

Oracle Financial Services

Pricing Margin



Release 25B
G39650-01
August 2025



Oracle Financial Services Pricing Margin, Release 25B

G39650-01

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Get Help

Topics:

- [Get Help in the Applications](#)
- [Learn About Accessibility](#)
- [Get Support](#)
- [Get Training](#)
- [Join Our Community](#)
- [Share Your Feedback](#)
- [Before You Begin](#)

1.1 Get Help in the Applications

Use Help icons to access help in the application.

Note that not all pages have Help icons. You can also access the [Oracle Help Center](#) to find guides and videos.

Additional Resources

- Community: Use [Oracle Cloud Customer Connect](#) to get information from experts at Oracle, the Partner Community, and other users.
- Training: Take courses on Oracle Cloud from [Oracle University](#).

1.2 Learn About Accessibility

For information about Oracle's commitment to accessibility, visit the [Oracle Accessibility Program](#). Videos included in this guide are provided as a media alternative for text-based topics also available in this guide.

1.3 Get Support

You can get support at [My Oracle Support](#).

For accessible support, visit Oracle Accessibility Learning and Support.

1.4 Get Training

Increase your knowledge of Oracle Cloud by taking courses at [Oracle University](#).

1.5 Join Our Community

Use [Cloud Customer Connect](#) to get information from industry experts at Oracle and in the Partner Community. You can join forums to connect with other customers, post questions, and watch events.

1.6 Share Your Feedback

We welcome your feedback about Oracle Applications User Assistance. If you need clarification, find an error, or just want to tell us what you found helpful, we did like to hear from you.

You can email your feedback to [My Oracle Support](#).

Thanks for helping us improve our User Assistance!

1.7 Before You Begin

Refer to following Documents:

- [See What's New](#)

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Pricing Margin

The Pricing Margin Rules allow you to define pricing margins (or spreads) for your new business originations. As with all forecasting rules, Pricing Margins are based on the Multi Dimensional Balance Sheet Structure (MDBSS). Pricing margins are defined period by period using your selected Time Bucket definition for each MDBSS node and, potentially, each currency. Pricing margins work together with an underlying base Interest Rate Curve (specified in Product Characteristics) to determine note rate pricing for new business volumes. New business assumptions are defined based on the combined inputs from the following forecast related business Rules:

- Product Characteristics
- Pricing Margins
- Forecast Balance

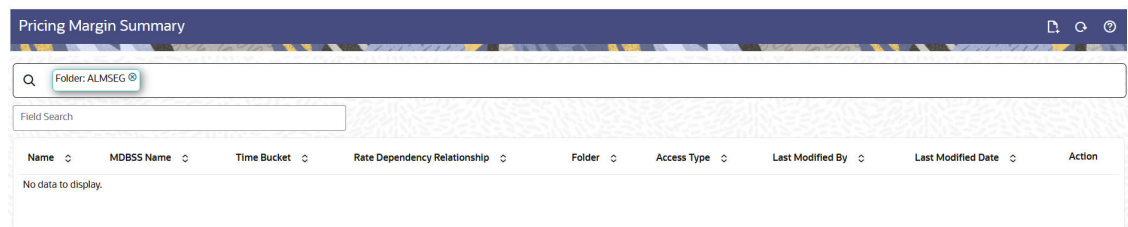
All forecast Rules use the MDBSS. Rules intended to be processed together must share a common MDBSS.

When you require more complex definitions of pricing margins to model unique account pricing details, user-defined repricing patterns can be used.

Pricing Margin Rule Summary

This page is the gateway to all Pricing Margin Rules and related functionality. You can navigate to other pages relating to Pricing Margin Rules from this point.

Figure 2-1 Pricing Margin Summary



Search Pricing Margin Rule

Prerequisites: Predefined Pricing Margin Rule

To search for a Pricing Margin Rule:

Click **Search** after entering the search criteria. The search results are displayed in a table containing all the Pricing Margin Rules that meet the search criteria.

Or

An alternative method to search a Pricing Margin Rule is through the **Field Search** option. This is an inline wildcard UI search that allows you to enter a search value (such as code, name, etc.) partially or fully. Rows that contain the string you are searching for are fetched and

displayed in the Pricing Margin Rule Summary. You can enter the **Name**, **MDBSS Name**, , and **Folder** of the Pricing Margin Rule and click **Search**.

