



FirstRand

**GTSY Payments and Funding**

# GTSY Payments and Funding program

## Business context (Problem statement )

- There are multiple settlement processes for RMB payments and receipts that use number of suspense and clearing accounts that are recorded on GTSY balance sheet. Furthermore, to facilitate this settlement process, all internal cash accounts (SMT TS accounts) are recorded on GTSY balance sheet.
- GTSY has no context of payments generated by various business areas and all exceptions end up on the GTSY Balance sheet.

## The current control environment is sub-optimal with significant long outstanding exceptions such as;

- Duplicating payment and funding events from source systems into GTSY GL.
- Breakdown in inter-system messaging between payment systems and Chameleon.
- Significant volume of payments to funding events processed daily, with multiple points of failure.
- Operational controls run at end of day off a platform used for financial reporting. No same day exception management.
- Payments processed over general ledger rather than being recorded in a bank account hosted on transactional banking platform.
- There is no clear single source for determining the current ZAR position for RMB at FNB, as numerous ledger accounts are utilised to manage settlements. Business ownership and accountability.
- The effectiveness with which Treasury's ability to manage intra-day liquidity of the bank is impeded due to the complexity of the current processes and postings.



# GTSY Payments and Funding program

## GTSY Requirements

To reduce operational complexity, elevated operational risk and enhance the overall control environment, GTSY proposes the consolidation and simplification of the multiple settlement processes into a consistent and standardised business process.

The migration from suspense /clearing accounts cross ledger process to transactional bank accounts, configured for each RMB business area, in line nature of business and operational requirements. This would unlock the following controls

- Payments and receipts are recorded in a transactional bank account and posted to the balance sheet of the business area executing payments - **Greater simplicity and control** via consolidated and standardised settlement processes.
- **Removal of internal cash accounts from GTSY balance sheet** as all payments will be configured to settle over designated business bank accounts – *GTSY treated like a 3<sup>rd</sup> party*
- **All term /position funding would need to integrate with GTSY Murex funding portfolio** and settle over business DDA. Migration from the current 'cash-based' funding approach where portfolio cash balances (TS accounts) are recorded in the RADA GL to a trade-based solution. Segregating the funding process (cash allocation) from settlement process (currently match each funding event to settlement event)
- **Business area is owner signatory on settlement accounts** and is responsible for reconciliation and exception management. Clear lines of ownership and accountability. Reconciliations performed against an independent bank account provide a more independent form of control, as opposed to the GL based model.
- **Operational controls run from source systems** and not off general ledger. This enables enhanced exception management, pre-emptive rather than the current reactive exception management. This allows for improved scalability as exception management teams are not spread across multiple processes.
- **Intra-day reconciliations** where payments are reconciled using SWIFT messages from Hogan - enabled by the reconciling of the payment engine against a bank statement, will provide more timely control and error detection capability.
- Alignment with the settlement model used for non-ZAR. In the same way that non-ZAR settlement instruct a bank e.g. sterling settlements via Lloyds, ZAR settlements will be via FNB.
- The cash management and liquidity module in the payment engine will facilitate a single consolidated view of RMB's cash ladder.



# GTSY Payments and Funding program

## Generic Business Principles

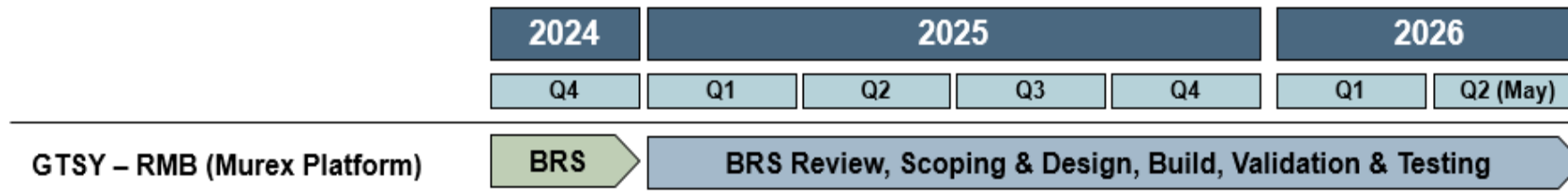
- **Ownership and Accountability** – Each business area records all payments on a suitable platform /source system. Business own all their settlements and are the signatory on the bank account. Business must ensure the bank account is funded and account limits are not exceeded.
- **Bank Account limits** – GTSY will set account limits and rates on the bank accounts agreed with relevant business.
- **Reconciliation & Exception Management** - Business is responsible for reconciliation and exception management. Clear lines of ownership and accountability. Reconciliations performed against an independent bank account provide a more independent form of control, as opposed to the GL based model.
- **Operational controls** - Requisite control environment and robust operational controls /exception management to ensure all payments /receipts are reconciled to an independent bank account on daily basis.
- **Payment standards** - Standardised settlement processes. All payment messages to be fully ISO 20022 compliant
- **Term funding** - *All internal term funding to be booked with GTSY funding desk*
- **Intra-day reconciliations** where payments are reconciled using SWIFT messages from Hogan - enabled by the reconciling of the payment engine against a bank statement, will provide more timely control and error detection capability.
- **Alignment with the settlement model used for non-ZAR.** In the same way that non-ZAR settlement instruct a bank e.g. sterling settlements via Lloyds, ZAR settlements will be via FNB.



