Oracle® Banking Treasury Management
Interest User Guide

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Preface

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Purpose

This manual is designed to help you to quickly get acquainted with the Interest Module of Oracle Banking Treasury Management.

Audience

This guide is intended for Back Office Data Entry Clerk, Back Office Managers/ Officers, Product Managers, End of Day Operators, and Financial Controller users.

Documentation Accessibility

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

Access to Oracle Support

Oracle customer access to and use of Oracle support services will be pursuant to the terms and conditions specified in their Oracle order for the applicable services.

Critical Patches

Oracle advises customers to get all their security vulnerability information from the Oracle Critical Patch Update Advisory, which is available at Critical Patches, Security Alerts and Bulletins. All critical patches should be applied in a timely manner to make sure effective security, as strongly recommended by Oracle Software Security Assurance.

Diversity and Inclusion

Oracle is fully committed to diversity and inclusion. Oracle respects and values having a diverse workforce that increases thought leadership and innovation. As part of our initiative to build a more inclusive culture that positively impacts our employees, customers, and partners, we are working to remove insensitive terms from our products and documentation. We are also mindful of the necessity to maintain compatibility with our customers' existing technologies and the need to ensure continuity of service as Oracle's offerings and industry standards evolve. Because of these technical constraints, our effort to remove insensitive terms is ongoing and will take time and external cooperation.

Related Resources

For more information, see these Oracle Banking Treasury Management resources:

- *The Procedures User Manual*
- *The Products User Manual*

Conventions

The following text conventions are used in this document:

Table   Conventions and Meaning

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

Screenshot Disclaimer

Personal information used in the interface or documents is dummy and does not exist in the real world. It is only for reference purposes.

Acronyms and Abbreviations

The acronyms and abbreviations are listed in this below table:

Table   Acronyms and Abbreviations

Abbreviations or Acronyms	Definition
AEOD	Automated End of Day
AIF	Alternative Investment Fund
CLS	Continuous Linked Settlement

Table **(Cont.) Acronyms and Abbreviations**

Abbreviations or Acronyms	Definition
CIF	Customer Information Files
DV	Derivatives
Dr	Debit
EOFI	End of Financial Input
EOD	End of Day
FX	Foreign Exchange
GL	General Ledger
IRS	Internal Revenue Service
ICCB	Interest Commission Charge and Fee
LCY	Local Currency
LIBOR	London Interbank Offered Rate
MM	Money Market
OBTR	Oracle Banking Treasury Management
OT	Over the Counter Options
RFR	Risk Free Rates

Basic Actions

Table **List of Basic Actions**

Action	Description
Approve	Click **Approve** to approve the initiated report. This button is displayed, once the user click **Authorize**.
Audit	Click **Audit** to view the maker details, checker details of the particular record, and record status. This button is displayed only for the records that are already created.
Authorize	Click **Authorize** to authorize the record created. A maker of the screen is not allowed to authorize the report. Only a checker can authorize a record. This button is displayed only for the already created records.
Close	Click **Close** to close a record. This action is available only when a record is created.
Confirm	Click **Confirm** to confirm the performed action.
Cancel	Click **Cancel** to cancel the performed action.
Compare	Click **Compare** to view the comparison through the field values of old record and the current record. This button is displayed in the widget, once the user click **Authorize**.
Collapse All	Click **Collapse All** to hide the details in the sections. This button is displayed, once the user click **Compare**.
Expand All	Click **Expand All** to expand and view all the details in the sections. This button is displayed, once the user click **Compare**.

Table   (Cont.) List of Basic Actions

Action	Description
New	Click **New** to add a new record. The system displays a new record to specify the required data. **Note:** The fields which are marked in asterisk red are mandatory fields.
OK	Click **OK** to confirm the details in the screen.
Save	Click **Save** to save the details entered or selected in the screen.
View	Click **View** to view the report details in a particular modification stage. This button is displayed in the widget, once the user click **Authorize**.
View Difference only	Click **View Difference only** to view a comparison through the field element values of old record and the current record, which has undergone changes. This button is displayed, once the user click **Compare**.

Symbols and Icons

The list of symbols and icons available on the screens are as follows:

Table   Symbols and Icons - Common

Symbol/Icon	Function
⌐ ⌐	Minimize
⌐ ⌐	Maximize
✕	Close
🔍	Perform Search
▼	Open a list
|◁	Navigate to the first record
▷|	Navigate to the last record
◀	Navigate to the previous record
▶	Navigate to the next record
⊞	Grid view
☰	List view

Table   (Cont.) Symbols and Icons - Common

Symbol/Icon	Function
	Refresh
	Click this icon to add a new row.
	Click this icon to delete a row, which is already added.
	Calendar
	Alerts
	Unlock Option
	View Option
	New
	Enter query
	Execute query
	Copy
	Delete
	Save
	Search
	Advanced search
	Clear all
	Reset
	Export
	Print

Table   (Cont.) Symbols and Icons - Common

Symbol/Icon	Function
	View Details
	Sorting

Table   Symbols and Icons - Widget

Symbol/Icon	Function
	Open status
	Unauthorized status
	Rejected status
	Closed status
	Authorized status
	Modification Number
	Hold
	Reverse

1

Interest

Interest is an important component of contracts processed by your bank. It is expressed as a percentage of the principal amount. Typically, one party pays interest to another party for using the latter's assets. Interest is typically expressed as an annual percentage rate (APR).

You should define the attributes for interest components by way of defining interest rules. These interest rules should, in turn, be linked to a product, so that the attributes of the interest rule will be applied on all contracts involving 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 that the application of a specific Interest component should be waived.

In this chapter, we shall discuss the processing of interest on contracts. This will include defining Interest Rules, linking them to a product, and applying them on a contract.

For example, you could link two Interest Rules to a product, one with 20% fixed interest and another with floating interest. These two will be processed as two different interest components. The expense and accrual accounts can be different for these components. The two interest components will be reported as different components in all reports and also in the customer correspondence relating to the contract.

This topic contains the following sub-topics:

- Process Interest
  This topic describes the processing of interest.

- Rate Code Maintenance
  This section describes the systematic instructions to maintain the rate codes.

- Treasury Rate Fixing Maintenance
  This topic describes the systematic instructions to maintain Treasury Rate Fixing. For every cash flow settlement period of the floating rate leg, you have to fix the floating rate.

- Define Rate Sources
  This topic explains the systematic instructions to maintain the source from where the interest rates have to be picked up.

- ICCB Rule Availability Maintenance
  This topic explains the systematic instructions to maintain ICCB Rule Availability.

- ICCB Rules
  This topic describes the ICCB rule maintenance, defining the features of ICCB rule details, and the sequence in which the ICCB rules are resolved.

- Create Interest Classes
  This section explains how interest classes are built and how attributes are defined for Securities and Derivatives products and contracts.

- Link Interest Rule to a Product
  This topic describes how link interest rule to a product.

- Interest Details for the Product
  This topic describes the interest details for the product,

- Interest Payment Schedules for a Contract
  This topic describes the interest payment schedules for a contract.

- [Treasury Manual Rate Fixing](#)
  This topic explains the systematic instructions to apply the rate fixing on the selected float rate type contracts.

1.1 Process Interest

This topic describes the processing of interest.

You process interest in Oracle Banking Treasury Management in the following manner:

- Before a product module becomes operational, you will need to maintain certain basic information on interest, which will later be linked to a product. To create this information, you will have to define floating rate codes, floating rates and interest rules.

- You create Interest Rules for interest with attributes suitable for the product where these rules will be applied. You will give each interest rule a specific Rule ID. When you define a rule, you restrict the use of the rule for the different branches of the bank, for different transaction currency, for different customer group and for a particular customer.

- When you define a product, you can choose the required interest rules that are applicable for contracts in the product and link these rules to the product. The product will inherit the Rule ID's that are linked in this manner. Other attributes like rate of interest - fixed interest rate or floating interest rate etc are defined for individual products.

- When you enter a contract, the interest details defined for the product involved in the contract would be applied automatically on the contract. In other words, the interest rule is 'defaulted' from the product under which the contract is processed. However, if required, you can change some of the attributes, for a specific contract.
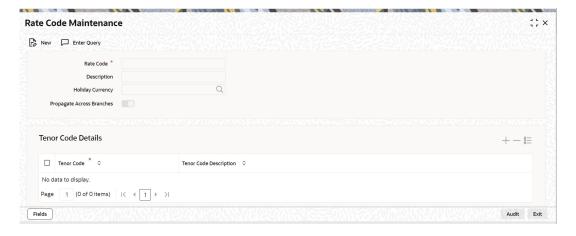
1.2 Rate Code Maintenance

This section describes the systematic instructions to maintain the rate codes.

You can define rate codes using the **Rate Code Maintenance** screen.

1. On the Homepage, enter **CFDTRRCM** in the text field and then click the next arrow.

   The system displays the **Rate Code Maintenance** screen.

   Figure 1-1   Rate code Maintenance

2. Specify the fields in the displayed screen.

Table 1-1   Rates - Field Description

Field	Description
Rate Code	Enter a code to identify the rate you are defining. You can associate several currencies to the rate code and specify rates for each currency. While processing a contract, you need to indicate this code to make the rate applicable to the contract. The code cannot exceed 10 characters.
Description	Enter a brief description to identify the rate code being defined.
Holiday Currency	Specify the holiday currency for this rate code. You can choose the appropriate one from the adjoining option list that displays all valid currency codes maintained in the system.
	Floating rates prevalent in the market are recorded in the system as rate codes (E.g. LIBOR). The prevailing rates in the market are also recorded in the system. These rates are defined in a certain market (E.g. LIBOR rates comes from the London market). Hence the days on which that market is closed is determined by the holidays maintained for the related currency (GBP for LIBOR). This currency must be recorded as the 'Holiday Currency' for the Rate code.
Propagate Across Branches	Check this option to indicate that the rate code should be available across all branches.
Tenor Code tDetails	Specify the tenor code details.

Table 1-1   (Cont.) Rates - Field Description

Field	Description
Tenor Code	Enter a brief description for the tenor code. You can add multiple tenor codes for the rate code by clicking add icon. Similarly, you can delete a tenor code by selecting the desired row and then clicking delete icon. In order to process MT340, MT360 and MT361 you need to maintain the following rate codes: • AONIA • BBR-AUBBSW • BBR-BBSW • SWAPRATE • BA-CDOR • BA • CORRA • TBILL • ISDAFIX • CLICP • CIBOR • DKKOIS • ANNSR • ANNUALSR • EONIA • EURIBOR • TEC10-CNO • HIBOR • HONIX • ISDA • IDMA • IDREFIX • SBI • SOR • TELBOR01 • TELBOR • BMK • CMT • INBMK • MIBOR • MIFOR • MIOIS • MITOR • RFRCBANKS • BBSF • LIBOR • MUTANCALL • TIBOR • TONA • TSR • CD3220 • CD-KSDA • TIIE-BANXICO • NIBOR-NIBR • BBR

Table 1-1 (Cont.) Rates - Field Description

Field	Description
	• NZIONA • WIBOR • ANNUAL • STIBOR • SIBOR • SONAR • SOR • BRIBOR • THBFIX • CMS • COF11 • FEDFUND • ISDAFIX3 • SANDPINDEX • SIFMA • TREASURYRATE • TRSYRATE • TRSYRATE • BBR • BA • TBILL • EURIBOR • TAM • TMM • HIBOR • TSR • BRIBOR • CMS • COF11 • ISDA • TIBOR

1.3 Treasury Rate Fixing Maintenance

This topic describes the systematic instructions to maintain Treasury Rate Fixing. For every cash flow settlement period of the floating rate leg, you have to fix the floating rate.
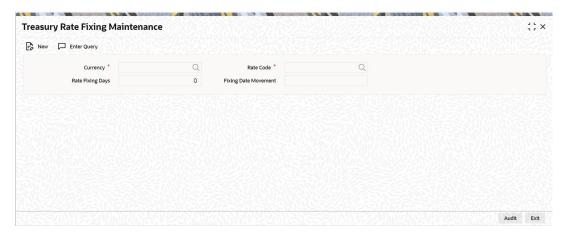
You can define rate codes using the **Rate Code Maintenance** screen. The rate fixing days defined may differ from trade to trade basis. The floating rate fixed in advance or at the end of the period according to the rate fixing days and movement set for the trade.