The Pricing Margin Rule Summary displays the following information:

Add: Click the Add icon on the page header to build a new Pricing Margin Rule.

- **Name:** The Pricing Margin Rule's short name.
- **MDBSS Name:** The instrument table selection for processing of data.
- **Time Bucket:** The Time Bucket of Pricing Margin Rule.
- **Rate Dependency Relationship:** The Rate Dependency Relationship of Pricing Margin Rule.
- **Folder:** The Folder where the Pricing Margin Rule is saved.
- **Last Modified By:** The user who last modified the Pricing Margin Rule.
- **Last Modified Date:** The Date and Time when the Pricing Margin Rule was last modified.
- **Access Type:** The access type of the rule. It can be Read-Only or Read/Write.
- **Action:** Click this icon to view a list of actions that you can perform on the Pricing Margin Rule.
 - Multiple Delete: Enables you to select and delete one or multiple rules in the table simultaneously.
 - View/Edit: Based on the user privilege assigned, you can either only view or edit existing Pricing Margin Rules. To edit a rule, you must have Read/Write privilege.
 - Save As: You can reuse a Pricing Margin Rule by saving it under a new name thus saving time and effort in entering data multiple times; it also leads to reduced data entry errors.
 - Delete: You can delete Pricing Margin Rules that you no longer require. Note that only Pricing Margin Rule owners and those with Read/Write privileges can delete Pricing Margin Rules. A Pricing Margin Rule that has a dependency cannot be deleted. A rule cannot be retrieved after deletion.
 - Dependency Check: You can perform a dependency check to know where a particular Pricing Margin Rule has been used. Before deleting a rule, it is always a good practice to do a dependency check to ensure you are not deleting Pricing Margin Rules that have dependencies. A report of all rules that utilize the selected Pricing Margin Rule is generated.

Also See:

- [Create Pricing Margin Rule](#)
- [Define Pricing Margin Rule](#)

2.1 Create Pricing Margin

To create the Pricing Margin, do the following:

1. Navigate to the **Pricing Margin** summary page.
2. Click **Add** icon. The **Add Pricing Margin** page is displayed.

Figure 2-2 Pricing Margin Page

As Of Date: 10-09-2015 Pricing Margin Save Cancel

Name: New Folder: ALMSEG

Description: Test Access Type: Read Only Read/Write

MDBSS Folder: ALMSEG MDBSS Hierarchy: New Add MDBSS

Time Bucket Folder: ALMSEG Time Bucket: TimebucketBI

Currency: US Dollar

Member Tree Search Results

Member	Rate Dependency Pattern	Status	Action
Off Balance Sheet Products			

3. Enter the following Details.

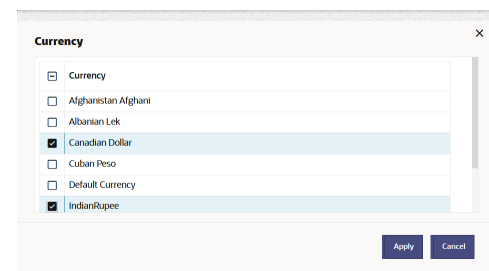
Table 2-1 Create Pricing Margin Rule

Fields	Description
Name	Enter the name of the Pricing Margin Rule.
Description	Enter the description of the Pricing Margin Rule. This is an optional field.
Folder	Select the Folder where the Pricing Margin Rule needs to be saved.
Access Type	Select the Access Type as Read-Only or Read/Write.
MDBSS Folder	Select the MDBSS folder
MDBSS Hierarchy	Select the MDBSS hierarchy
Time Bucket Folder	Select the Folder from which you want to apply Time Bucket Rule.
Time Bucket Rule	Select the time horizon/aggregation for rule.
Currency	Select the currency for Pricing Margin.

