Charges and Fees
Oracle FLEXCUBE Corporate Lending
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Charges and Fees
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Oracle Financial Services Software Limited

Oracle Park

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

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Contents

1. About this Manual

1.1 Introduction

This manual is designed to help you get acquainted with the manner in which charges or fees are calculated in Oracle Lending.

It takes you through the various steps involved in processing a Charge or Fee for a contract.

Besides this User Manual, you can find answers to specific features and procedures in the Online Help, which can be invoked, by choosing 'Help Contents' from the *Help* Menu of the software. You can further obtain information specific to a particular field by placing the cursor on the relevant field and pressing <F1> on the keyboard.

1.2 Audience

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

Role	Function
Back office 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 as follows:

Chapter	Description
Chapter 1	*About this Manual* - This chapter gives information on the intended audience. It also lists the various chapters covered in this User Manual.
Chapter 2	*Processing Charges* - This chapter details the procedure to set up Charge details by defining Charge rules and Charge classes. It also explains the procedure for specifying charge details for a contract.
Chapter 3	Processing Fee - This chapter details the procedure to set up Fee details by defining Fee rules and Fee classes. It also explains the procedure for specifying fee details for a contract.
Chapter 4	*Function ID Glossary* has alphabetical listing of Function/Screen IDs used in the module with page references for quick navigation.

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1.4 <u>Documentation Accessibility</u>

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

1.5 <u>Related Documents</u>

For further information on procedures discussed in the manual, refer to Oracle Lending manuals on:

- Procedures
- Product

1.6 <u>Glossary of Icons</u>

This User Manual may refer to all or some of the following icons.

Icons	Function
	Exit
	Add row
	Delete row
	Option List

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2. About charges and fee

This chapter contains the following sections:

2.1   <u>Introduction</u>

In Oracle Lending, 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. For example, '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.

To apply a charge or fee on a Loans product, you should first define attributes for each of the components. You can define these attributes by specifying a Rule for the charge or fee. These charge rules should in turn be linked to a product through a class, so that the attributes of the charge rule is applied on all contracts linked to the product. However, while capturing the details of a contract, you can modify some of the attributes defined for a rule. Further, for a contract, you can also indicate whether the application of a specific charge component should be waived.

More than one charge or fee can be applied on a product. For example, you could link two charge to an outgoing transfer product, one with 0.05% of the transfer amount as the charge and another with a flat amount of say 200 local currency units. The first one could be your commission on the transfer and the second, for the SWIFT or cable charges incurred to effect the transfer. These are processed as two different charge components. The income accounts can be different for these components. The two charge components are reported in all reports and in the customer correspondence regarding the transfer.

Steps involved in processing charges or fees

The following steps are involved in processing charges or fee:

1. Defining charge or fee rules

2. Defining charge or fee classes

3. Associating charge or fee classes with a product

4. Specifying charges or fee for a contract.

2.2   <u>Defining charge or fee rules</u>

A charge rule is built with the logic to calculate a specific type of charge component. You can define charge rules in the 'ICCF Rule Maintenance' screen.

Note

The process of defining charge or fee rule is same. In this section, charge rule is mentioned.

This section contains the following topics:

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2.2.1   Invoking ICCF Rule Maintenance Screen

You can invoke the 'ICCF Rule Maintenance' screen by typing 'LFDRUMNT' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button.

If you are calling a charge rule that has already been defined, choose the Summary option under 'ICCF Rule Summary' in the Application Browser. From the 'ICCF Rule Summary' screen, double-click a rule of your choice to open it.

The following are the features of the 'ICCF Rule Maintenance' screen.

Rule ID and Description

Every charge rule is identified by a unique ten-character code, called a Rule ID. You can link a valid Charge Rule ID to the charge classes that you maintain in your bank. Charges or fees for all products with which you associate a charge class is calculated on the basis of the Rule ID that is associated with the class.

Rule Type

The Rule Type identifies the type of component you are defining. The attributes applicable for a component depend on the Rule Type. In this chapter, we shall discuss the procedure for setting up rules for charge components.

For every rule that you define, you can enter a description. Specifying a description helps identify a rule.

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Transaction Currency

If you want to define the attributes for all currencies, you can select the ALL option in the Currency Code field to indicate this. If you are maintaining the attributes for the selected ICCF rule in specific currency other than the ALL, select the Transaction Currency on which the rule mapping maintenance is to be made applicable.

Customer Group

Select the customer group on which the rule mapping maintenance is to be made applicable.

Note

You can create a generalized charge rule mapping record by selecting the ALL option in the Customer Group field. This specification is defaulted to the Customer and Customer Account fields. You will not be allowed to change the specification.

Customer

Specify the customer identification number (CIF) of the customer for whom you are maintaining the rule mapping.

Branch Code

If you are maintaining the attributes for the selected ICCF rule from the head office branch, you can select the branch for which the attributes are being defined. If you want to define the attributes for all branches, you can select the ALL option in the Branch Code field to indicate this.

If you are maintaining the attributes for the selected ICCF rule from a branch other than the head office, you can only select those branches that are found in the allowed list of branches for:

● the ICCF rule definition Restriction Type (ICCFRULE), in the Common Branch Restrictions maintenance for the current branch

● the selected rule being built, according to the ICCF Rule Availability maintenance

In other words, the option-list in the Branch Code field would display only those branches that are allowed both for the rule and the current branch.

Specifying the Rate Type

The rate type indicates whether the charge or fee to be applied for the Rule ID is a flat amount or a percentage of the contract amount. Contract amount here refers to:

● Principal amount in the case of a loan or a commitment

● Transaction amount in the case of a teller entry.

● Transfer amount in case of a Remittance.

● SI Amount in case of Standing Instruction.

● LC amount in the case of a Letter of Credit.

● Bill amount in the case of a Bill.

● Buy/Sell amount in the case of an FX deal.

● Deal Nominal amount for a Security Deal.

If the Charge Rule that you are defining calculates charges on a rate basis, choose the 'Fixed Rate' option. To levy a flat amount as charge, say a postal charge on the products that are associated with the Charge Class, choose the 'Flat Amount' option.