1. On the Homepage, enter **TRDRTFXD** in the text field and then click the next arrow.

   The system displays the **Treasury Rate Fixing Maintenance** screen.

Figure 1-2   Treasury Rate Fixing Maintenance

2. Specify the fields in the displayed screen.

Table 1-2   Treasury Rate Fixing - Field Description

Field	Description
Currency	This is a Mandatory field. Specify the type of currency from the List of Values Currency according to the requirement.
Rate Code	This is a Mandatory field. Specify the rate code from the List of Values Rate Code.
Rate Fixing Days	Specify the Rate fixing days as per the requirement. Rate fixing days can have the values from zero or greater. If no values are entered system defaults it to zero.
Fixing Date Movement	Specify the Movement as Forward, Backward or None as per the requirement from the effective revision date

1.4 Define Rate Sources

This topic explains the systematic instructions to maintain the source from where the interest rates have to be picked up.

You can define rate codes using the **Rate Code Maintenance** screen.

1. On the Homepage, enter **CFDTRRSCM** in the text field and then click the next arrow.

   The system displays the **Rate Source Definition** screen.

Figure 1-3   Rate Source Definition

2. Specify the fields in the displayed screen.

Table 1-3   Rate Source Definition - Field Description

Field	Description
Rate Source	Specify a unique code to identify the rate source you wish to maintain. The code cannot exceed 10 characters.

Table 1-3   (Cont.) Rate Source Definition - Field Description

Field	Description
Description	Enter a brief description to identify the rate code being defined.
	In order to process MT340, MT 360 and MT361you need to maintain the following rate sources:
	• SWPMKR
	• AUBBSW
	• BLBG
	• 10:00-SWPMKR
	• 11:00-BLBG
	• 11:00-SWPMKR
	• 3M-SWPMKR
	• COMP-BLBG
	• 365-BLBG
	• BLBG
	• SWAPRATE-11:00
	• SWAPRATE-4:00
	• RFRCBANKS
	• BLOOMBERG-10:00
	• BLOOMBERG-15:00
	• FRASETT
	• TONAR
	• 17096
	• 17097
	• BLBG
	• REUTERS-10:00
	• REUTERS-15:00
	• CD3220
	• BLBG
	• BID
	• RFRCBANKS
	• WIBO
	• COMPOUND
	• BLOOMBERG
	• OIS-COMPOUND
	• NBSK07
	• ICAPSP
	• REUTERS
	• H.15-BLBG
	• H.15-OIS-CPD
	• FIX3SR-3:00
	• SWAPRATE
	• SWAPRATE-3:00
	• BBA-BLOOMBERG
	• HIGHGRADE
	• MCPLSWAPINDEX
	• ICAPBKT
	• SWPMKR100
	• SWPMKR99
	• ISDC
	• ISDD
	• TELERATE
	• ISDD

Table 1-3   (Cont.) Rate Source Definition - Field Description

Field	Description
	• TELERATE • ISDA • TELERATE • CDC • CDC-COMPOUND • ISDA • ISDC • TELERATE • ISDA • TELERATE-10:00 • TELERATE-15:00 • TELERATE • RFRCBANKS • WIBO • TELERATE • BRBO • SWAP RATE

1.5 ICCB Rule Availability Maintenance

This topic explains the systematic instructions to maintain ICCB Rule Availability.

So far we have discussed the concept of a 'main' interest, the attributes of an interest component, and floating rate codes. Now, we go on to definition of an Interest Rule. An Interest Rule identifies the basic nature of an interest component. Each Interest Rule is defined by an alphanumeric code called the Rule ID. Attributes are defined for this Rule ID, which is then linked to a product. When a contract is processed, the interest attributes defined for the Rule ID linked to the product will be applied on the contract, some of which can be changed. An interest rule is created in the same way that any Interest, Commission, Charge and Fee (ICCB) rule is created, as follows:

- The rule is created at the head office branch, by giving it a unique identification and description, in the 'Treasury ICCB Rule Branch Availability' screen. In this screen, the rule is made available for use in the required branches by maintaining an allowed / disallowed list of branches.

- At the required branch, in the 'Treasury ICCB Rule Details' screen, the attributes for the rule are defined. Maintaining the attributes in this screen is subject to whether maintenance of ICCB rules is allowed for the branch, and also whether the rule for which attributes are being defined, is allowed for the branch. To recall, at the head office of your branch, you can create appropriate ICCB rules and make the rules available to the required branches.
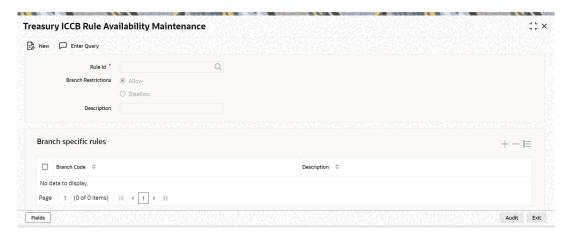
In the **Treasury ICCB Rule Availability Maintenance** screen, you can maintain ICCB rules, which you can make available to desired branches. You can do this by maintaining a list of branches for which the use of the rule is allowed, or disallowed.

You can define rate codes using the **Rate Code Maintenance** screen.

1. On the Homepage, enter **CFDTRRLA** in the text field and then click the next arrow.

   The system displays the **Treasury ICCB Rule Maintenance** screen.

Figure 1-4   Treasury ICCB Rule Maintenance

2. Specify the fields in the displayed screen.

Table 1-4   Treasury ICCB Rule Maintenance - Field Description

Field	Description
Rule Identification and Description	You must specify a unique identification for the ICCB rule you are creating. If you are creating a charge rule, specify a unique identification for the interest rule. This is the code that will be used to identify the rule, in all subsequent references to it. You must also specify a unique description for the rule. After the rule has been created in the **Treasury ICCB Rule Branch Availability** screen, the attributes for the rule must be defined in the **Treasury ICCB Rule Details** screen.
Branch Restrictions	You can maintain a list of allowed branches (that is, the rule will be available for use in the allowed list of branches) or disallowed branches (the rule will not be available for use in the branches in the disallowed list). To recall, the attributes for the rule are defined, in the 'Treasury ICCB Rule Details' screen. Maintaining the attributes in this screen, for a branch, is subject to whether maintenance of ICCB rules is allowed for the branch, and also whether the rule for which attributes are being defined, is allowed for the branch. For details about the Common Branch Restrictions, refer the Security Management System user manual. For example, you have created the following Common Branch Restrictions: **Table 1-5 Common Branch Restrictions** <table><tr><th>Home Branch</th><th>Restriction Type</th><th>Allowed Branches</th></tr><tr><td>000</td><td>ICCBRULE</td><td>000, 001, 002, 005</td></tr><tr><td>001</td><td>ICCBRULE</td><td>001, 006</td></tr></table> The administrator of branch 000 can create, modify and delete ICCB rules in the branches 000, 001, 002 and 005, but not for 006.

1.6 ICCB Rules

This topic describes the ICCB rule maintenance, defining the features of ICCB rule details, and the sequence in which the ICCB rules are resolved.

This topic contains the following subtopics:
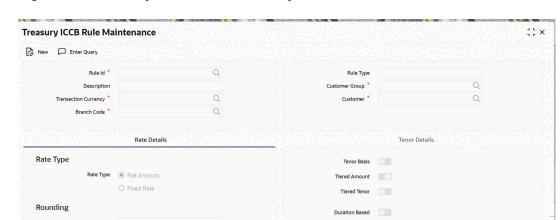
*   ICCB Rule Maintenance
    This topic describes the systematic instructions to maintain ICCB Rules.

*   Define Features of the ICCB Rule Details
    This topic explains the features of the ICCB Rule Details screen.

*   The Sequence in which ICCB Rules are Resolved
    This topic describes the ICCB rules resolved sequence.

1.6.1 ICCB Rule Maintenance

This topic describes the systematic instructions to maintain ICCB Rules.

To recall, after an interest rule has been created in the **Treasury ICCB Rule Availability Maintenance** screen, the attributes for the rule must be defined in the **Treasury ICCB Rule Maintenance** screen.

1. On the Homepage, enter **CFDTRRLM** in the text field and then click the next arrow.

    The system displays the **Treasury ICCB Rule Availability Maintenance** screen.

Figure 1-5   Treasury ICCB Rule Availability Maintenance

2. Specify the fields in the displayed screen.

1.6.2 Define Features of the ICCB Rule Details

This topic explains the features of the ICCB Rule Details screen.

As you are defining an interest type of component, (that is, a tenor based component), you need to specify only the following details through the **Treasury ICCB Rule Details** screen:

- Rule Type
- Rule ID
- Rule Description
- Rule Currency, Customer and Branch combinations

> ⓘ **Note**
>
> The values defaulted by the system in the fields under the Rate Details and Tenor Details tabs should not be altered. These will not have any effect on the Interest Rule which is being created.

All the other details of the component must be specified through the Interest Class screen. The Interest Class screen allows you to specify details regarding different attributes such as the following:

- Fixed, Floating or Special interest rates
- Penalties calculated based on the main interest
- Accrual of interest

- Specify the fields in the **ICCB Rule Details** screen.

  For detailed information, refer to the below table

Table 1-6　Features of the ICCB Rule Details

Field	Description
Rule Type	The Rule Type identifies the type of ICCB component you are defining. In this case it is Interest. The attributes applicable for a component depends on its Rule Type.
	For example, you can define any component that is tenor based - an annual fee, for example - as a component of Rule Type Interest. If INTEREST1 is your main interest, your annual fee can be defined as INTEREST2, as it is tenor based. Only on an Interest type of component can you have floating rates.

Table 1-6   (Cont.) Features of the ICCB Rule Details

Field	Description
Rule ID	Each Interest Rule is defined by an alphanumeric code called the Rule ID. Attributes are defined for this Rule ID, which is then linked to a product. When a contract is processed, the interest attributes defined for the Rule ID linked to the product will be applied on the contract, some of which can be changed.
	To recall, the Rule ID for an interest rule is specified in the ICCB Rule Branch Availability maintenance. Accordingly, in the Rule ID field in this screen, you must select the ID of the interest rule that you wish to build by maintaining the attributes.
	The option list in the Rule ID field is populated based on the following conditions: • Only those Rule IDs that are available for users at the current branch according to the ICCB Rule Branch Availability maintenance are displayed • The maintenance of ICCB rules must be allowed for users at the current branch, according to the restrictions maintained in the Common Branch Restrictions maintenance for the restriction type ICCBRULE
	If no Common Branch Restrictions have been maintained, and the restriction type ICCBRULE has not been maintained in the SMS Branch Restriction Type maintenance, the option list in the Rule ID field only displays those rules that are available for users in the current branch, according to the ICCB Rule Branch Availability maintenance.
	You must select the Rule ID to have all the bank branches listed in the Branch field list of options.

This topic has the following sub-topic:

• [Interest Rule Application Factors](#)
  The conditions for the application of an interest rule can be defined in the ICCB Rule Details screen.

1.6.2.1 Interest Rule Application Factors

The conditions for the application of an interest rule can be defined in the ICCB Rule Details screen.

The rule can be applied to any contract, irrespective of the currency of the contract, the customer and the branch involved. This is referred to as a general interest rule. You must define a general interest rule that would be applicable for any contracts in any currencies, involving any customers, customer groups or branches, before you define rules applicable to specific customers and contracts in specific currencies and in specific branches. The general rule can only be maintained at the head office branch.