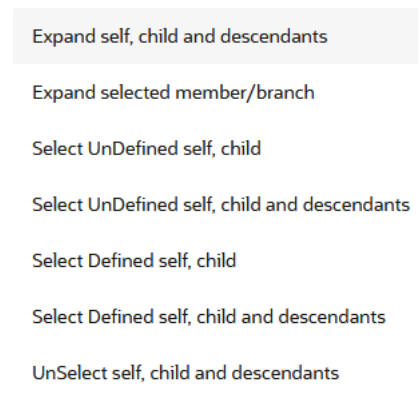
Table 2-1 (Cont.) Create Pricing Margin Rule

Fields	Description
Copy Definition to another Currency	<p>This functionality provides the option to copy, in total or selectively, the product assumptions contained within the PBSM assumption Rules from one currency to another currency or a set of currencies, or from one product to another product or set of products. Copy of assumptions enhances the usability of PBSM Cloud in a multi-currency environment.</p> <p>For example, if you have 10 currencies enabled in the application and you must input only one set of assumptions, then copy those assumptions across all enabled currencies, instead of having to input 10 full sets, thereby saving a significant amount of input time. This functionality also reduces the risk associated with data input errors as you must audit inputs for a set of assumptions before executing the copy procedure.</p> <p>This process requires you to select a replacement yield curve for each target currency. These currency-specific IRCs replace the IRC selection made for each product in the source currency selection set. It is possible to edit the target assumptions after the initial copy processes have been completed.</p> <p>To use this functionality, follow these steps:</p> <ol style="list-style-type: none"> a. Click Copy Definition to another Currency icon next to Currency field. The Currency window is displayed.

Figure 2-3 Copy Definition to another Currency



- b. Select Currency(ies) and click **Apply**.
-
4. Select the MDBSS node(s) from Assumption Browser. The Assumption Browser has following two tabs: Member Tree and Search Results
 - Member Tree: Use the Member Tree tab to view the hierarchical structure and define rules by selecting the node members from the browser. Select Node and click the menu icon next to it to view the available options. Select Node and Click Menu icon next to it to view the available options.

Figure 2-4 Member Tree

Status of node is also displayed in Member Tree section, for example Selected, and so on. To select member hierarchy, following options are available:

- **Expand self, child and descendants:** Allows to expand the selected node itself along with its child and descendants.
- **Expand selected member/branch:** Allows to expand the selected node
- **Select UnSelect self, child:** Allows to unselect the selected node itself along with its child
- **Select UnSelect self, child and descendants:** Allows to unselect the selected node itself along with its child and descendants.
- **Select Defined self, child:** Allows to select the selected node itself along with its child.
- **Select Defined self, child and descendants:** Allows to select the selected node itself along with its child and descendants.
- **UnSelect self, child and descendants:** Allows to unselect the selected node itself along with its child and descendants.

Use **Show Numeric Code Values (Left)** icon to view the code value left to the Node name.

Use **Show Numeric Code Values (Right)** icon to view the code value right to the Node name.

Here, you can perform the following tasks on the selected node(s):

- Add
- Edit
- View
- Delete
- Copy
- Search Results: You can also search the members based on the filters. This section shows the searched node(s). To search a member, follow these steps:
 - a. Navigate to **Assumption Browser** section of the Rule Definition page.
 - b. Enter the Member ID, Name, Status, or Is Leaf in Search Criteria.

Figure 2-5 Search Criteria

- c. Click **Search**. The searched member(s) will be displayed in **Search Results** section of **Assumption Browser**

Figure 2-6 Searching Members

Member	Rate Dependency Pattern	Status	Action
Asset Products - 3639	RDP		...

Here, you can perform the following tasks on the searched node(s):

- Add
- Edit
- View
- Delete
- Copy

Click **Show Parentage icon** to view the Parent-child Node level hierarchy details of selected Node.

Use **Show Numeric Code Values (Left)** icon to view the code value left to the Node name.

Use **Show Numeric Code Values (Right)** icon to view the code value right to the Node name.

5. Select Rate Dependency Pattern from corresponding **Rate Dependency Pattern** drop-down. This drop-down lists all the predefined Rate Dependency Patterns. For more information, see [Rate Dependency Pattern](#).
6. Click **Add** from **Assumption Browser** section.
7. Click Save

2.2 Defining Pricing Margin Rule

When you click Save in the Create Pricing Margin Rules Process, the Rule is saved and the Pricing Margin Rule Summary Page is displayed. However, Pricing Margin assumptions have not yet been defined for any of your products at this point. Typically, you would start defining your Forecast Balance assumptions for MDBSS before clicking Save.

The Pricing Margin Rule supports the definition of Forecast Balance assumptions for MDBSS.

Once you have created a Pricing Margin Rule, you can assign Pricing Margin to MDBSS using Node Level Assumption. For more information, see [Defining Pricing Margin Using Node Level Assumptions](#) section.