You can choose to indicate the Rate Code and whether the rate is 'MID', 'BUY' or 'SELL' only when the basis amount currency and the rate currency is different from the contract currency.

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You can indicate the specific rates and amounts that you would like to apply, in the subsequent fields in this table. These rates or amounts can be changed during contract processing.

2.2.2 <u>Indicating Rule Application conditions</u>

By default, a charge rule that you define can be applied on transactions in

- All currencies
- All customers

However, to restrict the application of a rule to transactions involving a specific customer or currency, you can specify the same in the Customer or Transaction Currency fields, respectively.

Conditions for the application of a charge rule can be defined in the following manner:

- The rule can be applied to any contract, irrespective of the currency of the contract and the customer involved
- The rule can be applied on contracts in a particular currency, irrespective of the customer involved
- The rule can be applied on contracts in a particular currency, involving a particular customer

Thus, the most generally applied condition can be that a charge rule is applicable to contracts in any currency and involving any customer. An interim condition is that a charge rule is applied on contracts in a specific currency but involving any customer.

Example

Requirement:

You would like to levy a special flat charge, in EUR, for maintaining customer portfolios in DEM - EUR being the more convenient currency. Further, you would like to exempt corporates and Financial institutions and levy the charge only on individual portfolios.

Set up:

Step 1

To the rule defined for calculating the special charge, assign a unique Rule ID, SplChPort1. Briefly describe the charge for easy identification: EUR charge: individual portfolios.

Step 2

Choose the Flat Amount option in the Rate Type field.

Step 3

Choose EUR in the Currency field. Choose Individuals in the Customer field. Enter the other details such as the Charge Currency and the tiers or slabs on which you would like to levy the charge.

Step 4

Save this record. Another user with the requisite rights should authorize this record before it can be used.

Note

You are not allowed to define an ICCF Rule for a specific combination unless you maintain a record for the same Rule at the generic level. For instance, while creating the Rule ID

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called SplChPort1 for the very first time the system defaults the values in the Transaction Currency, Branch, Account Category, Customer, Customer Group, and Account fields to All. Only after saving this record you are allowed to create a second record for a specific combination for the same Rule ID.

2.2.3 Defining charges to be applied on a slab or tier structure

You can create a Charge Rule that would calculate charges on the basis of an amount structure. This structure could be in tiers or in slabs. Select the Tiered Amount check box if the Basis Amount structure is Tiers. Leave it blank if the Basis Amount structure is Slabs.

The following example illustrates how this works:

Example

You have defined a Charge Rule, SplChgPor01, which you would like to apply on deals in DEM, with the following amount basis structure:

Amount	Rate
0 to 250 Thousand	0.05%
> 250 Thousand <= 1 Million	0.06%
> 1 Million <= 3 Million	0.07%
> 3 Million	0.08%

When this rule is applied on a deal of value 1.5 Million DEM, the rate of the charge is calculated depending on whether the basis has been defined as Slab or Tier as indicated below.

Tier basis

- The first 250,000 (of the total value of 1.5 million) is charged at 0.05%
- The amount from 250,000 to 1,000,000 at 0.06%
- The amount from 1,000,000 to 1,500,000 at 0.07%
- The total amount levied as charge is DEM 925.

Slab basis

- The entire DEM 1.5 million is charged at 0.07%
- Therefore, the amount charged is DEM 1,050.

2.2.3.1 Specifying the Maximum and Minimum Charge amount

Specifying the Maximum Amount

If the charge is based on a fixed rate, you should specify the maximum amount that can be applied on a contract involving the Rule ID. If the aggregate charge calculated using this Rule ID exceeds this amount for a contract, the maximum amount specified in this field is applied instead of the amount calculated using the fixed rate.

Example

The charge applicable for processing a loan is 0.05% of the outstanding loan amount. The maximum charge that can be applied is USD 10. Assume your customer Gem Granites has borrowed USD 30,000 as a loan.

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The charge amount works out to USD 15 at 0.05%. However, since the maximum charge amount has been specified as USD 10, this is what is applied on the loan as charges.

Specifying the Minimum Amount

If the charge is based on a fixed rate, you should specify the minimum amount that can be applied on a contract involving the Rule ID. If the aggregate charge calculated using this Rule ID falls below this amount for a contract, the minimum amount specified in this field is applied instead of the amount calculated using the fixed rate.

Example

The processing charge applicable on a loan is 0.05%. The minimum charge that can be applied is USD 5. Assume your customer Gem Granites has taken a loan of USD 5,000.

The charge amount works out to be USD 2.5 at 0.05%. But since the minimum charge amount has been specified as USD 5, this is the amount that is applied on the loan as charge.

Specifying Slab Level Min/Max Amount Currency

You can indicate the currency in which the minimum charge / maximum charge should be applied at each slab. By default, the Basis Amount Currency is the Slab level Min/Max Amount Currency

Example

- Consider a Charges & Fees rule with the following attributes
- Rate Type = Fixed, Tenor Basis
- Rule Currency = Charge Currency
- Rule Amount Currency = INR
- Charges

Basis Amount	Charge	Slab Floor Charge
0 to 10,000	0.50%	5
10,000 to 20,000	0.40%	5
> 20,000	0.30%	5

Minimum Charge = INR 1000

Slab Level Min/Max Currency = USD

Basis Amount Currency = GBP

The currency conversion rates maintained are USD: GBP = 2, INR: GBP = 75, INR: USD = 50

For a loan of USD 350,000, the charges are calculated as follows.

GBP equivalent of USD 350,000 is 175,000

Slab	Charge (INR)	Equivalent Charge (USD)	Effective Charge (INR)
50,000	250	5	250
100,000	400	8	400
25,000	75	1.5	250 #
		Total	900

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Note

 # INR Equivalent of minimum slab charge of USD 5.

Since the aggregate charge of INR 900 is less than minimum charge of INR 1000, the total charge that is levied for this loan is INR 1000.

2.2.3.2 Specifying the Basis Amount and the Charge Currencies

The Charge Currency is the currency in which the flat amount charge in a contract is to be reckoned.