Thus, the most general application of the condition can be that it is applicable to contracts in any currency and involving any customer.

After defining the general interest rule, you can then proceed to define rules that can be applied to contracts involving the following specific combinations:

• A specific branch, customer category, customer and currency

• A specific branch, customer category, customer and all currencies

• A specific branch, customer category, currency and all customers

- A specific branch, currency and all customer categories and customers
- A specific branch, customer categories and all currencies and customers
- A specific branch and all customer categories, customers and currencies
- A specific customer category, customer, currency, and all branches
- A specific customer category, customer and all currencies and branches
- A specific customer category, currency and all customers and branches
- A specific currency and all customer categories, customers and branches
- A specific customer category and all customers, currencies and branches
- All branches, customer categories, customers and currencies

> ⓘ **Note**
>
> As mentioned earlier, the rules applicable for combinations involving all branches (the ALL option in the Branch Code field) can be maintained only from the head office branch.

Once an Interest Rule has been defined, you must create an Interest Class for the Interest Rule. Creating an interest class for every Interest Rule is mandatory. The details specified for Interest Class is then defaulted to the product you define.

The definition of a product should ideally be preceded by the definition of all Interest Rules applicable to the product. If not, the product definition has to be put on hold, the Interest Rules defined, and then the product linked to the Interest Rules.

Transaction Currency

If you wish 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 ICCB 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. You can create a generalized interest rule mapping record by selecting the ALL option in the Customer Group field. This specification defaults to the Customer and Customer Account fields. You are forbidden to change the specification.

Customer

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

Branch Code

If you are maintaining the attributes for the selected ICCB rule from the head office branch, you can select the branch for which the attributes are being defined. If you wish 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 ICCB 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 ICCB rule definition Restriction Type (ICCBRULE), in the Common Branch Restrictions maintenance for the current branch
- the selected rule being built, according to the ICCB 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.

The following example illustrates how the option lists in the Rule ID and Branch Code fields are populated: For example, you have created the following Common Branch Restrictions for the restriction type ICCBRULE:

Table 1-7   Branch and Allowed Branches

Home Branch	Allowed Branches
001	000, 001, 002, 005
001	001, 006
002	002, 005, 006
005	002, 005, 006

You have maintained the following rules in the ICCB Rule Branch Availability Maintenance:

Table 1-8   Rule ID and Allowed Branches

Rule ID	Allowed Branches
INTRULE1	000, 001, 002, 005
INTRULE2	001, 005, 006
INTRULE3	002, 005, 006
INTRULE4	002, 005, 006

In the ICCB Rule Details screen, the following options would result if the maintenance were as mentioned above:

Table 1-9   Rules and Branch Code Option List

Branch	Rule ID field option list	Branch Code option list
000	INTRULE1	000, 001, 002, 005
001	INTRULE1, INTRULE2	001, 006
002	INTRULE1, INTRULE3	000, 001, 002, 005, 006 (for INTRULE1) or 002, 005, 006 (for INTRULE3)
005	INTRULE1, INTRULE2, INTRULE3	000, 001, 002, 005, 006 (for INTRULE1), 001, 005, 006 (for INTRULE2) or 002, 005, 006 (for INTRULE3)

1.6.3 The Sequence in which ICCB Rules are Resolved

This topic describes the ICCB rules resolved sequence.

ICCB Rules that you maintain are resolved in the following sequence:

Table 1-10   ICCB Rules Maintenance

Rule	Branch	Customer Category	Customer	Currency
Specific	Specific	Specific	Specific	Specific
Specific	Specific	Specific	Specific	ALL
Specific	Specific	Specific	ALL	Specific
Specific	Specific	ALL	ALL	Specific
Specific	Specific	Specific	ALL	ALL
Specific	Specific	ALL	ALL	ALL
Specific	ALL	Specific	Specific	Specific
Specific	ALL	Specific	Specific	ALL
Specific	ALL	Specific	ALL	Specific
Specific	ALL	ALL	ALL	Specific
Specific	ALL	Specific	ALL	ALL
Specific	ALL	ALL	ALL	ALL

1.7 Create Interest Classes

This section explains how interest classes are built and how attributes are defined for Securities and Derivatives products and contracts.

Before defining the attributes of an interest 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 a class. A class is a specific type of component that can be built with certain attributes. For instance, for a Security, you can build an interest class with the attributes of a specific type of coupon, the quarterly coupon paid on the current face value.
When building an interest class, certain attributes, such as the following can be defined:

- The module in which you would use the class

- The interest type

- The association event

- The basis amount on which the coupon is paid

- The rate type

- The default rate code (for floating interest)

- The default tenor

You need to maintain an Interest class specific to the Securities module. For instance, for a Security, you can build an interest class with the attributes of a specific type of coupon, the quarterly coupon paid on the current face value.

1. On the Homepage, enter **CFDTRINT** in the text field and then click the next arrow.

   The **Treasury Interest Maintenance** screen is displayed.

Figure 1-6   Treasury Interest Maintenance

2. On the **Treasury Interest Maintenance** screen, specify the fields.

For field details and description, refer to the below table.

Table 1-11   Treasury Interest Maintenance

Field	Description
Module	An interest class is built for use in a specific module. This is because; an interest 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.
Interest Type	While building an Interest Class, you can define two kinds of interest: • **Primary Interest** • **Coupon**
Events and the Basis Amount	The term Event can be explained with reference to a deal. A deal goes through different stages in its life cycle, such as: • **Deal Booking** • **Money Settlement of Deal** • **Reversal of Deal** • **Cancellation of Deal** Each stage is referred to as an Event in Oracle Banking Treasury Management. The event at which you would like to associate the interest component, being defined, to a contract is referred to as the Association Event. The basis on which an interest is calculated is referred to as the Basis Amount. For instance, a coupon can be on the basis of the current face value of a security. When building an interest class, you have to specify the tag associated with the Basis Amount. The attributes defined for an interest class, will default to all products with which you associate the class. When maintaining interest details for a product, you can change these default attributes. Contracts maintained under a product will acquire the attributes defined for the securities product.
Accrual Required	You can choose to accrue the interests due on a contract. To accrue the interest payable on a contract, choose the 'Accrual Required' option. The accrual details that you define for an interest class will default to all products with which you associate the class. When maintaining interest accrual details for a product, you can change these default details. Contracts maintained under a product will acquire the accrual details defined for the product. However, you can define unique accrual details for a contract.
Rate Type	The interests paid on contracts can be at a Fixed Rate, or on the basis of a Floating Rate. If you indicate that interests should be calculated on the basis of a Floating Rate, you must specify the 'Periodic' Floating Rate Type. For all contracts maintained under products, associated with a class, the interest will be by default calculated using the specified Rate type.

Table 1-11   (Cont.) Treasury Interest Maintenance

Field	Description
Default Rate Code	Interest payable on contracts would be calculated at specific rates. When building an interest component, you have to specify the rate at which the interest should be computed. When associating a rate code (that you have maintained in the Rate Codes Maintenance screen) with the interest component that you are building, the rates corresponding to the code will be used to compute interest. The details defined for an interest class will default to all products with which the class is associated. When maintaining interest details for a product, you can change this default information. Contracts maintained under a product will acquire the interest details defined for the contract product. However, you can define unique interest details specific to a contract. When maintaining a contract, you can choose to waive the rate code altogether or amend the properties of the code to suit the security. If you allow amendment of a rate code, you can specify if you would like to allow rate code amendment after the association event. You can also allow the amendment of the rate value (corresponding to a rate code).
Default Tenor	Each rate code is associated with a tenor. For instance you have a Rate Code 'LIBOR'. You can link any number of tenor codes to the same rate code. **Table 1-12 Tenor Details** <table><tr><th>Tenor Code</th><th>Description</th></tr><tr><td>1W</td><td>One week rate</td></tr><tr><td>2W</td><td>Two week rate</td></tr><tr><td>2M</td><td>Two months rate</td></tr><tr><td>6M</td><td>Six months rate</td></tr><tr><td>1Y</td><td>One year rate</td></tr></table> When building an interest component, you can specify a Tenor Code that you would like to associate, with the Floating Interest Rate Code. Interests for contracts (maintained under a product with which you associate the class) will be calculated using the rate corresponding to the Rate Code and the Tenor Code.
Default Waiver	Check this box to indicate that even if charge is computed, it should not be liquidated.
Allow Rate Type Amendment	Check this box, to allow rate type amendment.
Allow Rate Code Amendment	Check this box, to allow rate code amendment.
Negative Class Code	The system displays the negative class code. When you save the record, the system updates the 'Negative Class Code' field with the name of the auto-generated Negative class code. If any interest class already exists with the same class code as the negative class code being auto-generated, then the system displays an appropriate error message on saving the main interest class code itself. In such cases, specify the 'Negative Class Code' field manually and save the record. Any operation on Negative class codes generated by system will be restricted.

Table 1-11   (Cont.) Treasury Interest Maintenance

Field	Description
Amend after Association	If you would like to allow the amendment after association of a rule for a charge component, check this box. Once checked the system will allow you to modify the rule after the association event is triggered for the linked contract.
Allow Rate Amendment	Check this box, to allow rate amendment.
Negative Interest Allowed	Check this box to indicate the negative rate must be allowed for DV and SR modules.
Interpolation Method	Select the required interpolation method from the adjoining drop-down list. The list displays the following values: • **Not Applicable** • **Linear** If the option Linear is selected, then the system uses Interpolation formula. Rounding Rule and Precision is mandatory in this case.
Rounding Rule	Select the required rounding rule from the adjoining drop-down list. The list displays the following values: • **Blank** • **Up** • **Down** • **Truncated** • **Round Near** **Note:** Rounding Rule is applicable only when interpolation method is linear.
Rounding Units	Specify the decimal value that must be used for interest rate calculation.
Lookback Months	Specify the number of months to look back to capture the Lag. **Note:** • For Inflation type interest class, Lookback Days must be disabled. • For RFR rate type, Lookback Months must be disabled. 2-14 Compounding Preferences
Frequency	Select the compounding frequency of the interest from the adjoining drop-down list. The list displays the following values: • **Daily** • **Weekly** • **Monthly** • **Quarterly** • **Half Yearly** • **Yearly** • **Bullet**
Unit	Specify the frequency for compounding interest.

Table 1-11   Treasury Interest Maintenance

Field	Description

Compound on Holidays	Check this box to indicate that the compounding must be done on holidays. The system allows to check this box only if the Frequency is Daily.
	
	During save, the system performs the following validations:
	• Lookback Days and Months can be greater than or equal to zero and can be only positive values.
	• When Look back days defined is greater than zero, then Reset date movement should be selected.
	• Only the below fields gets enabled for inflation rate type component:
	  – **Lookback**
	  – **Lookback Months**
	  – **Payment Delay**
	  – **Payment Delay Days**
	  – **Payment Date Movement**
	  – **Payment Delay Calendar**

Payment Date Movement	Specify the date on when the payment movement is to be done. The adjoining drop-down list displays the following values: • **Lead** • **Lag** If the option LEAD is selected, then the payment is preponed. If the option LAG is selected, then the payment is deferred.
Payment Movement Calendar	Specify the payment movement calendar from the adjoining drop-down list. The list displays the following values: • Calendar • Business If the option Calendar is selected, then the 'Payment Date Movement' ignores holiday maintenance at contract level. If the option Business is selected, then the 'Payment Date Movement' considers holiday maintenance at contract level.

This topic has the following topic:

- [Rates](#)
  This topic explains the systematic instructions to enter the details in the Rates sub-screen.