2.2.1 Defining Pricing Margins Using Node Level Assumptions

Node Level Assumptions allow you to define assumptions at any level of the Multi Dimensional Balance Sheet Structure (MDBSS) hierarchy. The MDBSS supports a hierarchical representation of your chart of accounts, so you can take advantage of the parent-child relationships defined for the various nodes of your MDBSS hierarchies while defining rules. Children of parent nodes on an MDBSS automatically inherit the assumptions defined for the parent nodes. However, assumptions directly defined for a child take precedence over those at the parent level. In an income simulation scenario, you may want to price new business for an account at a margin above or below a market interest rate code. For example, you can model a premium paid on CDs in relation to a market yield curve by adding a pricing margin to the interest rate code assigned to the product in the Product Characteristics rule. If you want a rate that is 25 bps above the market yield curve, you will type "0.25" as the pricing margin for the appropriate modeling period. The Pricing Margin rule uses the modeling period defined in the "active" Time Bucket rule. You should always verify that your modeling horizon and related assumptions are consistent with the As of Date and active Time Bucket rule before processing.

Prerequisites

Performing basic steps for creating or editing a Pricing Margin Rule.

Procedure

To define Pricing Margin Rule, follow these steps:

1. Navigate to Pricing Margin Rule page.

Figure 2-7 Pricing Margin Rule section

2. Enter following details:

Table 2-2 Pricing Margin

Fields	Description
Margin Type	Select Margin Type as Rate or Percent.
Active Node	Shows the name of the selected Active Node

Table 2-2 (Cont.) Pricing Margin

Fields	Description
Rate Dependency Pattern	Rate Dependency Patterns allow you to establish relationships between the level of interest rates, economic indicators or rate spreads and ALM forecast assumption rules. Select the pre-defined Rate Dependency Pattern.
Pricing Term	<p>Enter Pricing Term. In conjunction with the Multiplier, this field allows you to specify the value for the Term that is used to lookup IRC to derive interest rate of new business.</p> <p>Lookup term for fixed rate is:</p> <ul style="list-style-type: none"> • If Pricing Term is defined in Pricing Margin, then Pricing Term. • If Pricing Term is not defined, then Maturity Term in Maturity Mix. • If both Pricing Term and Maturity Mix are not defined, then Original Term from Product Characteristics. <p>Lookup term for floating rate is:</p> <ul style="list-style-type: none"> • If Pricing Term is not defined in Pricing Margin, then Repricing Frequency from Product Characteristics, else Pricing Term.
Pricing Multiplier	The unit of time applied to the Term. The choices are: Days, Months, Years.
Rate Tier	Select the Rate Tier. Rate Tiers reflect the Rate Dependency Pattern details from the selected Rate Dependency Pattern. Define Pricing Margin assumptions for each rate tier. The application will automatically determine which set of assumptions to apply for a given scenario based on the relationship between the Rate Tier and the related Forecast Rate assumption value.
Bucket Number Start and Bucket Number End	The bucket number input allows you to select a range of buckets over which the pricing margin assumption will apply. Start Date and End Date values are updated automatically based on the Bucket Number input for each row.
Start Date and End Date	When the Pricing Margins detail page opens, the Start Date (min value) and End Date (max value) columns are automatically populated and are read-only values. The date ranges represent the Income Simulation Date buckets as defined in the "active" Time Bucket rule. Any new business originated within these dates is modeled using the pricing margins defined in the Pricing Margin rule. New business added for each date bucket will have the same net and gross margin for its life. The margins for a particular instrument will not change as the instrument ages.
Net Margin	The Net Rate is affected by setting the Net Margin Flag in the Product Characteristics rule. If Net Margin Flag is set to Floating Net Rate, then Net Rate is equal to the Interest Rate Code plus the Net Margin specified here. If the Net Margin Flag is set to Fixed Net Rate, then Net Rate is equal to Net Margin.

Table 2-2 (Cont.) Pricing Margin

Fields	Description
Gross Margin	The Gross Margin you define is added to the Interest Rate Code specified in the Product Characteristics rule to define the gross rate on new business.

3. You can add more Rows using the **Add Row** icon. You can add multiple rows at a time using the **Add Multiple Row** icon.
4. You can also use **Apply Defined Buckets to all Rate Tiers** option. This option allows you to copy the bucket setup from one page to all other Rate Tiers when using Rate Dependent assumptions.
5. Click **Apply**.

You can also use the Excel Export feature to download the data in Excel format.