# GTSY Payments and Funding program – Workstreams

## 1. GTSY/GM Murex funding (Target implementation date May 2026)- TBD

- Murex is wholesale funding platform for Firststrand Bank and under target operating model all funding trades to be captured and recorded on Murex.
- 3 methods of funding trade types to be enabled on Murex – Term (match), position (behavioral) and residual funding (overnight) - see appendix C&D.
- Simplified control and reconciliation business architecture as projected trade cashflows and actual settlements generated from same system - Murex (no inter system messaging). *See Appendix B.*
- All operational controls to be housed in Murex and instrument cashflows matched to actual settlements. All operational controls removed from RADA GL . *See Appendix B.*
- Automated application of relevant FTP rates based on a GTSY ruleset to the underlying funding transactions (term & residual) – fully attributed into various components (base rate, liquidity premium).



### Notes

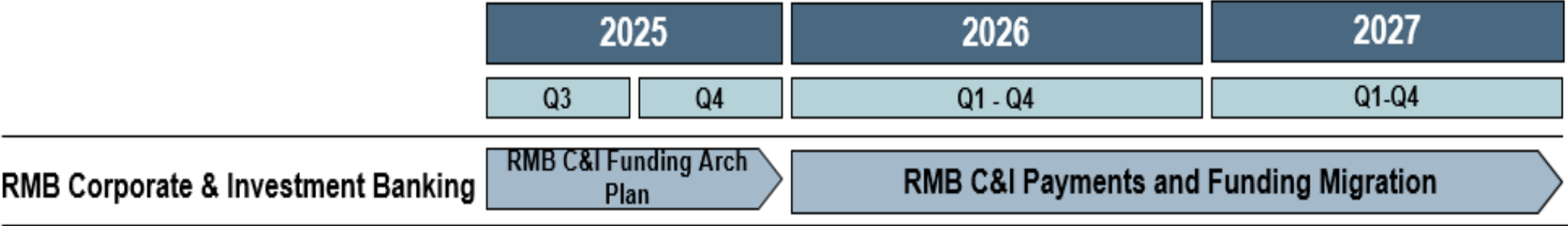
- Funding and Payments business processes separated and solved for individually .
- The Murex Funding BRS has been completed and under reviewed by Murex team.
- Funding & Liquidity team have addressed all Murex questions relating to BRS.
- Murex Planning to commence in July 2026 and follow Funding principles for broader RMB .