1.7.1 Rates

This topic explains the systematic instructions to enter the details in the Rates sub-screen.
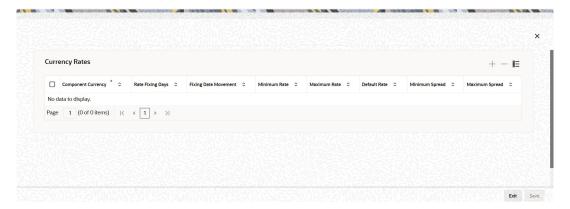
System generates a negative interest component on saving the interest class, if negative interest is allowed for an interest class. Negative Interest Class name is derived as Main Interest Class Code_N. If the length of main interest class code is more than 8, then the system truncates the interest class code to first eight characters and adds '_N".

1. Click **Rates** in the **Treasury Interest Maintenance** screen.

   The **Rates** screen is displayed.

Figure 1-7   Rates

2. Specify the fields in the displayed screen.

Table 1-13   Rates - Field Description

Field	Description
Component Currency	Select the component currency from the displayed list of values.
Rate Fixing Days	Enter the rate fixing days as per the requirement. Rate fixing days can have the values from zero or greater. If no values are entered system defaults it to zero.. By default, the system displays 0 value.
Fixing Date Movement	Select the Fixing Date Movement from the drop-down list as per the requirement from the effective revision date. The available options are: • **Forward** • **Backward** **Note:** If rate fixing days is greater than zero, movement is selected either as forward or backward. If rate fixing days is zero then Reset date movement will remain blank. The Values of the Rate fixing days and Rate fixing movement are defaulted from Treasury Maintenance screen (Refer to section 2.4) for the currency and rate code combination. Based on the requirement, user can change these values.
Minimum Rate	Specify the minimum rate which must be applied to the contract under the products linked to this class. Minimum rate allows negative values if the negative interest is allowed for the class..
Maximum Rate	Specify the maximum rate which must be applied to the contract under the products linked to this class. Maximum rate allows negative values if the negative interest is allowed for the class.
Default Rate	Specify the default rate that should be applied for on contracts under the products linked to this class. Default rate allows negative values if the negative interest is allowed for the class.
Minimum Spread	Specify the minimum spread which must be applied to the contract.
Maximum Spread	Specify the maximum spread which must be applied to the contract.

1.8 Link Interest Rule to a Product

This topic describes how link interest rule to a product.

This topic contains the following subtopics:

- [Concept of Main Interest](#)
- [Methods of Interest Application](#)
- [Methods of Interest Collection](#)
- [Specify Accrual Related Details](#)
- [Mode of Repayment](#)
- [Repayment Type](#)

1.8.1 Concept of Main Interest

If a product, and hence a contract involving the product, has more than one type of interest applicable, you should designate one of them as the Main Interest. You can do this while defining the interest details for the product. For capitalization and amortization (repayment in Equated Installments) purposes, the main interest component will be considered.

You can choose to set up as many interest rules as you wish to apply on the product and subsequently, on the contract.

1.8.2 Methods of Interest Application

Interest can be applied in different ways, as follows:

Fixed

An interest rate is fixed at the time of initiating the contract. The repayment amounts will be computed based on this rate of interest and the repayment schedule.

However, the interest rate applicable on a contract can be changed after the contract has been initiated. You should indicate that this change should come into effect as of a date called the Value Date. The interest amount will be computed based on the new rate effective from the Value Date.

Floating

The market rates (with a spread or without it) are applied on the contract. This application can be done in two ways:

- Every time the market rate changes
- Only at periodic intervals

Floating rates prevalent in the market are captured in the system as rate codes (Ex LIBOR). The prevailing rates in the market are also captured in the system. These rates are defined in a certain market (For Ex LIBOR rates comes from London market).These market rates are stored in the Floating Rates table. The rates are defined for a combination of Rate Codes, Currency and Value Date. If the rates have to be applied periodically, the frequency of application should be defined for each contract.

1.8.3 Methods of Interest Collection

Bearing

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

Discounted

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

True Discounted

In this interest payment method, the interest is calculated on the principal in a manner that is slightly different from the Discounted method. The interest rate is applied on the Principal instead of the Nominal, as it is done in the Discounted method. You can specify this preference for individual products under different modules.

1.8.4 Specify Accrual Related Details

You have to specify two aspects about interest accruals:

- Whether accruals have to be carried out
- If yes, their frequency

For a product you should specify, through the Product ICCB Details screen, whether accruals have to be carried out. If yes, the frequency of accruals (whether daily, monthly, quarterly, half-yearly or annual) should be specified for the product through the Product Preferences screen. This will apply to the accruable components of all contracts involving the product.

Accruals will be carried out at the specified frequency by the Automatic Contract Update function during the End of Day processes. In addition, interest will be accrued whenever a backdated event (like a rate change with a Value Date, a payment, etc.) is triggered as of a date beyond the date on which the last accruals were carried out.

1.8.5 Mode of Repayment

The repayment schedules for interest should be defined for each contract. Depending on the mode of payment applicable, the interest will be liquidated, either automatically or manually, according to this schedule.

The mode of repayment for interest can either be automatic or manual. Specify this preference in 'Code Usage' field. When the repayment is automatic, interest will be liquidated on the schedule repayment dates automatically by the Automatic Contract Update program. On the other hand, if the repayment is manual, instructions for liquidation should be entered in the system when the repayment is made.

The mode of repayment has to be specified for a product, but you can change it for a contract.

For BC contracts, all outstanding accruals during full repayment are passed unconditionally during the YACR (YTM based discount accrual) event. To recall, this event is meant to indicate the periodic discount accruals for a BC contract.

1.8.6 Repayment Type

You must specify the type of repayment schedule as amortized, capitalized or normal, while defining a product. The type you have specified will be applicable to all the contracts involving the product and will be displayed in the Contract On-line Preferences screen. You can capitalize the interest payment on a contract by:

- Specifying the type of schedule (through the Product Preferences screen) as Capitalized. The contract inherits this from the product
- Specifying the frequency for the capitalization through the Product Default Schedules screen

If you have specified capitalization and defined schedules for the components of the contract, the unpaid interest will be capitalized for the next schedule. That is, the unpaid interest will be added to the unpaid principal and this will become the principal, for the next schedule.

> ### ⓘ Note
>
> Capitalization is done only for the 'Main' interest and only if it is a fixed interest of the bearing type.

You can have equated installments for the contract on the schedule dates by specifying Amortization as the schedule type and specifying the frequency. These repayment schedules will be drawn up taking into consideration the Principal and the Main Interest (that component which you have defined for display in the Contract Details screen). If you specify amortized schedules, the system will automatically do the amortization, according to the frequency defined.

> ### ⓘ Note
>
> The schedule type can be amortized only if the amount has a fixed type of interest and bearing interest payment method.

If you specify the schedule type as Normal, you can tailor schedules for the various components to suit your needs. 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

1.9 Interest Details for the Product

This topic describes the interest details for the product,

This topic contains the following subtopics:

- Product Definition Screen
  This topic describes the systematic instruction to define product details.

- Basis for Interest Application
  This topic describes the basis for interest application.

- Interest Rate Details
  This topic describes the interest rate details.

- Specify Preferences for Floating Rate Pickup
  This topic explains the preferences for interest components.

- Product Limits
  This topic describes the product limits.

- Floating Rate Products
  This topic describes the floating rate products.

- Interest Details
  This topic explains the Interest Details fields.

- [Floating Rate Details](#)
  This topic explains the Floating Rate Details

- [View Details of the Interest Rules](#)
  This topic describes the summary of interest rules details.

- [Waiving an Interest Rule](#)
  You have the option of waiving those rules (defined for the product), which you do not wish to apply on a contract.

- [Amending Interest Components](#)
  Once a contract is authorized, any change in details that would affect the financial information of the contract has to be made through the Value Dates Changes function.

- [Defining Interest Repayment Schedules](#)
  You can define interest payment schedules for the product. These will be applicable to all contracts involving the product. But at the time of processing a contract you can change the schedules to suit its requirements.

- [Defining Interest Payment Schedules for the Product](#)
  This topic describes how to define interest payment schedules for the product.

1.9.1 Product Definition Screen

This topic describes the systematic instruction to define product details.

When a contract involving the product is processed, the interest attributes defined for the product will be applied on the contract. Some of these attributes can be changed during contract processing.
You can link more than one rule to a product. In the Product ICCB Details screen, in the Rule ID field, pick the rule you wish to link to the product. For an interest type of rule, all the interest related details have to be specified in the Product ICCB Details screen.

After you have defined an Interest Rule by allotting it a Rule ID and specifying the interest application factors, you can link it to a product.

For example, for a deposit, you can link a rule for the main interest and another interest type of rule for a commission you want to charge on the deposit. Besides this, you can have a rule for a charge. Thus, the product will have three rules linked to it. For the deposit, you can retain all these, or waive one or more, as per your requirement.

The interest details defined for a product will be automatically applied on a contract involving the product. However, you can change certain attributes of interest for a specific contract.
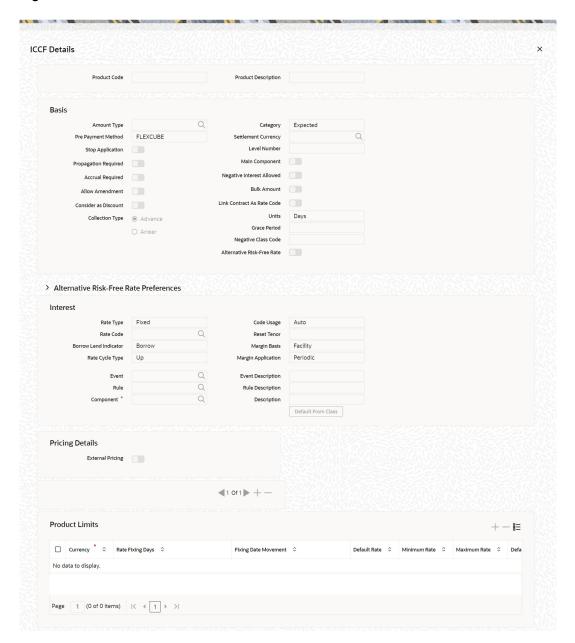
> ⓘ **Note**
>
> The system automatically builds a list of accounting roles depending on the Interest components that you define. For instance, if you have defined an interest component called CR01_INT, the following accounting roles will be generated:
>
> - CR01_INT_EXP
> - CR01_INT_PAY
> - CR01_INT_REC
> - CR01_INT_RIA
> - CR01_INT_PIA
> - CR01_INT_AQP
> - CR01_INT_AQR
> - CR01_INT_ADJ

1. Click **Interest** in the **Product Definition** screen.

   The **ICCF Details** screen is displayed.

Figure 1-8   ICCF Details

2. In the **ICCF Details** screen, specify the fields.

The system dynamically adds a list of suffixes to the main interest component. Each of these suffixes stand for:

Table 1-14   Suffix and Description

Suffix	Represents
AQR	Acquired interest receivable
AQP	Acquired interest payable
REC	Receivable
EXP	Expense
INC	Income

Table 1-14   (Cont.) Suffix and Description

Suffix	Represents
PAY	Payable
RIA	Received in Advance
PIA	Paid in Advance
ADJ	Adjustment

A similar list of accounting roles will be built up for each component that you associate with the product.

> ⓘ **Note**
>
> Note Since you need to identify Accounting Roles (GL/SL Types) and map them to Account Heads (Actual GL/SLs) to post accounting entries for specific events, you will have to choose the appropriate accounting roles for each component and map them to corresponding Account Heads.

For detailed explanation on the fields, refer to the below table.

Table 1-15   ICCF - Field Description

Field	Description
Amount Type	Specify the basis on which interest has to be calculated. By default, the principal will be taken as the basis.
Pre Payment Method	The prepayment method identifies the computation of the prepayment penalty for the contract.
Stop Application	Select this check box to stop application.
	The attributes defined for a product will be automatically applied to all contracts involving the product. If, for some reason, the user want to stop applying the Interest Rule defined for the product on contracts that are to be initiated in the future (involving the product), the user could do so through the Product 'ICCB Details' screen.
	In effect, stopping the application of a component for a product would be equivalent to deleting the component from the product. By specifying that the application of the component must be stopped, the user has the advantage of using the definition made for the component again, by making it applicable.
Propagation Required	Select this check box if the propagation is required.
	If the interest amount collected from the borrower must be passed on to participants of the contract, check the 'Propagation Required' check box.
Accrual Required	Select this check box if the accrual is required.