When building a charge rule, if the Rate Type is a Flat Amount, you have to indicate the currency of the charge or fee. The charge or fee when applied on a transaction is collected in this currency. The input to this field can either be the local currency or the contract currency. By default, the Charge Currency is the Transaction Currency. You can change it to the local currency.

The amount itself is specified subsequently through this screen. This amount can be changed during contract processing.

Example

If the Charge Currency is specified as the local currency and the flat amount is 500, for all contracts involving this Rule ID, an amount of LCY 500 is applied.

If the Charge Currency is specified as the contract currency and the flat amount is 1000; for a bill in US Dollar involving this Rule ID, an amount of USD 1000 is applied, for a contract in Great British Pound involving this Rule ID, an amount of GBP 1000 is applied, and so on.

Charges or fees can be calculated for a transaction on the basis of tiers or slabs. When building a charge rule, you should also indicate the currency of the tiers or slabs based on which you levy the charge. This is the Basis Amount Currency. If the transaction is in a different currency, then the charge is calculated after converting it to the currency of the tiers and slabs.

2.2.3.3 Tenor Details

 Basis Amount To

You should specify the upper limit of the slab or tier to which a particular rate or amount should be applied as a charge.

Example

Suppose the following is the slab or tier structure you want to specify:

Amount	Rate
0 to 250 thousand	0.05%
> 250 thousand <= 1 Million	0.06%
> 1 Million <= 3 Million	0.07%
> 3 Million	0.08%

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The Basis Amount To for the first slab or tier should be indicated as 250,000; that for the second slab or tier as 1,000,000 and so on.

Specifying the Fixed Rate

If the charge is a percentage of an amount, specify the applicable rate. This rate is applied on the Basis Amount To, depending on whether you have defined the application basis, as a slab or a tier.

Specifying the Charge Unit

The Charge Unit specifies the unit for rounding up a charge or fee to the nearest amount. The charge or fee is calculated for multiples of the charge unit.

Example

If the Charge Unit has been specified as 10 and the charge is to be calculated for USD 85, then the charge is calculated for the rounded up figure of USD 90.

Similarly if the Charge Unit has been specified as 100 and the charge is to be calculated for USD 750; the charge is calculated for the rounded up figure of USD 800.

Specifying the Floor Amount

If you are defining a Fixed rule type of component, you have to specify the Floor Amount which is to be added to the charge calculated. The floor amount is added to the charge based on the rate defined in the rule.

Specifying the Flat (CCF) Amount

To levy a flat charge, specify the flat amount. This amount is applied on the Basis Amount, depending on whether you have defined the application basis as a slab or a tier.

Specifying the Minimum and Maximum Slab Level Charges

If the charge is based on a fixed rate, you should specify the minimum amount and maximum slab level charges that can be applied on a contract involving the Rule ID. This charge is based on the slab level minimum and maximum amount currency.

If the charge (applicable to the slab) calculated using this Rule ID falls below this amount for a contract, the minimum amount specified in this field is applied instead of the amount calculated using the fixed rate.

Tenor Details – Tenor From and Tenor To

The tenor is in days. For instance, If Tenor from and Tenor to are given as '0' and 91, the tenor slab is from '0' days to '91' days.

2.2.4 Defining charge rule application conditions

When you have built charge rules, you are ready to build Charge Classes. When creating a product, you can link it with a Charge Class you have built. Thus, the definition of charge rules should precede the definition of Charge Classes and Product Definition.

2.2.5 The sequence in which ICCF rules are resolved

While processing charges, the charge rules maintained are resolved in the following sequence:

Level	Branch	Transaction CCY	Customer Group	Customer	Account Category	Account
1	Specific	Specific	Specific	Specific	Specific	Specific

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2	Specific	Specific	Specific	Specific	Specific	All
3	Specific	Specific	Specific	Specific	All	All
4	Specific	All	Specific	Specific	All	All
5	Specific	Specific	Specific	All	All	All
6	Specific	All	Specific	All	All	All
7	Specific	Specific	All	All	All	All
8	Specific	All	All	All	All	All
9	All	All	All	All	All	All

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This chapter contains the following sections:

3.1   Charge Class

This section contains the following topics:

3.1.1   Defining a Charge Class

A class is a specific type of component that you can build with certain attributes. You can build a charge class, for instance, with the attributes of a specific type of charge, such as 'Charges for amending the terms of a loan', or 'Charges for provision of services'.

When building a charge class, you define certain attributes such as:

- The module in which you would use the class
- The charge type (whether borne by the counterparty or by the bank)
- The association event
- The application event
- The liquidation event
- The default settlement currency
- The default charge rule

You can define the attributes of a charge class in the 'Charge Class Maintenance' screen, You can invoke the 'Charge Class Maintenance' screen by typing 'LFDCHGCE' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button.

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Class Code

Before defining the attributes of a charge 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.

Module

A charge class is built for use in a specific module. As a charge component would be applied on different basis amounts, in different modules.

Note

The Basis Amount Tags available would depend on the module for which you build the class.

Charge Type

The charges or fee that you levy is recovered, typically, from the counterparty involved. Therefore, when building a charge class, you would indicate the charge to be of a 'Counterparty', 'Third Party' and 'Their Charges' type. The following example illustrates how a charge could be of a 'Credit' type.

Example

You are buying a bond issued by the central bank, on behalf of the government. The central bank levies a processing charge on the instrument.

When defining a charge class, you would indicate the charge type to be Credit. This means that you would bear the charge.

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Third-party Type

If a charge component that you associate with a product is of 'third party' type, indicate it in the 'Third Party Type' field.

Debit/Credit

Charges are considered either as inflow or outflow based on Debit type/Credit Type flag at charge class level.

Add/Subtract

If you choose to include the charge component in the net value, you should indicate if the charge component is to be *added,* while calculating the net consideration amount, or *subtracted*.

SWIFT Qualifier

You can report the charge component of a contract in the SWIFT messages that you generate. To do this, identify the component, when building it in the 'Charge Class Maintenance' screen, with the appropriate SWIFT code.