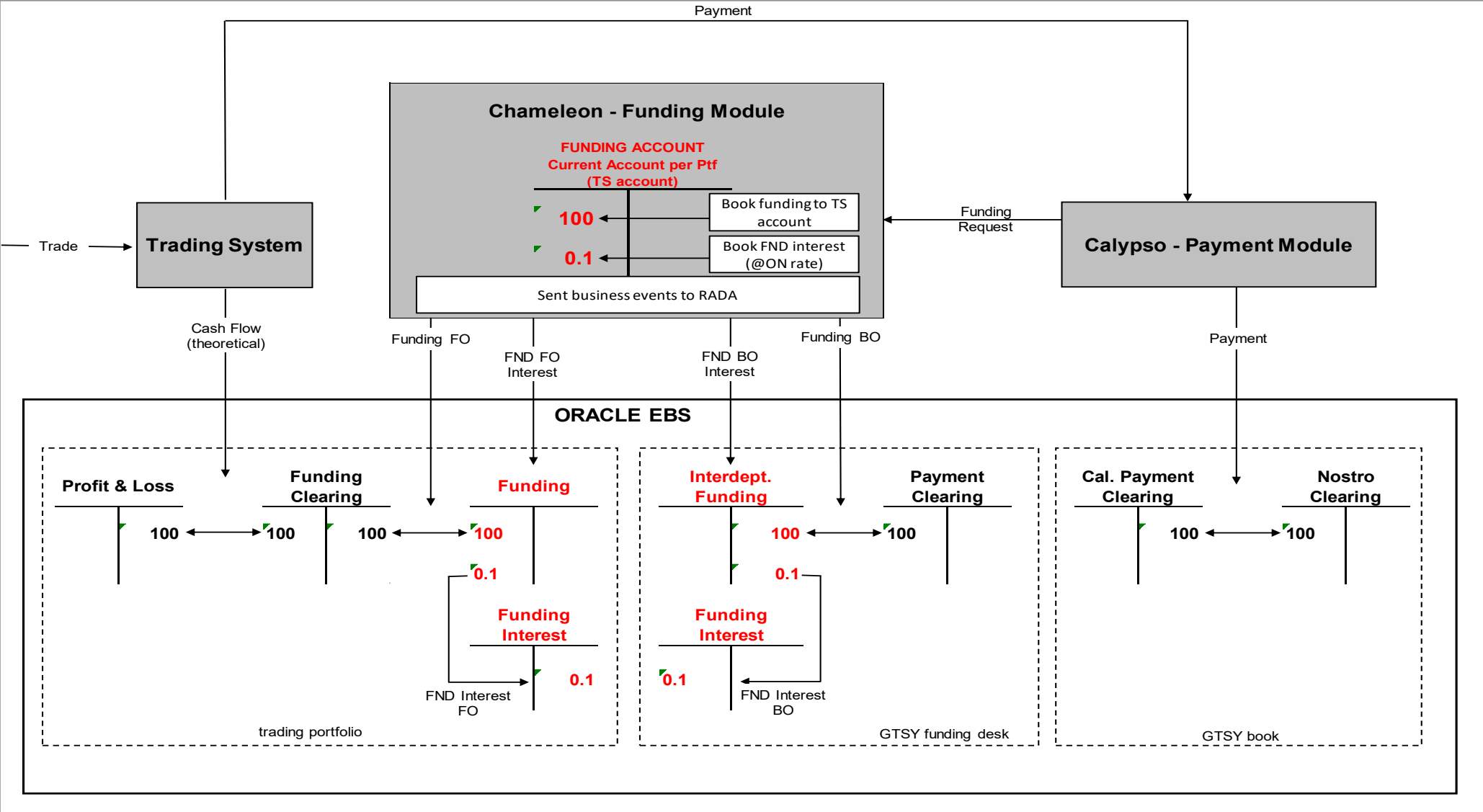
# GTSY Payments and Funding program – Workstreams

## 2. C&I Payments and funding (Target implementation date TBD)

- RMB Team to complete target business architecture for payments and funding (Q3 & Q4 2025)
- RMB team to complete implementation roadmap to migrate all payments to Hogan bank account.
- Removal of all suspense /clearing accounts and related funding (TS accounts) from GTSY balance sheet.
- All term funding trades to update relevant GTSY funding portfolios housed in Murex.