Table 1-15   (Cont.) ICCF - Field Description

Field	Description
Allow Amendment	A change to a contract (after it has been authorized) that involves a change in its financial details constitutes an Amendment on the contract. The user can indicate whether such an Amendment, called a Value Dated Change, must be allowed for the interest component being defined.
	The user can amend the following through this function:
	• Interest rate
	• Rate code
	• Spread
	• Interest amount
Consider as Discount	While defining an interest, the user can indicate whether the interest component is to be considered for discount accrual on a constant yield basis or whether accrual of interest is required.
	If the user select the Consider as Discount option the interest received against the component is used in the computation of the constant yield and subsequently amortized over the tenor of the associated contract.
	Checking the Consider as Discount also indicates whether the interest component is to be considered for IRR computations.
	The Consider as Discount option is not available if the amount category is Penalty.
Collection Type	Select the collection type. The options are:
	• Advance
	• Arrear
Category	If the interest rate type is Fixed or Floating, the Amount Basis Category specifies the type of balance that has to be considered for interest application. It could be any one of the following:
	• Expected
	• Overdue
	• Normal
	• Outstanding
	If the Basis Amount Category is Expected, the balance on which interest has to be applied will be the Expected balance (the balance assuming that all the scheduled repayments defined for the contract are made on time).
	If the Basis Amount Category is Overdue, the balance on which interest has to be applied will be the amount that is overdue, based on the repayment method defined for the contract. An example of this category is the application of penalty interest on the Principal amount or interest, when a repayment has not been made, as per the date specified for the contract.
Settlement Currency	Specify the currency in which the interest, charge or fee component gets settled. The currency mentioned here must exist in the currency table. By default it is the local currency.

Table 1-15   (Cont.) ICCF - Field Description

Field	Description
Level Number	Grace Period and Level Number
	The user can apply interest at various levels:
	• Main interest on principal – Level 0 (Category: Expected)
	• Interest on overdue interest – Level 1 (Category: Overdue)
	• Interest on Level 1 interest – Level 2 (Category: Overdue) … and so on.
	For each interest component, starting from Level 1 and belonging to 'Overdue' category, the user can also specify the number of grace days, beyond the main interest due date, after which that interest component becomes applicable. For each such component, the default value for the number of grace days is:
	Number of grace days for the previous level + 30 days
	The user can change this value, provided that the number of grace days for a component (level) does not exceed the number of grace days for any successive level. At any point, an amendment of the number of grace days for any or more interest components at the Product ICCB level will only affect new contracts.
	For interest components of Level 0 and 'Expected' category, the default value for grace days is 0 – this cannot be changed.
Main Component	The user can define any number of interest type of components (tenor based components) for a product. If the user has defined more than one interest type of component, the user can specify the main interest component as 'Main Component'. This will be the interest component that will be used for capitalization or amortization purposes if the repayment schedules are defined thus.
	The details of this Main Component will be shown in the Contract Details screen and the user can change them there without having to invoke the Contract ICCB Details screen. Components other than the main component have to be processed through the Contract ICCB Details screen.
Bulk Amount	When a contract gets rolled over, the user may wish to split it into 2 contracts - one for the interest amount (I) and the other for the principal amount (P). If the user want the floating rate pickup for both the new contracts (tenor/amount) to be based on P+I of the original contract, check the 'Bulk Amount' check box. For example, if the principal amount is Rs.1000 and Interest accrued is Rs.100. Upon rollover, your bank may require two contracts, one for Rs.1000 (Principal contract) and the other for Rs.100(interest contract). Lets say the slab rate followed by your bank is:
	• 0 – 1000 - 3%
	• 1001 – 2000 - 4%
	In the normal course, system would apply 3% interest rate on both the contracts of Rs.1000 and Rs.100 (since both fall within 0 -1000 slab). But if the 'Bulk Amount' option is chosen, then 4% is applied on both the contracts (as if a single contract of Rs.1100 is rolled over where system would have applied 4pct).
Link Contract As Rate Code	The user can use this field to indicate whether a fixed rate contract may be linked to the floating rate component, instead of a rate code. Check this box to indicate that a fixed rate contract may be linked.
Grace Period	The grace days that user specify for any level of interest in the Product ICCF screen will default to contracts entered under that product.

Table 1-15   (Cont.) ICCF - Field Description

Field	Description
Alternative Risk-Free Rate	Select the Alternate Risk-Free Rate check box to enable the Alternate Risk Free-Rate preferences.
Alternative Risk Free Rate Preferences	Select any one of the below RFR calculation methods: • Lookback • Payment delay • Lockout • Interest Rollover • Last Reset • Last Recent • Plain • Index Value The user can also select any one of below combination methods: • Lookback and Lockout • Lookback and Payment Delay • Lockout and Payment Delay • Lookback, Lockout, and Payment delay For more information on RFR calculation method for each type, click the attached RFR calculation method Worksheet. The user can select Lookback as RFR preference if the Rate Method is In-Arrears. The observation period for the interest rate calculation starts and ends a certain number of days prior to the Interest period. As a result, you can choose the interest payment to be calculated prior to the end of the interest period.
Lookback Days	This field is relevant if 'Rate Method' is 'In-Arrears' or bearing and RFR method is Lookback.
Lockout	The user can select Lockout as RFR preference if the Rate Method is In-Arrears. Lockout means that the RFR is frozen for a certain number of days prior to the end of an interest period (lockout period). During this time, the RFR of lockout period days is applied for the remaining days of the interest period. As a result, the averaged RFR can be calculated a couple of days before the end of the Interest period.
Lockout Days	This field will only be relevant if 'Rate Method' is 'In-Arrears' or bearing and RFR method is Lockout.
Payment Delay Days	This field will only be relevant if 'Rate Method' is 'In-Arrears' or bearing and RFR method is Payment delay. Number of days by which the interest (or installment) payments are delayed by a certain number of days and are thus due a few days after the end of an interest period.
Interest Rollover	Rollover method can be used as a combined method along with one each of In-arrears & In-advance methods. Payments are set in advance and any missed interest relative to in arrears is rolled over into the next payment period. This option combines a first payment (installment payment) known at the beginning of the interest period with an adjustment payment known at the end. The difference between Principal Adjustment option and this option is that the adjustment payment is delayed. The adjustment payment can be made a few days later or at the end of the next accrual period

Table 1-15   (Cont.) ICCF - Field Description

Field	Description
Last Reset	This field is relevant only if 'Rate Method' is 'In-Advance' and 'Rate Convention' is Last reset. In this option, interest payments are determined on the basis of the averaged RFR of the previous period.
Last Recent	This field is relevant only if 'Rate Method' is 'In-Advance' and 'Rate Convention' is Last reset. In this option, interest payments are determined on the basis of the averaged RFR of the previous period.
Plain	This field is relevant if Rate Method is In-Arrears or bearing and RFR method is Plain. System uses averaged RFR over current interest period, paid on first day of next interest period.
Rate Compounding	User can select the rate compounding to be applied for each calculation period. When enabled, system opts for rate compounding instead of amount compounding, the amount difference comes into effect only if any pre-payment is done. For more information on Rate Compounding, refer to the attached RFR Rate Observation Shift worksheet.
Index Value	Select the Index Value check box to use the RFR index rate. The RFR Index measures the cumulative impact of compounding RFR on a unit of investment over time. Index Value supports below RFR preferences: a. 1. Arrear Method • Lookback • Lockout • Payment Delay • Plain b. Advance Method • Last Reset • Last Recent For more information on RFR Index Value, refer to the attached RFR Index value calculation worksheet.
Observation Shift	Select the Observation Shift check box to apply observation Shift to RFR calculation. The observation shift mechanism provides the rate to be calculated and weighted by reference to the Observation Period rather than the relevant interest period. Observation Shift Currently supports below RFR Methods and combination. • Lookback • Lockout • Lookback and Lockout combination For more information on RFR Observation Shift , refer to the attached RFR Rate Observation Shift worksheet.
Compounding Preferences	Speicfy the Compounding Preferences details.
Computation Calendar	Select the Computation Calendar from the drop-down list, when RFR is selected for interest. The available options are: • Currency • Financial Center
Financial Center	This field is mandatory if the Financial Center is selected as computation calendar. Select the code of Financial Center from the displayed list of values.

Table 1-15   (Cont.) ICCF - Field Description

Field	Description
Base Computation Method	Select the Base Computation Method from the drop-down list. It is either simple or compounded.
Spread\Margin Computation	Select the Spread\Margin computation method. It can be maintained as either Simple or compounded.
Spread Adjustment	Select the Spread adjustment method and it is maintained as either Simple or compounded.
RFR Rounding Unit	Specify the Rounding Units value to round daily index value to the nearest whole number and use it for interest calculation. It is applicable only when RFR index value is used.
Rate Type	The Rate Type indicates whether the interest is a Fixed Rate, a Floating Rate or a Special amount. When creating a product, the user must specify the Rate Type through the 'Product - ICCB Details' screen. If the Rate Type is a Floating Rate, the user must also specify the Rate Code to which the product has to be linked.
Rate Code	Each Rate Code corresponds to a rate defined for a combination of Currency, Amount (if it is necessary) and an Effective Date. These details are maintained in the Floating Rates table. This rate will be applied to contracts involving the product.
Borrow Lend Indicator	Floating rates are defined with a borrow or a lend tag attached to them. Here, the user indicate the nature of the floating rate that needs to be picked up for the interest component. The options available are: • Borrow • Lend • Mid
Rate Cycle Type	For floating type of interest components and fixed type with rate code attached, the user can indicate the manner in which floating rates must be applied. The preference that the user specify here is used when an interest component does not fit into any direct parameter defined for the floating rate code. The options available are: • Up – Choose this option to indicate that the rate of the upper tenor slab must be used. • Down - Choose this option to indicate that the rate of the lower tenor slab must be used • Interpolate - Choose this option to indicate that the rate must be interpolated between the rates of the upper and lower slabs • Round Off - Choose this option to indicate that the tenor of the component must be rounded off to the nearest whole number. The rate defined for the derived tenor will be applied to the component
Event	An interest event indicates when the interest component whose attributes are being defined has to be applied.
Rule	Rule associated to the Interest component
Component	The component for which the user are entering details together with its description.

Table 1-15   (Cont.) ICCF - Field Description

Field	Description
Code Usage	The user must specify the method in which the rates in the Floating Rates table have to be applied. It could either be automatic application (meaning the rate has to be applied every time it changes), or periodic application (meaning the rate has to be applied at a regular frequency, defined for each contract involving the product).
Reset Tenor	Enter the tenor for which the floating rate (when applied automatically) needs to be picked up from the floating rates table, for contracts using this product. This field is applicable to floating type of interest components and fixed type with rate code attached.
Margin Basis	Indicate the basis for the interest margin and the method for applying the interest margin on the selected interest component for contracts using this product.
	The user need to specify how the system must obtain the interest margin (if any) that must be applied on the selected interest component at the time of fixing the interest rate for contracts using the product. The available options are:
	• Facility - The system defaults the margin from the borrower facility contract with which the drawdown is linked.
	• Tranche - The system defaults the margin from the borrower tranche contract with which the drawdown is associated.
	• Drawdown - If this option is chosen, the user must enter the applicable margin when the interest rate is fixed.
	• This component which the user select is excluded from all the processing including liquidation and this calculation type is only used for margin application.
	• After defining this component, booked formula for main interest component needs to be modified by replacing INTEREST_RATE with INTEREST_RATE + MARGIN_RATE. By doing this the interest gets calculated based on resolved interest rate (i.e. including floating rate and spread if applicable) and the margin.
	• Customer - If this option is chosen, then the margin will be applicable to all draw down contracts under the selected customer.
Margin Application	Margin Application can be periodic or automatic
Event Description	Defaults event description
Rule Description	Defaults Rue description
Description	Defaults Component description
Pricing Details	Specify the Pricing Details
External Pricing	Check this box for external pricing of interest component.
Product Limits	Specify the Product Limits details.
Currency	Specify the currency for which limits are maintained
Rate Fixing Days	Defaults fixing days from Rate fixing maintenance screen. User will be able to modify the same.
Fixing Date Movement	Defaults fixing date movement from Rate fixing maintenance screen. User will be able to modify the same
Default Rate	Specify the default rate on contract creation. User will be able to modify the same.