Example

Assume you buy securities from a counterparty. The different components of the deal are:

- The value of the securities USD 50,000.
- The applicable tax USD 1000
- The accrued interest USD 1500
- The applicable charge USD 50

Result

If you choose the Net Consideration option, and decide to add the charge component to the value of the deal (and deduct the tax involved), the net value of the deal would be: USD 50,550.

If you choose the Net Consideration option, and decide to subtract the charge component from the value of the deal (and deduct the tax involved), the net value of the deal would be USD 50,450.

If you *do not* choose the Net Consideration option and choose to deduct the tax component, the value of the deal would be USD 50,500. The charge component would not be included.

3.1.1.1   Defining the Events and the Basis Amount

A contract goes through different *stages* in its life cycle, such as:

- Initiation
- Amendment
- Rollover and so on

Each of these stages is referred to as an 'Event' in Oracle Lending.

At any of these events, you can choose to apply a charge or fee. When defining a charge class, you should specify the following:

- Association Event
- Application Event
- Liquidation Event

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The event at which you would like to *associate* a charge component to a contract is referred to as the Association Event. At this event, no accounting entry (for the charge component) is passed.

The event at which the charge component is actually *calculated* is referred to as the Application Event. The charge or fee is liquidated at the Liquidation Event that you specify.

The basis on which interest, charge, fee, or tax is calculated is referred to as the Basis Amount. (A charge or fee can be on the basis of the loan amount, for instance.) The different basis amounts, available in a module, are associated with a unique 'tag'. When building a charge component, you have to specify the *tag* associated with the Basis Amount. When charge or fee is calculated for a contract, the basis amount corresponding to the tag is taken up automatically.

3.1.1.2 Indicating whether the Derivation of the Charge Rule is required

While defining a charge class you can indicate whether the class should have a default charge rule or whether the appropriate rule is to be derived on the basis of the transaction count.

If you enable this option you need to identify various transaction limits for a Charge Class, Module, Customer Group, Customer, and Account combination and associate the charge rule which is to be applied when customer transactions within a group exceed the specified limit. In addition, you are not allowed to specify the Default Charge Rule. Typically, you need to enable this option while building charge classes for the CF module.

Note

You are not allowed to enable this option while defining a charge class meant for the LD module.

3.1.1.3 Specifying the Reset Frequency and the Reset Basis Month

If you have indicated that the charge rule is to be derived on the basis of the transaction count, you must specify the Reset Frequency.

The reset frequency indicates the frequency at which the transaction count that is tracked at the charge component and account level is to be reset. You can specify the required frequency.

Note

If you choose the monthly, quarterly, half-yearly, or yearly frequency the transaction count is reset on month-ends. However, in the case of quarterly, half-yearly, or yearly reset cycles you must identify the basis month that need to be considered for arriving at the date on which transaction count needs to be reset by choosing the Default Charge Rule

You can link a charge rule that you have defined to the charge component that you are building. When you link a rule to a component, the attributes that you have defined for the rule defaults to the component.

To recall, a charge rule identifies the method in which charge or fee of a particular type is to be calculated. A rule is built with, amongst others, the following attributes:

- The charge currency
- Whether the charge or fee is to be a flat amount or calculated on a rate basis
- The minimum and maximum charge that can be applied

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- The tier or slab structure on which the charge is to be applied
- The customer and currency restrictions and so on

The charge component to which you link a rule acquires these properties. Charges for the product with which you associate a charge component is calculated, by default, according to the rule linked to the component. However, when processing a contract, you can choose to *waive* the rule altogether.

When building a charge class, you can choose to allow the amendment of the rule linked to it, in the following conditions:

- You can choose to allow amendment after the association event
- You can choose to allow amendment after the application event
- You can choose to allow amendment of the charge amount

3.1.1.4 The Settlement currency

Charges or fees levied on a contract are settled in the Settlement Currency that you specify for the charge class associated with the product (under which the contract is processed). However, when processing a contract, you can choose to settle the charge in another currency.

3.1.1.5 Including a component in SWIFT messages

You can report the charge component of a contract in the SWIFT messages that you generate. To do this, identify the component, when building it in the Charge Class Maintenance screen, with the appropriate SWIFT code.

Example

You would like to report the details of the corporate actions that you perform on a customer portfolio, over SWIFT. Assume you would like to report the charge component (amongst others) in the message that you send your customer.

Each component is identified in SWIFT with a unique code. When building the component Charges for provision of services, in the Charge Class Maintenance screen, you can enter its SWIFT Code.

In the SWIFT Qualifier field, you should enter CHAR.

3.1.1.6 Specifying the SWIFT Charges

While building a charge class for the Loans module you can indicate the charge application treatment for handling incoming funds transfers which need to be repaired.

If you want to apply the repair charge fee for the customer, you need to maintain the preference for collecting repair charges. The options available are.

- SWIFT: the charge is levied on the bearer of the charge. The bearer is determined from field 7A.
- Repair: the charge component is collected from the Remitter.

Note

The repair charges that you have defined are applied on all incoming messages involving the module. In case you do not specify the charge type; the repair fee is collected from the beneficiary of the bank.

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3.1.1.7 Allowing Rule Amendments

If you would like to allow the amendment of a rule for a charge component, indicate this by selecting the 'Allow Rule Amendment' option.

3.1.1.8 Amendment Options

When you associate a charge component with a product, you can choose to allow the amendment of the rule linked to it, under the following conditions:

- You can choose to allow amendment after the association event
- You can choose to allow amendment after the application event
- You can choose to allow amendment of the charge amount

3.1.1.9 Default Waiver

The charge component to which you link a charge rule acquires the properties defined for the rule. Charges for contracts (maintained under the product with which you associate the class you are building) are calculated, by default, according to the rule linked to the component. However, when maintaining a product, you can choose to waive the rule altogether. If you want to indicate that the charge rule must be deemed as waived by default, select this option.

3.1.1.10 Consider as Discount

While defining a charge class for either the loans or the bills module, you can indicate whether the charge component is to be considered for discount accrual on a constant yield basis.

If you select this option the charge received for the component is used in the computation of the constant yield and subsequently amortized over the tenor of the associated contract.

