge will be available for accounting

- In case of customer accounts the account purge date should be less than the last statement date. In the event these conditions are not met the purge date for the account will be the period end date before the purge date or the period end before the last statement date.
- The purge date should be less than the last liquidation date for the account. If yes, then the period end date on or before the last liquidation date will be the account purge date
- The accounting purge date will be stored at an account level. If an entry with a value date less than the purge date is posted then the value date should be set to previous purge date plus one
- MIS details of the contract will be soft purged during purging. However in case of Loans and Deposits the MIS records will be hard purged



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## 19. Appendix D – Unexpected Recovery

### 19.1 Introduction

When a deal is completely written-off, any additional fund received is considered an unexpected recovery.

You will have to define events in the system to facilitate the processing of these unexpected funds. The system will verify whether or not a write-off has been processed on a contract and then allow you to proceed with the event that you have defined.



You will be allowed to execute the events that you define on active contracts only.

The following sections give step-by-step instructions that you will need to follow to facilitate the system to recognize unexpected recoveries.

#### 19.1.1 Setting Up Events, Accounting Roles and Amount Tags

You can use the Module Details screen to set up events, accounting roles and amount tags. To invoke this screen, click on Module Definition under User Defined Maintenance in the Application Browser.

##### 19.1.1.1 Setting Up an Event

You will need to set up the event 'RECO'. To do the same, follow the steps given below:

- Click on the 'Events' tab
- Enter the 'Event' and 'Event Description'

You can also specify the following parameters for the event being defined:

- Whether accounting entries and advices are allowed for this event
- Whether interest, charge and tax must be computed, but not accrued or levied during this event. This is represented in the respective options under the section 'Assoc'.
- Whether the accounting entries have to be passed for interest, tax and charges. This can be indicated in the respective options under the section 'Apply'
- Whether the interest, charge and tax components must be liquidated when the new event being defined is triggered
- Whether contract UDE Advices are allowed for this event

Module Details

Module

LD

Description

Loans and Deposits

Module

Fields

Buttons

Events

Amount Tags

Account Roles

Assoc

Apply

Liqd

Old ICCF

S

U

A

A

I

C

T

I

C

T

C

T

I

C

C

T

O

Y

S

C

D

N

H

A

A

H

A

H

A

N

H

O

A

C

S

R

C

V

T

G

X

X

G

X

G

X

T

G

M

X

E

Event	Description																
RECO	Recovery Event																

SYSTEM

05/08/2001 18:10:43

SYSTEM

05/08/2001 18:10:43

Open

Authorised

Once Auth