Table 1-15   (Cont.) ICCF - Field Description

Field	Description
Minimum Rate	Specify the minimum rate on contract creation. If the interest rate specified for a contract is less than this minimum rate, the minimum rate is applied on the contract
Maximum Rate	Specify the maximum rate on contract creation. If the interest rate specified for a contract is greater than this maximum rate, this rate will be applied on the contract.
Default Spread	Specify the default spread for a Floating rate type on contract creation
Minimum spread	Specify the minimum spread for a floating rate type product. If the spread specified during contract processing is less than the value specified as the minimum spread, this value will be picked up as the spread.
Maximum Spread	Specify the maximum spread for a floating rate type product. if the spread specified during contract processing is more than the value specified as maximum spread, this value will be picked up as the spread.
Interest Basis	This field indicates how the system must consider the tenor basis upon which interest is computed over a schedule or interest period, in respect of the interest component being associated with the product.
Denominator Basis	This field indicates the interest methods which have their interest basis set to ACTUAL i.e. 30(EURO)/ACTUAL, 30(US)/ACTUAL and ACTUAL/ACTUAL. Denominator Basis is used to specify how the month of February is treated when the denominator is 'Actual'. There are two types of denominator basis methods: • Per Interest Basis – Here the computation would be done based on ACT/ACT–ISMA Interest Method. In this case, the '366 Basis' field will not be applicable. • Per Annum (A) – Here the interest calculation will depend on the value the user specify for 366 Basis
366 Basis	This is applicable only if the Denominator Basis is set to 'Per Annum'. The user can select one of the following values here: • Leap Year • Leap Date - computation would be done based on ACT/ACT - FRF Interest Method
No of Interest Period	This is applicable if the Denominator Basis is 'Per Interest Period'. Here the user can specify the number of Interest periods (Schedules) in the financial year.

1.9.2 Basis for Interest Application

This topic describes the basis for interest application.

The basis of the interest component being defined specifies the following two attributes:

Table 1-16   Fields Description

Fields	Description
Amount Type	If the interest rate type is Fixed or Floating, the Amount Type specifies the basis amount on which the interest rate has to be applied. For example, for the FT module, it could
Grace Period and Level Number	You can apply interest at various levels: • Main interest on principal – Level 0 (Category: Expected) • Interest on overdue interest – Level 1 (Category: Overdue) • Interest on Level 1 interest – Level 2 (Category: Overdue) … and so on For each interest component, starting from Level 1 and belonging to 'Overdue' category, you can also specify the number of grace days, beyond the main interest due date, after which that interest component becomes applicable. For each such component, the default value for the number of grace days is: Number of grace days for the previous level + 30 days You can change this value, provided that the number of grace days for a component (level) does not exceed the number of grace days for any successive level. At any point, an amendment of the number of grace days for any or more interest components at the Product ICCB level will only affect new contracts. For interest components of Level 0 and 'Expected' category, the default value for grace days is 0 – this cannot be changed.
Settlement Currency	The Settlement Currency is the currency in which the interest amount will be calculated. The interest amount applicable for a contract will be calculated in this currency. The appropriate conversion rate (defined for the product as the applicable Rate Type) will be applied to carry out a conversion if the repayment account is in a different currency.
Category	If the interest rate type is Fixed or Floating, the Amount Basis Category specifies the type of balance that has to be considered for interest application. It could be any one of the following: • Expected • Overdue • Normal • Outstanding If the Basis Amount Category is Expected, the balance on which interest has to be applied will be the Expected balance (the balance assuming that all the scheduled repayments defined for the contract are made on time). An example of this category is the application of interest on the Bill amount. If the Basis Amount Category is Overdue, the balance on which interest has to be applied will be the amount that is overdue, based on the repayment method defined for the contract. An example of this category is the application of penalty interest on the bill amount or interest, when a repayment has not been made, as per the date specified for the contract.

Table 1-16   (Cont.) Fields Description

Fields	Description
Prepayment Method	The prepayment method identifies the computation of the prepayment penalty for the contract. The prepayment penalty for deposits is computed as depicted in the equation given below: $$\text{Prepayment Penalty} = \frac{(\text{Deposit Amount Withdrawn} \ast \text{Prepayment Penalty Rate} \ast \text{Number of Days})}{(100 \ast \text{Interest Basis})}$$ Here, 1. Prepayment Penalty indicates the penalty amount calculated 2. Deposit Amount Withdrawn indicates the deposit amount withdrawn prematurely 3. Prepayment Penalty Rate indicates the Rate input in Payment screen for calculation of penalty. 4. Interest Basis indicates the Interest basis for the component for which penalty is being computed. 5. Number of Days indicates the day count for which penalty needs to be calculated. This is calculated based on the 'Prepayment Method' field defined in the Product Definition. In addition to using the formula to calculate the Prepayment Penalty, the actual prepayment penalty amount being charged to the customer is also dependent on the Prepayment Method. The options available are: • Oracle Banking Treasury Management This option is used where pre-payment has to be applied on the deposit contract for contract elapsed days. • Custom If the Prepayment Method is Custom, then the prepayment penalty in this case will be the minimum of prepayment penalty and Gross interest on the premature withdrawal amount. The system computes the interest amount to be liquidated due to prepayment of principal. You will not be allowed to specify the interest amount during the Payment input in such a case. **Note:** Here, the system does not include the Acquired interest for processing. Also, if you have chosen the prepayment method as Custom, you cannot prepay or manually liquidate either the interest or the principal component. This option is used where pre-payment has to be applied on the deposit contract for contract remaining days.
Accruals	For a product, you should specify through the product ICCB Details screen whether accruals have to be carried out for the accruable components. If yes, the frequency of accruals, which could be daily, monthly, quarterly, half-yearly or annually, should be specified for each product (through the Product Preferences screen). The accruals are carried out at the specified frequency by the Automatic Contract Update function. In addition, accruals are done whenever an event (like a rate change with a Value Date, a payment, etc.) is triggered as of a date beyond the date on which the last accruals were carried out.

Table 1-16   (Cont.) Fields Description

Fields	Description
Allow Amendment	A change to a contract (after it has been authorized) that involves a change in its financial details constitutes an Amendment on the contract. You can indicate whether such an Amendment, called a Value Dated Change, should be allowed for the interest component being defined. You can amend the following through this function: • Interest rate • Rate code • Spread • Interest amount
Main Component	You can define any number of interest type of components (tenor based components) for a product. If you have defined more than one interest type of component, you can specify the main interest component as 'Main Component'. This will be the interest component that will be used for capitalization or amortization purposes if the repayment schedules are defined thus. The details of this Main Component will be shown in the Contract Details screen and you can change them there without having to invoke the Contract ICCB Details screen. Components other than the main component have to be processed through the Contract ICCB Details screen.
Negative Interest Allowed	Negative Interest Allowed field remains enabled or disabled based on the maintenance in the interest class.
Negative Class Code	The system displays the negative class code.
Bulk Amount	When a contract gets rolled over, you may wish to split it into 2 contracts - one for the interest amount (I) and the other for the principal amount (P). If you want the the floating rate pickup for both the new contracts (tenor/amount) to be based on P+I of the original contract, check the 'Bulk Amount' check box. For example, if the principal amount is Rs.1000 and Interest accrued is Rs.100. Upon rollover, your bank may require two contracts, one for Rs.1000 (Principal contract) and the other for Rs.100(interest contract). Lets say the slab rate followed by your bank is: • 0 – 1000 - 3% • 1001 – 2000 - 4% In the normal course, system would apply 3% interest rate on both the contracts of Rs.1000 and Rs.100 (since both fall within 0 -1000 slab). But if the 'Bulk Amount' option is chosen, then 4% will be applied on both the contracts (as if a single contract of Rs.1100 is rolled over where system would have applied 4pct).
Stop Application	The attributes defined for a product will be automatically applied to all contracts involving the product. If, for some reason, you want to stop applying the Interest Rule defined for the product on contracts that are to be initiated in the future (involving the product), you could do so through the Product 'ICCB Details' screen. In effect, stopping the application of a component for a product would be equivalent to deleting the component from the product. By specifying that the application of the component should be stopped, you have the advantage of using the definition made for the component again, by making it applicable.

Table 1-16   (Cont.) Fields Description

Fields	Description
Propagation Required	If the interest amount collected from the borrower should be passed on to participants of the contract, check the 'Propagation Required' check box.
Consider as Discount	While defining an interest for the bills module, you can indicate whether the interest component is to be considered for discount accrual on a constant yield basis or whether accrual of interest is required.
	If you select the Consider as Discount option the interest received against the component is used in the computation of the constant yield and subsequently amortized over the tenor of the associated contract. This accrual is processed through the Discount Accrual module.
	The 'Consider as Discount' option is allowed only for the following events (for bills):
	• BADV (acceptance to advance event)
	• BPUR (collection to purchase event)
	• BDIS (acceptance to discount event)
	• INIT (initiation event)
	Note: To recall, you link an interest component to an event through the 'Event' option list.
	If you select the 'Accruals' option, the interest is accrued depending on the accrual preferences defined for the product.
	If neither option is selected, the interest is not accrued, but is recognized as income on interest liquidation.
	Checking the 'Consider as Discount' also indicates whether the interest component is to be considered for IRR computations of bills.
	If the payment type is 'Discounted' then you can select either 'Consider as Discount' and 'Accruals' option OR both together. If the options 'Accruals' and 'Consider as Discount' are selected then discounted interest is considered for IRR calculation. If the option 'Accruals' is not checked and 'Consider as Discount' is checked then the discounted interest is considered to be a part of total discount to be accrued. The above validations apply for BC (Bills and Collections) contracts also.
	The 'Consider as Discount' option is not available if the amount category is Penalty.
	The options 'Accruals' and 'Consider as Discount' are not mutually exclusive. If you select the 'Accruals' option, then it is not necessary for the 'Consider as Discount' option to be checked. However, for BC contracts, if you select the 'Accruals' option, you can either select against the 'Consider as Discount' option or otherwise.
	For Bearing contracts, if the option 'Consider as Discount' is checked then the option 'Accruals' also has to be checked. If the option 'Accruals' is not checked, the option 'Consider as Discount' is disabled. The above validations apply for BC (Bills and Collections) contracts also.
Link Contract as Ratecode	You can use this field to indicate whether a fixed rate contract may be linked to the floating rate component, instead of a rate code. Check this box to indicate that a fixed rate contract may be linked.

1.9.3 Interest Rate Details

This topic describes the interest rate details.

Specify the Interest Details. For detailed explanation, refer to the below table.

Table 1-17   Fields Description

Fields	Description
Rate Type	The Rate Type indicates whether the interest is a Fixed Rate, a Floating Rate or a Special amount. When creating a product, you should specify the Rate Type through the 'Product - ICCB Details' screen. If the Rate Type is a Floating Rate, you should also specify the Rate Code to which the product has to be linked.
Code Usage	You should specify the method in which the rates in the Floating Rates table have to be applied. It could either be automatic application (meaning the rate has to be applied every time it changes), or periodic application (meaning the rate has to be applied at a regular frequency, defined for each contract involving the product).
Borrow Lend Indicator	Floating rates are defined with a borrow or a lend tag attached to them. Here, you indicate the nature of the floating rate that needs to be picked up for the interest component. The options available are: • Borrow • Lend • Mid
Rate Code	Each Rate Code corresponds to a rate defined for a combination of Currency, Amount (if it is necessary) and an Effective Date. These details are maintained in the Floating Rates table. This rate will be applied to contracts involving the product. The Standard overnight RFR rate codes maintained from the core screen can also be mapped.

