Oracle Financial Services Funds Transfer Pricing Cloud Service

Propagation Patterns User Guide

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ORACLE

Oracle Financial Services Funds Transfer Pricing Cloud Service Propagation Patterns User Guide, Release 24C

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Contents

1 Propagation Patterns

The Propagation Pattern allows you to define Source Tables and Lookup Terms required for propagating Transfer Rates and Add-On Rates for any applicable Instrument Table from a prior period.

Loan Commitment Propagation

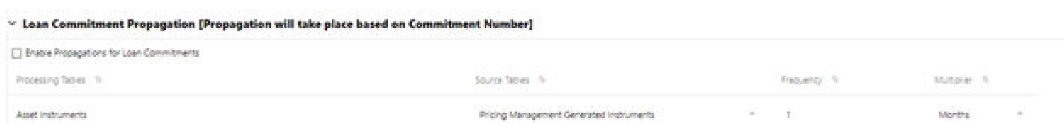
When a Loan Commitment is originated, it has a commitment number rather than an account number. To support the propagation of TP Results for Loan Commitment Contracts, users can choose to match current and prior records based on the commitment number rather than the ID Number. This capability allows users to propagate from month-to-month or day-to-day within the Loan Commitment Table and after the loan is booked, from the Loan Commitment or PM Generated Instrument Table to Asset Table as majorly commitments are for vanilla Loans or Mortgage accounts.

You can enable or disable Loan Commitment Propagation. If this option is enabled, then Loan Commitment Propagation will run after the Standard Propagation.

To define a Loan Commitment Propagation:

1. From the LHS menu, select **Funds Transfer Pricing**, select **Maintenance**, and then select **Propagation Pattern**.

   Figure 1-1 Loan Commitment Propagation

   The Loan Commitment Propagation Section of the Screen displays the following information:

   - **Processing Table**: This list includes the Seeded Instrument Tables that hold Loan Contracts.
   - **Source Table**: This list includes any Instrument Tables that are classified as a Loan Commitment Table. For example, Loan Commitment Contracts.
   - **Frequency**: A numeric value multiplied with a Multiplier to calculate the Historical Lag Reference Date for Rate Lookups.
   - **Multiplier**: The unit value of the Frequency.
2. Select the check-box option for Loan Commitment Propagation (if applicable).
3. Select the **Source Table** that needs to be associated with each Processing Table.
4. Select the **Target Column** to Match as Commitment Number.
5. Specify the **Historical Lag** between the processing and source tables.
   - Select the Frequency.

- Select the Multiplier.

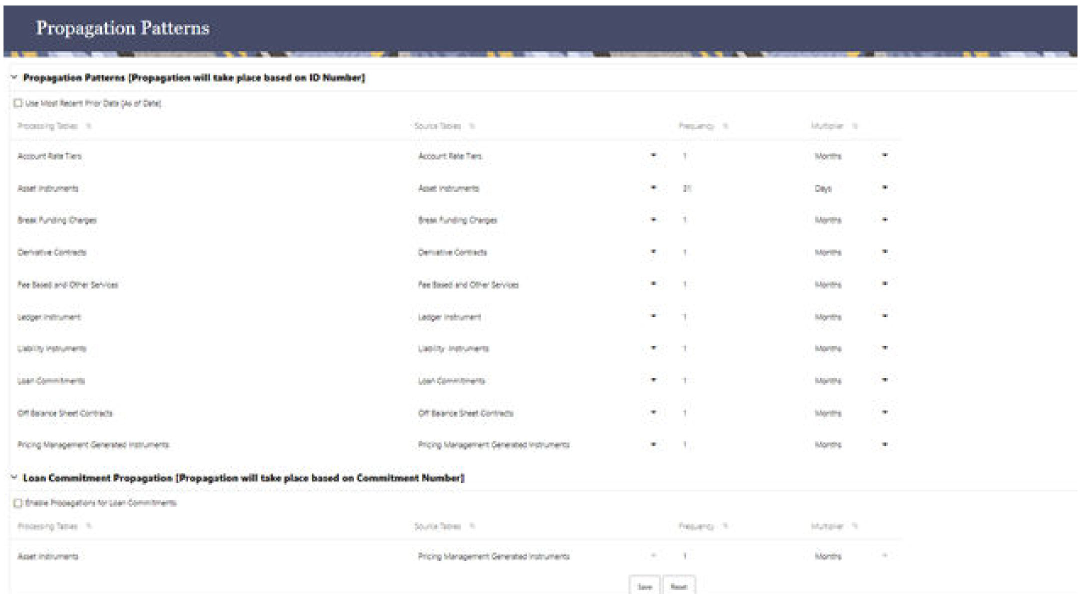
6. Click **Save**.