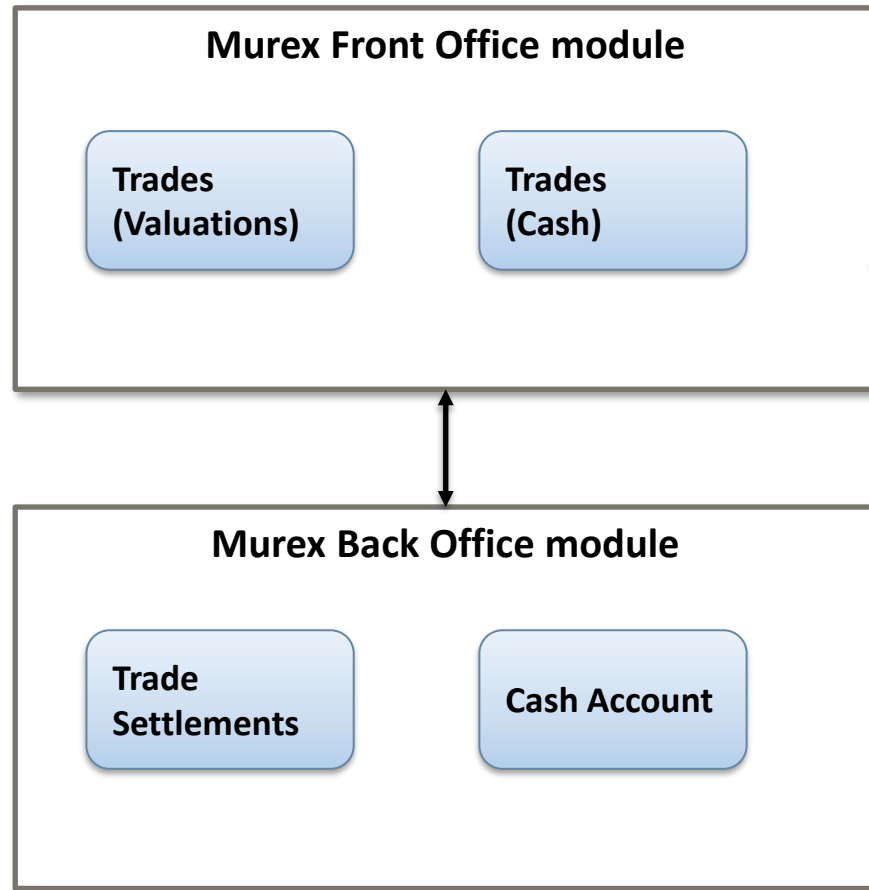


# Appendix A -Current Payments and Funding process

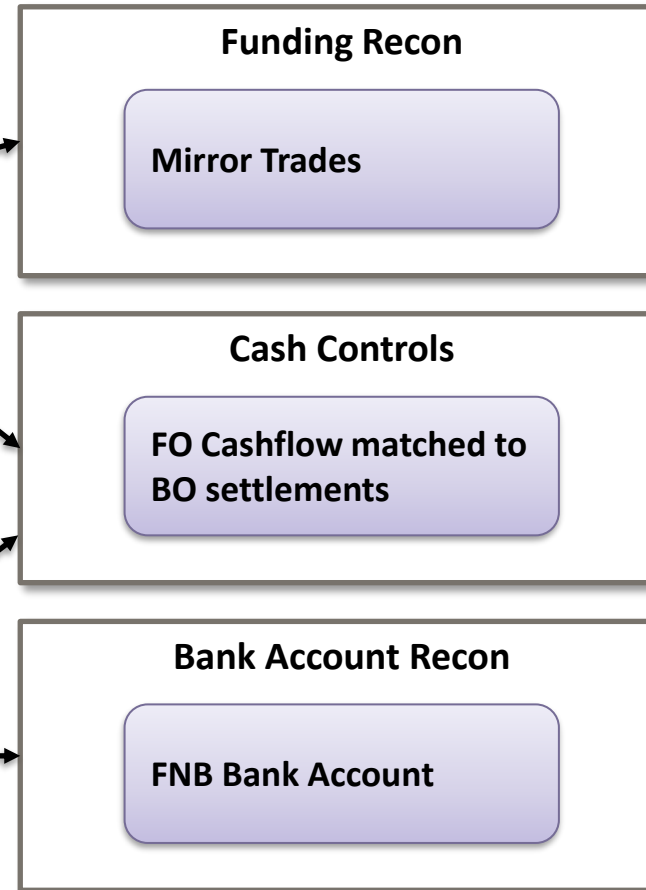


# Payments & Funding

## MUREX FRONT TO BACK SYSTEM



## OPERATIONAL RECONS





# Appendix C- Funding methods to be enabled in Murex

Target funding solution to be enabled on wholesale platforms can be summarised as follows and will be executed at a portfolio level

- **Match funding process:** 1 – 1 match maturity funding process, when system automatically generates internal funding transaction with matching CF profile and maturity at an FTP rate corresponding to the underlying transaction maturity. Matched funding can be an automated process where rules are set at a portfolio level (Murex) or manually captured via mirror deal functionality
- **Position funding process:** Scheduled process that will run at EOD which will overnight fund at predefined behavioural rate open trading / banking portfolio positions. This can be a manual or automated process.
- **Residual cash funding process:** Process that will fund at overnight using an ON rate, all residual cash after the match funding and position funding processes have been run. This funding typically covers realised PL /losses for the applicable portfolio. This residual funding process can be executed at a portfolio level in 2 ways a) ON rate applied to a portfolio cash account b) ON funding deposit/loan between each funded portfolio and GTSY mismatch portfolio.



# Appendix D-Murex Funding methods –Illustration