1.9.4 Specify Preferences for Floating Rate Pickup

This topic explains the preferences for interest components.

For interest components that use floating rates, you can specify preferences that will determine how the rates are to be applied to the component.

Table 1-18   Fields Description

Fields	Description
Reset Tenor	Floating interest rates are defined for specific amount slabs and tenor combinations. If you are defining a floating interest component or a fixed type with rate code attached, you can indicate the reset tenor for which floating rates need to be picked up. The tenor that you specify for the component is defaulted to all contracts with which the floating interest component is associated. Lets suppose that in a Product, the Reset Tenor is chosen as 2190 days. The floating rate chosen is 'LDRATE'. The Tenor and Int. Rates defined in 'LDRATE' are given below. Tenor Int. Rate 365 13% 1825 16% 99999999 19% When a contract is created, the Interest Rate that gets picked up is 16%, since 2190 days falls in the second slab i.e. 1825 days to 99999999 days and the corresponding rate for that slab is 16%.

Table 1-18   (Cont.) Fields Description

Fields	Description

Margin Basis	Indicate the basis for the interest margin and the method for applying the interest margin on the selected interest component for contracts using this product.
	
	You need to specify how the system must obtain the interest margin (if any) that must be applied on the selected interest component at the time of fixing the interest rate for contracts using the product. The available options are:
	• Facility - The system defaults the margin from the borrower facility contract with which the drawdown is linked.
	• Tranche - The system defaults the margin from the borrower tranche contract with which the drawdown is associated.
	• Drawdown - If this option is chosen, you must enter the applicable margin when the interest rate is fixed.
	  – This component which you select is excluded from all the processing including liquidation and this calculation type is only used for margin application.
	  – After defining this component, booked formula for main interest component needs to be modified by replacing INTEREST_RATE with INTEREST_RATE + MARGIN_RATE. By doing this the interest gets calculated based on resolved interest rate (i.e. including floating rate and spread if applicable) and the margin.
	• Customer - If this option is chosen, then the margin will be applicable to all drawdown contracts under the selected customer.

Rate Cycle Type	For floating type of interest components and fixed type with rate code attached, you can indicate the manner in which floating rates should be applied. The preference that you specify here is used when an interest component does not fit into any direct parameter defined for the floating rate code. The options available are: • Up – Choose this option to indicate that the rate of the upper tenor slab should be used • Down - Choose this option to indicate that the rate of the lower tenor slab should be used • Interpolate - Choose this option to indicate that the rate should be interpolated between the rates of the upper and lower slabs • Round Off - Choose this option to indicate that the tenor of the component should be rounded off to the nearest whole number. The rate defined for the derived tenor will be applied to the component. **Note:** • If the calculation tenor is less than the minimum tenor maintained for a slab, then rate of the minimum tenor slab will be picked up irrespective of the rate calculation type. • If the tenor is greater than the maximum tenor slab maintained, then rate of the maximum tenor slab will be picked up irrespective of the rate calculation type. • If the tenor is exactly equal to the tenor slab maintained, the rate of this tenor slab will be picked up irrespective of the rate calculation type

Table 1-18   (Cont.) Fields Description

Fields	Description
Rate Code	Each Rate Code corresponds to a rate defined for a combination of Currency, Amount (if it is necessary) and an Effective Date. These details are maintained in the Floating Rates table. This rate will be applied to contracts involving the product. The Standard overnight RFR rate codes maintained from the core screen can also be mapped.

1.9.5 Product Limits

This topic describes the product limits.

For contracts in a particular currency linked to the same product, you should specify: For Fixed Rate products:

- The standard rate that is applicable for contracts involving the product
- The Minimum and Maximum interest rate that can be applied on a contract

If the interest rate specified for a contract is less than this minimum rate, the minimum rate will be applied on the contract. Similarly, if the interest rate specified for a contract is greater than this maximum rate, this rate will be applied on the contract.

The minimum, maximum and default rates allows negative value, if 'Negative Interest Allowed' is checked for the class code.

By defining minimum and maximum rates for a fixed interest, you can ensure that your rates stay within the stipulated limits.

1.9.6 Floating Rate Products

This topic describes the floating rate products.

For Floating Rate products, you should specify the Minimum and Maximum spread that can be applied on the floating rate.

If the spread specified during contract processing is less than the value specified as the minimum spread, this value will be picked up as the spread. Similarly, if the spread specified during contract processing is more than the value specified as maximum spread, this value will be picked up as the spread.

By defining minimum and maximum spread for floating interest, you can ensure that the spread stays within the stipulated limits.

> ⓘ **Note**
>
> If you specify a rate/spread that does not fall within the limits maintained, the system will display an override message.

In addition to specifying minimum and maximum spread, you can also maintain default spread for the product.

Table 1-19   ICCF Details- Spread Field Description

Field	Description
Default Spread	In the Default Spread field, you are allowed to specify both positive and negative spread as default for the product you are maintaining. The system validates this spread against the minimum and maximum spread you have specified for the currency. Subsequently, the spread will be defaulted to the contract.
Prepayment Spread or Prepayment Rate	This field is specific to Deposits. Based on the Pre Payment Method chosen at the product level, the penalty rate is derived. The derived penalty rate defaults in to the Payment Input screen and you can choose to change it there.
	The prepayment rate will be treated as spread if you have chosen prepayment method as Banking Treasury Management i.e. the prepayment rate is subtracted from the contract interest rate.
	The day count for which penalty needs to be calculated is the number of days the deposit has run. In other case, if the prepayment method is CUSTOM, then the system calculates the prepayment penalty using this rate as the actual rate. For CUSTOM method, the day count is the number of days remaining in the deposit after prepayment.
	Note: The Amount Tag MAININT_ADJ should be picked up while you define the accounting entries for the Penalty Amount, at the product level

Specify Interest Details for a Contract

When the details of a contract are captured, the interest details defined for the product involved will automatically be applied on the contract. However, you can change certain attributes.

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

• The rate for contracts with a fixed rate

• The rate code for contracts with floating rate. The spread defined for a rate code can also be changed

For a BC product, you may have chosen the 'Consider as Discount' option (specified through the 'ICCB Details' screen) and you may have specified the interest collection method to be advance (specified through the 'Bills and Collections Product - Preferences' screen). If you associate a BC contract to a product with the above specifications, you cannot change the 'Rate Code' here

In the Contract Online screen, click **ICCF** to access the Contract ICCF screen.

It is possible to define more than one interest rule. You can have several interest rules, which you link to a product. The contract involving the product, in turn, will be linked to these interest rules.

For example, there can be one interest rule for the main interest (for example, 14%). You can have a tenor-based commission defined as an interest rule for the same product (for example, 3%). Both these will be applicable to the contract. In the Contract ICCB Screen use the set of arrow buttons to go to the next or previous or the first or last rule that has been linked.

The contract ICCB screen, displays the interest details inherited, from the product to which it is linked. The defaulted fields that can be changed have been mentioned in the On-line help for the field.

The following details are defaulted:

Table 1-20   Default Values of Interest Details screen

Field	Description
Contract Reference Number	The reference number of the contract you are processing.
Event	The event is to which the component should be applied together with its description.
Component	The component for which you are entering details together with its description.
Currency	The settlement currency which is defined in the Interest Class screen will be displayed in this field. This is a display only field.

1.9.7 Interest Details

This topic explains the Interest Details fields.

Specify the Interest Details fields.

Table 1-21   Interest Details - Fields Description

Fields	Description
Rate Type	The rate type applicable for the product, that the contract involves, is displayed here. It can be one of the following: • Fixed • Floating • Special You can change the rate type from 'Floating' to 'Fixed' or vice-versa during the tenor of a contract. The schedules will be recalculated based on the new interest rate. If you change the rate type from 'Fixed' to 'Floating' and the revision method is 'Periodic', the system will default the rate revision schedule from the product. If the interest is a fixed amount and not a percentage of the principal amount, the rate type will be 'Special'. In this case you must specify the fixed amount for the contract in the 'Interest Amount' field.
Rate Code	If the Interest Rate Type (previous field) has been specified as Floating, indicate the Rate Code to which the product has to be linked. Similarly if a fixed rate contract has been linked to the deposit product, you will have to specify a fixed rate contract here. The fixed rate identified for the main component of the linked contract will apply to the deposit contract also. The Rate Code corresponds to the rates, defined in the Floating Rates table, that have to be applied for the product. A Rate Code identifies a set of rates defined for a combination of Currency, Amount (if it is necessary) and an Effective Date. Select from the option list of Rate Codes and choose the one applicable for the product you are defining. The Rate Code can be changed during contract processing.

Table 1-21 (Cont.) Interest Details - Fields Description

Fields	Description
Interest Basis	This field indicates how the system must consider the tenor basis upon which interest is computed over a schedule or interest period, in respect of the interest component being associated with the product. The specification made for the specified interest class is defaulted in this field. You can alter the default, if necessary, and select the required Interest Period Basis from the drop down list. You can choose any of the following options:
Rate Code	Each Rate Code corresponds to a rate defined for a combination of Currency, Amount (if it is necessary) and an Effective Date. These details are maintained in the Floating Rates table. This rate will be applied to contracts involving the product. The Standard overnight RFR rate codes maintained from the core screen can also be mapped. • 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 contract 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 contract 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 means the following: • 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 is: • 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
Grace Period for an Interest Component	The grace days that you specify for any level of interest in the Product ICCB screen will default to contracts entered under that product. For interest components of Level 1 or above and of 'Overdue' category, you can change the grace days for a particular contract, subject to the condition that grace days for a particular level do not exceed that for any successive level. The number of grace days for interest components of Level 0 and 'Expected' category will always be 0. You can change grace days and/or rate for an interest component from value date amendment screen by triggering the events VAMB / VAMI. For any interest component, a change in grace days or rate can be back valued only as far back as the date of the last payment received.

Table 1-21   (Cont.) Interest Details - Fields Description

Fields	Description
Minimum and Maximum Rates	This field is applicable only for contracts using a product with Fixed Interest Rate Type. It indicates the minimum interest rate that can be applied on the deal, and the value is defaulted from the specification made for the product used by the contract. If the interest rate specified for a deal is less than this minimum rate, this rate will be applied on the deal.
	It indicates the maximum interest rate that can be applied on the deal, and the value is defaulted from the specification made for the product used by the contract. If the interest rate specified for a deal is more than this maximum rate, this rate will be applied on the deal.
	By defining minimum and maximum rates for a fixed interest, you can ensure that your rates stay within the stipulated limits.
Fixed Rate	If the product involved in the contract has a fixed interest rate defined then at the contract the attributes defaults. The rate which gets defaulted from the product can be changed.
Acquired Interest	If the contract 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 during the next liquidation cycle. You can make changes to the acquired interest through this screen.
Minimum Spread	This field is applicable only when the interest Rate Type is Floating. Specify the minimum spread that can be applied on a contract involving this Product and Component. If the spread specified during contract processing is less than the value in this field, this value will be picked up as the spread.
Maximum Spread	Specify the maximum spread that can be applied on a contract involving this Product and Component. If the spread specified during contract processing is greater than the value in this field, this value will be picked up as the spread.
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.
	To amend a contract, you have to invoke the Contract Interest, Charge and Fee screen of the ICCB module through the Value Dated Changes function.
Consider as Discount	While defining an interest class for the bills module, you can use this field to indicate whether the interest component is to be considered for discount accrual on a constant yield basis. Checking this box indicates that the interest component is to be considered for discount accrual on a constant yield basis.
	If you select this option the interest received against the component is used in the computation of the constant yield and subsequently amortized over the tenor of the associated contract.
	Checking this option also indicates that the interest components are to be considered for calculation of the Internal Rate of Return.