Defining the Propagation Pattern

To define the Propagation Pattern:

1. From the LHS menu, select **Funds Transfer Pricing**, select **Maintenance**, and then select **Propagation Patterns** to display the **Propagation Patterns** Page.

Figure 1-2 Propagation Patterns



The Propagation Patterns screen displays two sections on the screen based on if the account is a commitment or not (regular account)

2. Enter or select the following:
   - **Use Most Recent Prior Data [As of Date]**: If Use Most Recent Prior Date option is not on, then As-of-Date – Lookback term is calculated.
     If Use Most Recent Prior Date option is on, the nearest prior As-of-Date available in the instrument record is used for calculation. The Lookback term from the Propagation UI is ignored.
   - **Processing Table**: Instrument tables that are enabled for Transfer Pricing or Add-On Rate Processing. These Tables are sorted alphabetically.
   - **Source Table**: Tables that are referenced to obtain the previously calculated Transfer Rates or Add-On Rates.
   - **Frequency**: A numeric value multiplied with a Multiplier to calculate the Historical Lag reference date for rate Lookups.
   - **Multiplier**: The unit value of the Frequency.
3. Select the Source Table that needs to be associated with each Processing Table.

> **Note:**
>
> The Source Table for any Propagation Process can be either the same table (if you store multiple periods of instrument data in the same Instrument table) or a separate table (if you store historical records in separate Instrument tables).

4. Specify the Historical Lag between the Processing and Source Tables.
   a. Select the Frequency.
   b. Select the Multiplier.

> **Note:**
>
> The prior period Source data for each Source Table is defined in relation to the current As-of-Date. For instance, if you transfer price monthly, you should specify the historical lag between the Processing and Source Tables as one month. Alternatively, select the “Use Nearest Prior Date" option to have the system automatically determine the prior date.

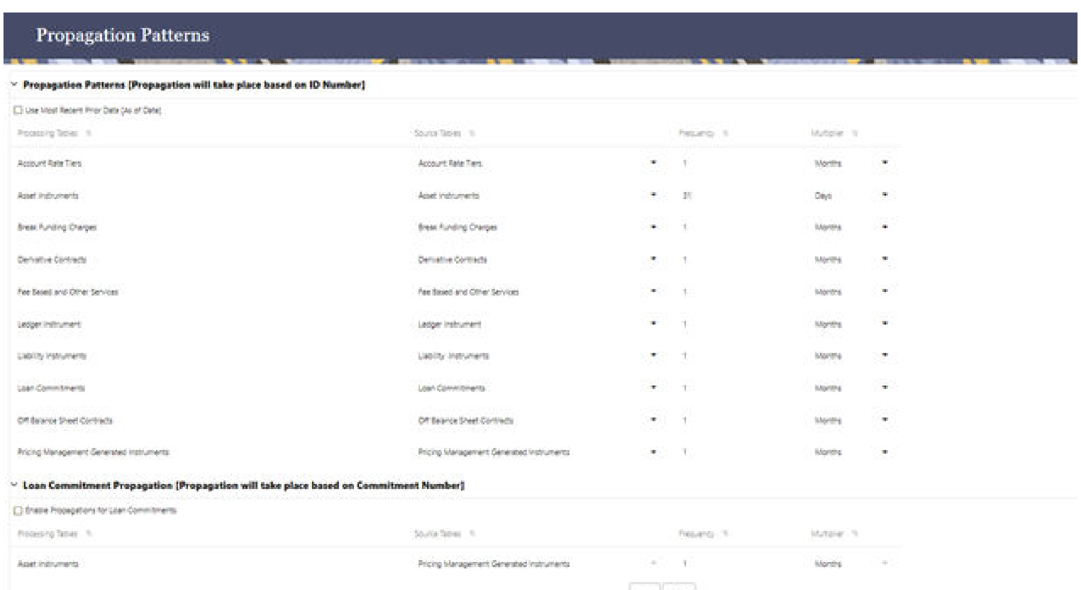
5. Click **Save**. The Propagation Pattern assumptions that you have defined are saved.
6. Click **Reset** to restore default values. This selection will set the Processing and Source Tables equal to each other and will set the Term and Frequency equal to 1 Month, for all rows.