3.1.1.11 Accrual Required

If you select this option, the charge received for the component is accrued based the constant yield and subsequently amortized over the tenor of the associated contract.

3.1.1.12 Propagation Required

Select this option to indicate that the charge collected from the borrower must be passed on to the participants of the contract.

3.1.1.13 Net Consideration

The sum of the different components of a contract determines the *net value* of the contract. You can indicate that a charge component should be taken into account when determining the net value of a contract by choosing the Net Consideration option.

3.1.1.14 Charge Statement Required

You can indicate whether the details of charges that are booked under the charge class should be displayed in the charge statement that is sent to the customer.

3.1.1.15 Specifying the Charge details

While building a charge class you must specify the Charge related details which include the following:

Charge Mode

The charging mode can be any one of the following:

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- Online – charges can be liquidated as and when you are processing a transaction. The charge entries are booked while saving the transaction. The accounting entries are picked up from the product involving the transaction to which the charge component is linked.

- Deferred – Such charges are collected and liquidated at the end of a specified period. If you choose to defer the entries, the entries are posted as per the charge frequency defined for the charge class. The accounting entries are picked up from the Role-to-Head/Event Class linked to the charge class.

- Periodic – periodic charges are collected from customer accounts at a specified periodicity.

- Ad-hoc - There may be occasions when you may need to apply specific charges on a customer account. You can use the ad-hoc charging feature for such charging.

You can define charge classes specific to each type of charging mode.

Note

Online, periodic, and ad-hoc charges cannot be consolidated. In case of deferred charges you can also choose to consolidate charges across modules. Deferred charges are stored at the Charge Class level. Liquidation of these charges is done on the basis of the charge liquidation frequency that you specify.

For deferred, periodic, and ad-hoc charges, you must associate the Role-to-Head and Event classes with the Charge Class. Since it is not possible to associate the relevant Role-to-Head and Event classes at the time of creating a new charge class you can follow the sequence of operations given below:

- Create a new charge class without specifying the Role-to-Head and Event classes.

- Authorize the class. This creates the relevant accounting roles and amount tags.

- Define the Role-to-Head and Event classes using the accounting roles and amount tags.

- Associate the relevant Role-to-Head and Event classes by amending the Charge class and authorize the amendment.

Charge Class Priority

You can specify the sequence in which charges should be liquidated when the charging mode is deferred or periodic by assigning a priority with each class that you define. Lets assume you have defined five charge classes for FT module and assigned different priorities to them. During liquidation charges are liquidated in the order of priority.

Deferred and Periodic charges are liquidated through the Charge Liquidation batch function, which should be executed both at BOD and EOD. Refer to the section titled End of Day Processing for Charges for information on the end of day processing for the sub-system.

Charge Frequency

If you prefer the Deferred or Periodic mode of charging you have to indicate the frequency at which charges are to be debited to the customer's charge account. You can select any of the frequency listed below:

- Daily
- Monthly
- Quarterly
- Half-yearly
- Yearly

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The frequency that you specify applies to all accounts to which the component applies. You are not allowed to change the charge frequency at the product level.

Charge Liquidation Day

You can choose to liquidate charges either during EOD on the last working day of the period or during BOD of the first working day of the new period. If you have selected the Monthly, Quarterly or Yearly as the charge frequency, liquidation is performed only during month-ends.

The option is not applicable for Online and Ad-hoc charges.

Charge Liquidation Value Day

The value date of the charge entry can either be on the first calendar day of the next period or it can be on the first working day of the next period.

This option is applicable only when for deferred consolidation (entry or component level) charges.

Basis Month

When the charging mode is Deferred or Periodic you have to identify the basis month for charge liquidation if the selected frequency is Quarterly or Yearly. In case of a quarterly frequency, the subsequent quarters are calculated based on the basis month that you specify. In case of a Yearly frequency, the charge liquidation is performed in the month that you select.

Charge Consolidation Type

When the charge mode is deferred you can choose to indicate whether charges should be consolidated across modules. If you opt to consolidate charges you can indicate whether the consolidation should be performed at the Entry level or at the Component level.

Example

The following deferred charges are outstanding for a customer account:

Charge Component	Reference Number	Charge Currency	Amount
CHG1	100L100030010001	USD	1000
CHG1	100L100030010002	USD	800
CHG1	100L100030010003	USD	600
CHG1	100L100030010004	USD	500

The balance in the customer account is USD 1900.

Case I – you choose not to consolidate charges

The following entries are posted.

Debit	Account	**USD 1000**
Debit	Account	USD 800

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For the other records, the system creates individual blocks on the customer based on the accounting entry setup.

Case II – Entry-level consolidation

If you select the entry-level consolidation option the following entries are posted to the account:

Debit	**Account**	**USD 1800**

For the other charge records, the system may create individual blocks on the customer based on the accounting entry setup.

Case III – Charge consolidation

No entries are posted to the account.

For all the charge records, the system creates a single block on the customer account based on the accounting entry set up.

Consolidation Basis

The consolidation basis indicates whether consolidation is to be performed for all currencies (involved in transactions linked to the product) or only for the account currency of the transaction.

You are allowed to specify the consolidation basis only if you have indicated that charges should be consolidated either at the entry level or at the component level.

If the basis is Account Currency, the charge is consolidated only if the charge currency is same as the charge account currency. If the basis is All Currency, charges are consolidated irrespective of the charge amount currency and charge account currency.

Charges are consolidated at the following levels:

- Module
- Branch
- Account
- Component
- Charge Currency

The system generates a new transaction reference number for posting the consolidated entries.

If you prefer not to consolidate deferred charges, the accounting entries are posted with the same reference and event sequence number as of the contract when the charge liquidation event is triggered. To facilitate this you need to associate the charge liquidation (CLIQ) event with the product using the charge class.

Online or Non-consolidated charges are stored in the following sequence:

- Branch
- Account
- Module
- Component
- Transaction reference number
- Event sequence number

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Refer to the section titled Maintaining Charge Class details for consolidating Charges across modules for additional information on this feature.