Table 1-21 (Cont.) Interest Details - Fields Description

Fields	Description
Denominator Basis	This is applicable to the interest methods which have their interest basis set to ACTUAL i.e. 30(EURO)/ACTUAL, 30(US)/ACTUAL and ACTUAL/ACTUAL. Denominator Basis is used to specify how the month of February is treated when the denominator is 'Actual'. There are two types of denominator basis methods: • Per Interest Basis – Here the computation would be done based on ACT/ACT–ISMA Interest Method. In this case, the '366 Basis' field will not be applicable • Per Annum (A) – Here the interest calculation will depend on the value you specify for 366 Basis
366 Basis	This is applicable only if the Denominator Basis is set to 'Per Annum'. You can select one of the following values here: • Leap Year • Leap Date – computation would be done based on ACT/ACT–FRF Interest Method **Note:** In the ACT/ACT– ISMA Interest Method the Numerator would be Actual number of days between two interest dates. Denominator would be computed as the product of the number of times interest is to be received.
Interest Periods	This is applicable if the Denominator Basis is 'Per Interest Period'. Here you can specify the number of Interest periods (Schedules) in the financial year. **Note:** In the Money Market and Corporate Deposit product interest screens, the following fields allow negative value input if negative interest is allowed for the component: • Default Rate • Minimum Rate • Maximum Rate

1.9.8 Floating Rate Details

This topic explains the Floating Rate Details

Specify the Interest Details. For detailed explanation, refer to the below table.

Table 1-22 Fields Description

Fields	Description
Reset Tenor	Enter the tenor for which the floating rate (when applied automatically) needs to be picked up from the floating rates table, for contracts using this product. This field is applicable to floating type of interest components and fixed type with rate code attached.

Table 1-22   (Cont.) Fields Description

Fields	Description
Rate Cycle Type	Specify the rate cycle type to be used for contracts using this product. The rate cycle type is the manner in which the floating rate should be picked up for the contract. The preference that you specify here is used when the interest component does not fit into any direct parameter defined for the Rate Code. The options available are: • Up – Choose this option to indicate that the rate of the upper tenor slab should be used • Down - Choose this option to indicate that the rate of the lower tenor slab should be used • Interpolate - Choose this option to indicate that the rate should be interpolated between the rates of the upper and lower slabs • Round-off - Choose this option to indicate that the tenor of the component should be rounded off to the nearest whole number. The rate defined for the derived tenor will be applied to the component. This field is applicable to floating type of interest components and fixed type with rate code attached. This specification cannot be changed when you enter a contract using this product.
Interest Basis	The interest basis indicates the method in which the tenor for interest has to be calculated, if their application is tenor based. It could be one of the following: • (Euro)/ 360 • (US)/ 360 • Actual/ 360 • (Euro)/ 365 • (US)/ 365 • Actual/ 365 • (Euro)/ Actual • (US)/ Actual • Actual / Actual The Interest Basis defined for the product involved in the contract will be displayed. You can change it here to suit the bill you are processing.
Borrow Lend Indicator	You can use this field to indicate whether the borrowing rate, lending rate or mid rate must be picked up from the floating rate table, for the specified rate code. This specification cannot be changed when you enter a contract using this product.
Rate Code Usage	Enter a code to identify the Floating Rate you are defining. You can associate several currencies to the rate code and specify rates for each currency. While processing a contract, you need to indicate this code to make the rate applicable to the contract.

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1.9.9 View Details of the Interest Rules

This topic describes the summary of interest rules details.

You can view details of the interest rules maintained in the **View Details** tab. To view these details, click **View Details** in the Interest sub screen. You can view the following details here:

- Component
- Value Date
- ESN
- Date
- Rate Type
- Rate Code
- Spread
- Rate
- Currency
- Amount

1.9.10 Waiving an Interest Rule

You have the option of waiving those rules (defined for the product), which you do not wish to apply on a contract.

For example, for a product, there can be one interest rule for the main interest (for example, 14%). You can have a tenor-based commission defined as an interest rule for the same product (for example, 3%). Both these will apply to contracts involving the product. However, you can waive these rules for a specific contract. For instance, you can waive the 3% commission on the contract (by checking the Waive field.)

1.9.11 Amending Interest Components

Once a contract is authorized, any change in details that would affect the financial information of the contract has to be made through the Value Dates Changes function.

If a Value Dated Change demands a change in interest, you can change the following in the ICCB screen (invoked through the Value Date Changes screen):

- Interest basis
- Rate
- Rate Code
- Acquired Interest
- Rate Code
- Spread
- Amount of charge or fee

1.9.12 Defining Interest Repayment Schedules

You can define interest payment schedules for the product. These will be applicable to all contracts involving the product. But at the time of processing a contract you can change the schedules to suit its requirements.

In defining interest payment schedules, both for the product and the contract, the following steps are involved:

- First define schedule preferences or attributes
- Then define the actual schedules

1.9.13 Defining Interest Payment Schedules for the Product

This topic describes how to define interest payment schedules for the product.

You have to specify the following attributes or preferences through the Product Preferences screen:

- Mode of liquidation - auto or manual. This can be changed at the time of contract processing. Your specification will be made applicable to all components of the contract. Liquidation of back valued schedules upon initiation of a contract. This can be changed at the time of contract processing

- Re-computation of interest on the future schedules of a contract when a repayment of principal is made before it is due

- The schedule type - amortized, capitalized or normal

Once these attributes of the schedules are defined in the Product Preferences screen, the frequency of repayments has to be defined through the Product Schedules screen.

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

1.10 Interest Payment Schedules for a Contract

This topic describes the interest payment schedules for a contract.

This section contains the following topics:

- [Define Interest Payment Schedules for a Contract](#)
- [Revision Schedules and Repayment Schedules](#)
- [Enable the Consider as Discount Option](#)
- [Specify if Accruals are Required](#)

1.10.1 Define Interest Payment Schedules for a Contract

Through a set of fields in the Contract Preferences screen, you can specify:

- How liquidation dates falling on holidays should be handled
- Whether back valued schedules should be liquidated upon initiation
- The type of amortization, if amortization has been specified for the product

- Whether schedule dates should be cascaded in case you have indicated that they (schedule dates) be moved forward or backward in case of a holiday

- The holiday table of the country of the contract currency that has to be checked before setting automatic schedules

Certain attributes are inherited from the product and these can be changed here:

- Liquidating schedules that fall due before the day on which the contract is booked

- Liquidation mode (auto to manual)

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

1.10.2 Revision Schedules and Repayment Schedules

In the Contract Schedules screen, you can define two types of schedules:

- Those for the revision of interest rates for a contract (with fixed interest rates)

- Those for repayment of the various components

1.10.3 Enable the Consider as Discount Option

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

The value for this field is defaulted from the Interest Definition and it can be changed here.

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

> ⓘ **Note**
>
> You will be allowed to enable the Consider as Discount option for contracts only when the payment method specified is Discounted or True Discounted and for the Discount operation for Export bills.

For bearing type of contracts, all future interest cash flows are considered for computation of constant yield. For discount type of contracts, only the interest amount received for the components with the 'Consider as Discount' option enabled are considered for the computation of constant yield; subsequently the interest amount received in advance for these components is amortized over the tenor of the associated contract.

1.10.4 Specify if Accruals are Required

If both options 'Consider as Discounted' and 'Accruals' are not checked when you associate the product and interest, you cannot specify the same here. They are disabled in this case. This pertains to BC contracts.

In case of contracts of bearing type, if the 'Accruals' option is not checked then you cannot check the 'Consider as Discount' option. In case of discounted contracts you can select either of the options or both together. If the options 'Accruals' and 'Consider as Discount' are selected then the discounted interest is considered for IRR calculation. If the option 'Accruals' is not checked and 'Consider as Discount' is selected then the discounted interest is a part of the Total Discount to be Accrued. These validations pertain to BC contracts.
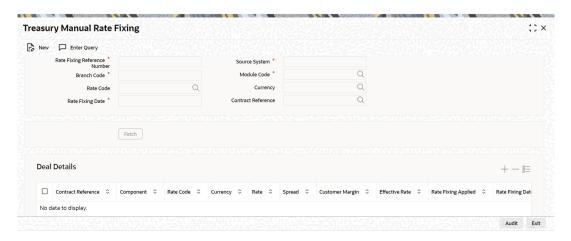
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1.11 Treasury Manual Rate Fixing

This topic explains the systematic instructions to apply the rate fixing on the selected float rate type contracts.

Treasury Manual Rate Fixing screen allows you to fetch the contracts which require rate fixing and also apply the rate fix on the selected float rate type contracts having the fixing date as the primary search criteria to query deals.

1. On the Homepage, enter **TRDMRTFX** in the text field and then click the next arrow.

   The system displays the **Treasury Manual Rate Fixing** screen.

Figure 1-9   Treasury Manual Rate Fixing

> ⓘ **Note**
>
> TR_RTFX_UPLOAD is defined and scheduled to pick rate fixed records from the external system.

2. Specify the fields in the displayed screen.

Table 1-23   Treasury Manual Rate Fixing - Field Description

Field	Description
Rate Fixing Reference Number	This is a Mandatory Field. The system generates the reference number for rate fixing.
Branch Code	This is a Mandatory Field. Specify the Branch code as per the requirement.
Rate Code	Specify the Rate code from the list of values displayed.
Rate Fixing Date	This is a Mandatory Field. Specify the Rate fixing date as per the requirement.
Source System	Specify the Source System as per the requirement.
Module Code	This is a Mandatory Field. Specify the Module code from the list of values displayed.

Table 1-23   (Cont.) Treasury Manual Rate Fixing - Field Description

Field	Description
Currency	Specify the Currency details as required from the list of values displayed.
Contract Reference	Specify the Contract Reference from the list of values displayed.
Rate Fixing Applied	The system displays whether rate fixing is applied while querying for a contract Reference.
	Note: The rate fixed contracts having status Authorized or Unauthorized is not listed here.
	You can allow multiple rate fixing for a single contract before the Rate Revision is applied for a schedule across modules DV/MM/SR.
	Rate fixing for the first interest period below the trade date of the transaction can be handled.
	Once all the details are provided the and you click on Fetch, the contracts pending for rate fixing are fetched based on the conditions mentioned in the deal details field.
	For the contracts once rate fixing is applied, the same contract is not fetch again. You can select single, multiple, or all the records to process.
	You can select a single contract and check if the rate fixing is already applied for the contract while creating new record. The Final Effective rate is derived from the Rate, Spread, and Customer Margin.
	The Rate fixing event is triggered on authorization of the record. The confirmation message is generated for the contract (if applicable). The Rate fixing on back dated dates is supported from this screen, if rates are available.
	In case of a forward movement, rate is fixed after the effective date and interest catch up entries are posted during EOD processing.
	Rate fixing event is processed on fixing date, only if the effective date floating rates are available. If rates are not available during processing, rate fixing event is skipped.

- [Generic Interface Support](#)
- [Scheduler Job](#)
- [Trigger Interface](#)

1.11.1 Generic Interface Support

OBTR interfaces with other external systems to handle Incoming/Outgoing data using batch mechanism (Flat files). This process streamlines the exchange of data between OBTR and external systems.

User can define properties, formats and components associated with interface file in the Interface Definition screen **(GIDIFTDFP)**. For uploading rate fixed contracts from external system into OBTR select interface type as Incoming, interface code as **TRIMRTFX**.

1.11.2 Scheduler Job

Job name: TR_RTFX_UPLOAD is defined and scheduled to pick the rate fixed records from external system.

1.11.3 Trigger Interface

User can trigger the process of Generic Interface using the Interface Trigger GIDIFPRS screen.

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