1.1 Defining the Propagation Pattern

To define the Propagation Pattern:

1. From the LHS menu, select **Funds Transfer Pricing**, select **Maintenance**, and then select **Propagation Patterns** to display the **Propagation Patterns** Page.

Figure 1-3 Propagation Patterns



The Propagation Patterns Screen displays two sections on the Screen based on if the account is a commitment or not (regular account)

2. Enter or select the following:
   - **Use Most Recent Prior Data [As of Date]**: If Use Most Recent Prior Date option is not on, then As-of-Date – Lookback term is calculated.
     If Use Most Recent Prior Date option is on, the nearest prior As-of-Date available in the instrument record is used for calculation. The Lookback term from the Propagation UI is ignored.
   - **Processing Table**: Instrument tables that are enabled for Transfer Pricing or Add-On Rate Processing. These Tables are sorted alphabetically.
   - **Source Table**: Tables that are referenced to obtain the previously calculated Transfer Rates or Add-On Rates.
   - **Frequency**: A numeric value multiplied with a Multiplier to calculate the Historical Lag reference date for rate Lookups.
   - **Multiplier**: The unit value of the Frequency.
3. Select the Source Table that needs to be associated with each Processing Table.

> **Note:**
>
> The Source Table for any Propagation Process can be either the same table (if you store multiple periods of instrument data in the same Instrument table) or a separate table (if you store historical records in separate Instrument tables).

4. Specify the Historical Lag between the Processing and Source Tables.
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   b. Select the Multiplier.

> **Note:**
>
> The prior period Source data for each Source Table is defined in relation to the current As-of-Date. For instance, if you transfer price monthly, you should specify the historical lag between the Processing and Source Tables as one month.

> **Note:**
>
> Alternatively, select the “Use Nearest Prior Date" option to have the system automatically determine the prior date.

5. Click **Save**.The Propagation Pattern assumptions that you have defined, are saved.
6. Click **Reset** to restore default values. This selection will set the Processing and Source Tables equal to each other and will set the Term and Frequency equal to 1 Month, for all rows.

1.1.1 Loan Commitment Propagation

When a Loan Commitment is originated, it has a commitment number rather than an account number.

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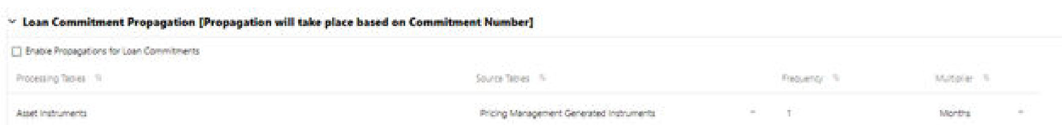
You can enable or disable Loan Commitment Propagation. If this option is enabled, then Loan Commitment Propagation will run after the Standard Propagation.

To define a Loan Commitment Propagation:

1. From the LHS menu, select **Funds Transfer Pricing**, select **Maintenance**, and then select **Propagation Pattern**.

   Figure 1-4 Loan Commitment Propagation

   The Loan Commitment Propagation Section of the Screen displays the following information:

   - **Processing Table**: This list includes the Seeded Instrument Tables that hold Loan Contracts.
   - **Source Table**: This list includes any Instrument Tables that are classified as a Loan Commitment Table. For example, Loan Commitment Contracts.
   - **Frequency**: A numeric value multiplied with a Multiplier to calculate the Historical Lag Reference Date for Rate Lookups.
   - **Multiplier**: The unit value of the Frequency.
2. Select the check-box option for Loan Commitment Propagation (if applicable).
3. Select the **Source Table** that needs to be associated with each Processing Table.
4. Select the **Target Column** to Match as Commitment Number.
5. Specify the **Historical Lag** between the processing and source tables.
   - Select the Frequency.
   - Select the Multiplier.
6. Click **Save**.