3.1.2 Associating an Event/Role to Head Class with a Charge Class

Every charge class you maintain should be linked to an Event and Role to Head mapping class. The ICCF Rule and the three classes together provides the infrastructure to define the accounting entries, charge advices, and computation scheme for the charging required for accounts associated with this class.

Note

If you select Online as the Charge Mode you are not allowed to specify accounting and MIS details like Role-to-Head class, Event class, and MIS Group. This is because the accounting entries for the online charge mode are picked up from the product involving the transaction to which the charge component is linked.

3.1.2.1 Identifying the Rate Code and Type

The rate associated with this rate code is used to get the exchange rate when applying a charge component in a currency other than the account currency. You also need to identify the Rate Type which is to be associated with the rate code.

3.1.2.2 Associating an MIS Group with the charge class

If you have indicated that Charges should be consolidated across modules you need to identify the MIS Group that is to be associated with the charge class. While posting the consolidated entry for a particular charge the MIS details are picked up from the MIS group associated with the charge class.

3.1.3 Maintaining Charge Class mapping details

A charge class (component) is defined for a specific module. However, you can define a charge class which allows for consolidation of charges across modules by defining a charge class and associating it with a module called CF. Although data is stored for the CF module all components defined for the CF module is available across modules, thus enabling consolidation of charges across modules.

Since the events for charge booking, initiation, liquidation, and the basis amount tags differ from module to module, a pre-defined set of events and basis amount tags are defaulted to the respective fields in the Charge Class Maintenance screen, when you select CF as the module that is to be associated with the charge class. The pre-shipped events and amount tags that are defaulted for the CF module are:

Association Event	CBOK (Contract Booking)
Application Event	CINI (Contract Initiation)
Liquidation Event	CLIQ (Contract Liquidation)
Basis Amount Tag	TXN_AMT (Transaction Amount)

However, you can identify the events and basis amount tags for specific modules, which uses the Charge Class meant for the CF module. You can specify module specific events and amount tags the 'Charge Class Maintenance'(LFDCHGCE) screen.

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Note

You can select the module for which you would like to specify separate events and basis amount tags and associate the events/basis amount tags with the respective module.

3.1.4   Charge Processing across modules in Oracle Lending

Listed below are a few pointers which you need to bear in mind while defining Charge Classes for the following modules:

- The charging mode can only be deferred when you are building a Charge Class for the LF modules.

- Deriving charge rules and levying charges on the basis of the transaction count is not applicable for the OL module. While defining a charge class for the LF module you need not be able to map OL to the charge class. However, you are allowed to consolidate and defer charge posting for the module.

- For the OL module the charge account associated with the settlement instruction is debited for charges.

3.2   Defining charge components for a product

This section contains the following topics:

You can specify the charge components applicable to a product, in the Charge Definition sub-screen of 'Loans and Commitment Product Definition' screen. Click **'**Charges' from 'Loans and Commitment Product Definition' screen to invoke the 'Charge Definition' sub-screen.

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You should necessarily use a charge class to indicate the charge components applicable to a product. A charge class is a specific type of component that you can build with certain attributes.

3.2.1 Associating a charge class with a product

To associate a charge class with a product, select the appropriate charge class from the list of classes defined specifically for the particular module of Oracle Lending. Click 'Default From Class' from the 'Charge Definition' screen.

The attributes defined for the charge class are displayed. You have the option to change the attributes defined for the charge class to suit the requirement of the product you are creating.

3.2.2 Associating several charge classes with a product

You can associate several charge classes with a product. To add to the list of classes associated with the product click the 'Add row' button. Thereafter, click 'Default From Class' and select a class from the option list that is displayed.

To navigate between the charge classes associated with a product, you can use the icons provided for the same.

To disassociate a class from the product, navigate to the class, and click the 'Delete row' button.

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3.2.3 Stop Association

You can choose to waive a charge component for a product that you are defining by clicking on this option. The charge component displayed in the Component field is not associated with the portfolios maintained under the product that you are defining.

Note

– The charge details specified for a product is automatically applied on all contracts involving the product.

– The options 'Accrual Required' and 'Debit/Credit' is defaulted from the 'Charge Class Maintenance' screen. You cannot change these preferences in this screen.


3.3 Specifying Charge details for a contract

This section contains the following topics:

- Section 3.3.1, "Features of the Contract Charge Details screen"
- Section 3.3.2, "Charge details"

From the Loan and Commitment - Contract Input ('OLDTRONL') screen, click 'Charges' to invoke the 'Charge Details' sub-screen.

When the details of a contract are captured, the charge components defined for the product is automatically applied. However, while processing a contract, you can change certain attributes of the charge component.

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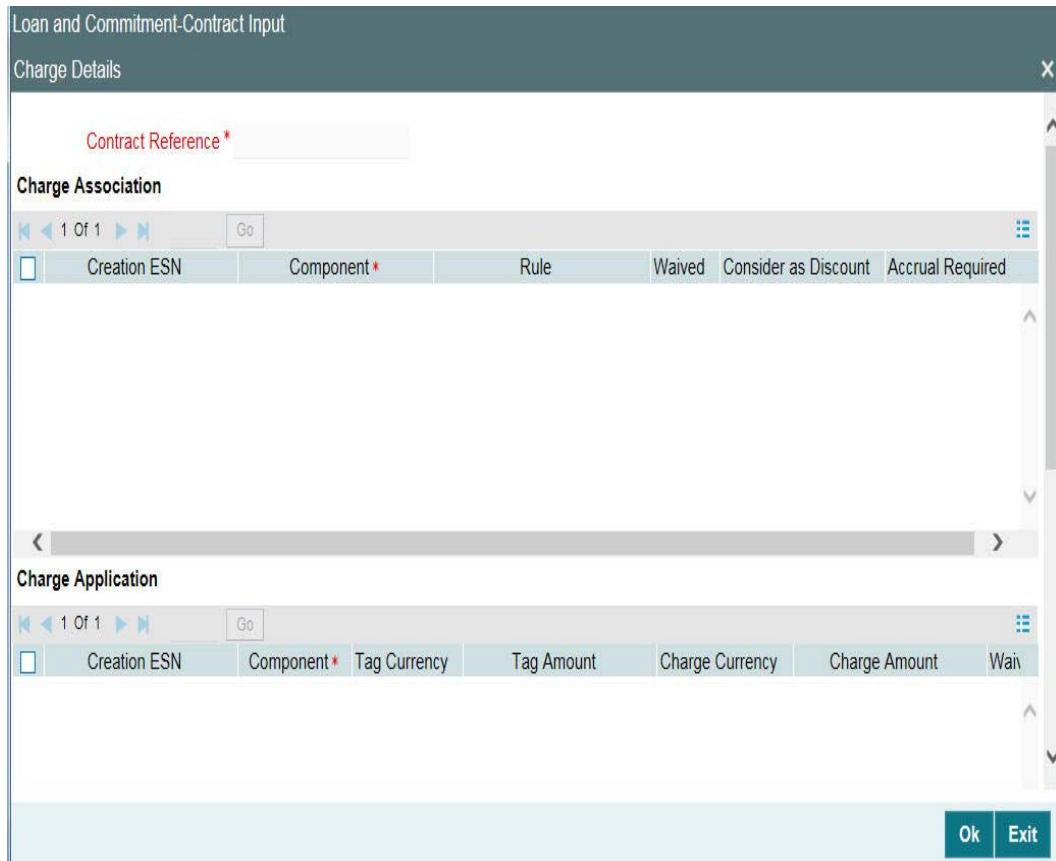
3.3.1 Features of the Contract Charge Details screen