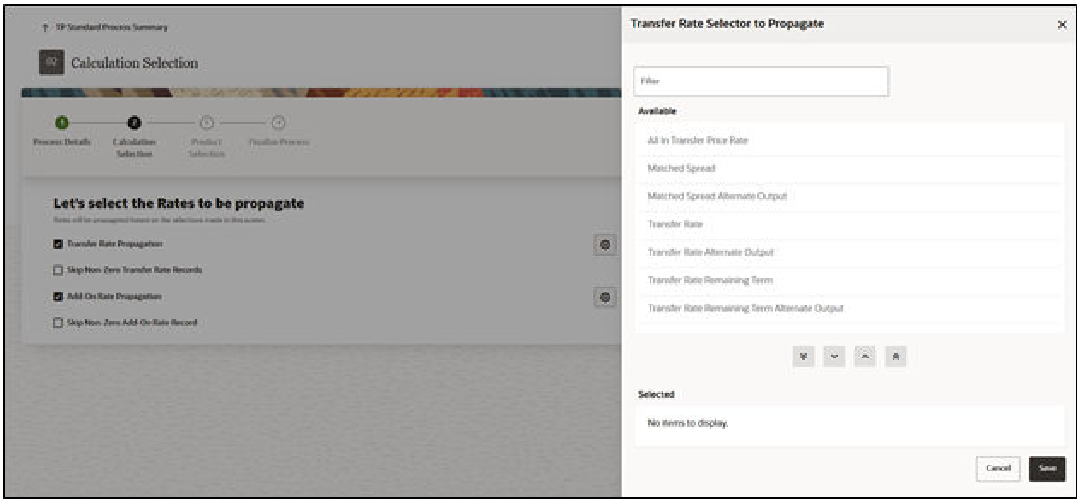
1.2 Propagating Transfer Pricing Results

Depending on your requirements, you can choose to propagate Transfer Rates, Add-On Rates by selecting the appropriate Propagation Processing Option in the Transfer Pricing Process.

To propagate the Transfer Pricing Results:

1. Navigate to the **Transfer Pricing Process Calculation Selection** Block.

Figure 1-5 Transfer Pricing Rule - Calculation Selection



2. Select the Propagation parameters:

   From a Standard Transfer Pricing Process, select the Transfer Rate Propagation option and/or Add-On Rate Propagation option. Selecting Transfer Rate Propagation updates all term-related Instrument Records, which have an Instrument-Level History for a prior period with the Transfer Rate that applied in that Prior Period. If Add-On Rate Propagation is selected, then all Add-On outputs (except Breakage Charges) including Rates and Amounts will be propagated.

   > **Note:**
   >
   > If you have pre-populated some Transfer Rates or Add-on Rates before running Propagation and you would like the Propagation Process to skip these records, then select the Skip Non-Zero Transfer Rate Record option and or Skip Non-Zero Add-On rate Record option.

   For more information, see Transfer Pricing Process.

   Note that, when a table is updated using a Propagation Pattern, an Instrument Record must satisfy the following criteria to receive a Transfer/Add-On Rate

   a. • It must be an Instrument that exists in both the Target (processing) Table (with the current As-of-Date) and the Source Table (with the prior period based on a matching ID_NUMBER).

   b. The Instrument must also satisfy one of the following conditions:

      It must be a Fixed-Rate (Repricing Freq = 0 in Target Table) Instrument.

It must be an Adjustable-Rate (Repricing Freq <> 0 in Target Table) Instrument with Target Last Repricing Date <= Prior Period As-of-Date. In other words, it must be an Adjustable-Rate Instrument that has not been Repriced since the prior period.

c. The Matched Spread is also migrated from the prior period record and not recomputed from the Transfer Rate and Current Rate on the Target Table Record.

d. For Add-On Rate Propagation, all rates are propagated regardless of Fixed or Adjustable type. If additional logic is required to control the Propagation of Add-On Rates, data filters should be used to specify the conditions.