The contract reference number of the contract you are processing is displayed on this screen.

3.3.2 Charge details

The charge components specified for the product to which you have linked the contract is displayed in tabular columns. You can choose to waive these components for the contract you are processing.

Component

The name given to the charge component is displayed here. The attributes defined for this component is displayed in the subsequent fields.

For a charge component the following details are displayed:

- The event that triggers the application of the charge being defined
- If the charge is a rate, it is defaulted from the product. This can be changed here.
- The currency in which the charge is specified if it is a flat amount and the flat amount itself.

Waiver

The attributes of a charge or fee defined for a product, are applied on all contracts involving the product. To waive the charge or fee on a contract you are processing, choose this option. The charge or fee is calculated but not applied.

At the time of processing the contract, you can change the following attributes:

- The rate
- The rate code for the contract

These default to the contract from the product, and can be changed for the contract.

Example

You have defined a Charge Rule, SplChgPor02. The structure of the Rule is as follows:

- Basis amount Currency – Euro
- Slab Min/Max Currency - USD
- Rule Currency – USD
- Settlement Currency INR

Amount	Rate	Min Amount	Max Amount
0 to 250 Thousand	0.05%	100	1000
> 250 Thousand <= 1 Million	0.06%		
> 1 Million <= 3 Million	0.07%		
> 3 Million	0.08%		

The exchange rates maintained for the currency pair involved are as follows:

- EUR/FRF = 6.55957
- USD / FRF = 6.76

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- USD / INR = 47.45

When this rule is applied on a deal of value 300 thousand FRF, the charge is calculated as follows

Step 1

The Contract Amount is converted to the Basis Amount Currency -

300000/6.55957 = EUR 45734.71

So the rate applicable is the first slab rate, that is, 0.05%

Step 2

The Charge is calculated as follows –

300000 * 0.05 = FRF 15000

Step 3

The Charge is converted to the Slab Min/Max Currency -

15000/6.76 = USD 2218.93

Since the amount is more than the maximum amount the charge is computed as USD 1000

Step 4

The charge amount is converted to the Rule Currency. Since the rule currency is also USD the charge amount is computed as USD 1000.

This charge is settled in the settlement currency INR as INR 21.07 while processing the contract.

Note

The charge is debited from the charge account in the currency of the charge account.

Consider as Discount

While associating a charge class for either a loans or bills contract, you can indicate whether the charge component is to be considered for discount accrual on a constant yield basis.

If you select this option the charge received against the component is used in the computation of the constant yield and subsequently amortized over the tenor of the associated contract.

Accrual Required

This field is defaulted from the Charge Class Maintenance screen. You cannot change it in this screen.

During the charge liquidation if this option is selected, the system uploads the charge as Upfront Fee Component. The FELR event is activated and FACR happens based on the frequency maintained at the product level.

Any subsequent liquidation of the charges of the same component is treated as amendments to the existing uploaded fee component.

You are not allowed to perform any manual operation on the uploaded fee component.

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Note

If both the options 'Consider as Discount' and 'Accrual Required' are selected, the charge amount is considered for Internal Rate of Return calculation. But it is not part of the total discount to be accrued amount.

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4. Processing Fees
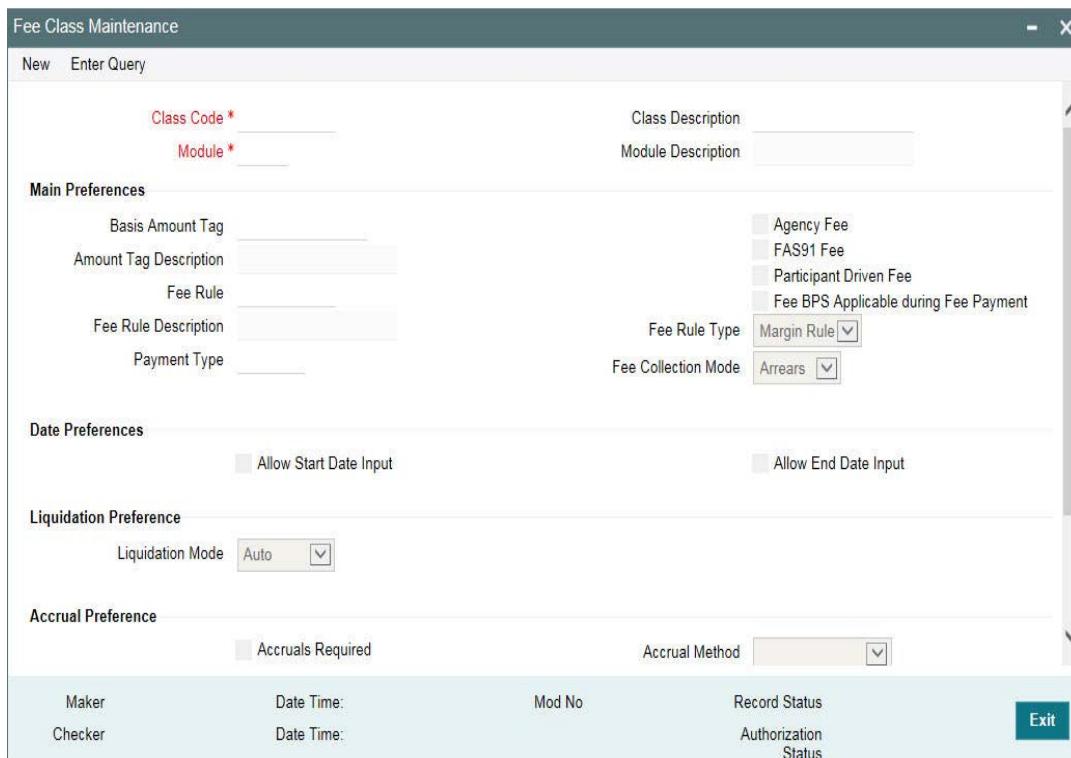
This section contains the following topics:

4.1   Defining a Fee Class

A class is a specific type of component that you can build with certain attributes. You can build a fee class, for instance, with the attributes of a specific type of fee, such as Loan processing fees, Amendment Fees.

When building a fee class, you define certain attributes such as:

- Module in which you would use the class
- Fee type
- Basis Amount Tag
- Fee Rule
- Fee Rule type
- Payment Type
- Fee collection mode
- Default Fee rule

You can define the attributes of a fee class in the 'Fee Class Maintenance' screen, You can invoke the 'Fee Class Maintenance' screen by typing 'LFDFEECL' in the field at the top right corner of the Application tool bar and clicking the adjoining arrow button.

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Class Code

Before defining the attributes of a 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.

Module

A fee class is built for use in a specific module. As a fee component would be applied on different basis amounts, in different modules.

Note

The Basis Amount Tags available would depend on the module for which you build the class.

Fee Type

The Rule Type identifies the type of component you are defining. The attributes applicable for a component depend on the Rule Type. Select the fee rule type as 'ICCF Rule' or 'Margin Rule'.

Fee Rule

If fee type is 'ICCF Rule', then you can get the fee rule details from 'ICCF Rule Maintenance' Screen. If type is 'Margin Rule' then you can get fee rule details from 'Fee Rule Maintenance' screen.

Allowing Rule Amendments

If you would like to allow the amendment of a rule for a fee component, indicate this by selecting the 'Allow Rule Amendment' option.

Consider as Discount

While defining a fee class for either the loans or the bills module, you can indicate whether the fee component is to be considered for discount accrual on a constant yield basis.

If you select this option the fee received for the component is used in the computation of the constant yield and subsequently amortized over the tenor of the associated contract.

Accrual Required

If you select this option, the fee received for the component is accrued based the constant yield and subsequently amortized over the tenor of the associated contract.

Propagation Required

Select this option to indicate that the fee collected from the borrower must be passed on to the participants of the contract.

Fee Mode

The fee mode can be any one of the following:

- Arrears
- Advance

4.2 Defining fee components for a product

This section contains the following topics:

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You can specify the fee components applicable to a product, in the fee Definition sub- screen of 'Loans and Commitment Product Definition' screen. Click **'**Fee' from 'Loans and Commitment Product Definition' screen to invoke the 'Fee Details' sub-screen.

You should necessarily use a fee class to indicate the fee components applicable to a product. A fee class is a specific type of component that you can build with certain attributes.

4.2.1 Associating a fee with a product

To associate a fee class with a product, select the appropriate fee class from the list of classes defined specifically for the particular module of Oracle Lending. Click 'Default From Class' from the 'Fee Details' screen.

The attributes defined for the fee class are displayed. You have the option to change the attributes defined for the fee class to suit the requirement of the product you are creating.

4.2.2 Associating several fee classes with a product

You can associate several fee classes with a product. To add to the list of classes associated with the product click the 'Add row' button. Thereafter, select a class from the option list that is displayed and then click 'Default From Class'.

To navigate between the fee classes associated with a product, you can use the icons provided for the same.

To disassociate a fee from the product, navigate to the class, and click the 'Delete row' button.

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4.2.3 Stop Association

The fee component displayed in the Component field is not associated with the portfolios maintained under the product that you are defining.

Note

– The fee details specified for a product is automatically applied on all contracts involving the product.

– The options 'Accrual Required' is defaulted from the 'Fee Class Maintenance' screen. You cannot change these preferences in this screen.

4.3 Specifying Fee details for a contract

This section contains the following topics:

- Section 4.3.1, "Features of the Contract Fee Details screen"
- Section 4.3.2, "Fee details"

From the Loan and Commitment - Contract Input ('OLDTRONL') screen, click 'Fee' to invoke the 'Fee Details' sub-screen.

When the details of a contract are captured, the fee components defined for the product is automatically applied. However, while processing a contract, you can change certain attributes of the fee component.

4.3.1 Features of the Contract Fee Details screen

The contract reference number of the contract you are processing is displayed on this screen.

4.3.2 Fee details

The fee components specified for the product to which you have linked the contract is displayed in tabular columns.

Component

The name given to the fee component is displayed here. The attributes defined for this component is displayed in the subsequent fields.

For a fee component the following details are displayed:

- Billing Notice Required
- Billing Notice Days
- The currency in which the fee is specified if it is a total fee amount and the total fee amount itself.

Consider as Discount

It is applicable for only Advance Fee type and for IRR computation.

Accrual Fee

In the Accrual Fee Class maintenance screen (LFDACFCL), you maintain accrual fee related details.

In the Product Definition screen, we can get these details and link it to the 'Accrual fee'.

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The accrual fee will not be defaulted to the contract. You need to go to 'Amortization Fees' screen (LFDACFIN).

Note

If both the options 'Consider as Discount' and 'Accrual Required' are selected, the fee amount is considered for Internal Rate of Return calculation.

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5. Function ID Glossary

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