



Accounting

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Introduction

This document provides an overview of how accounting functions are handled within the RemitONE MTMS. The system provides sophisticated accounting mechanisms that cover many aspects of credit management and reporting of the different entities within the system. However, the MTMS does not propose to provide General Business Accounting functionality to replace full Accounting activities at the business level. Instead, data from the MTMS can be exported and then imported to external accounting systems.

Credit Logs Overview

A system of credit logs is maintained for the important entities within the system – Agents, Agencies, Processing Banks, Processing Bank Branches, Remitters with eWallets and the HQ. Each credit log has a currency, a current balance and a log of all the activities that affected the current balance. Each log entry contains a before and after value, and the amount that was credited or debited from the credit value for that activity. The credits and debits are recorded from the perspective of the HQ. For example, if the Agent makes a payment to the HQ then this is seen as a credit. If the Agent creates a transaction and now owes that amount to the HQ, then this is a debit. Similarly, if the HQ sends a transaction to a Processing Bank for payout then this is a debit, and if the HQ makes a settlement payment to the Processing Bank then this is a credit. So in general negative credit levels indicate an external entity owing funds to the HQ.

Agent Accounting

Every Agent has a credit log and the currency of this credit log can be set to any available source currency. This means that an Agent may create transactions in GBP, but settle with the HQ in, say, USD. It would be common for Agents to settle with the HQ in the System Settlement Currency.

External Agents (non-HQ Agents or 3rd Party Agents) are generally configured to be blocked from creating new transactions if they do not have enough available credit. This ensures the HQ is able to control cash flows. In a pre-pay scenario with non-HQ Agents, the Agent would need to always make a pre-payment to the HQ in order to create transactions. In a post-pay scenario the Agent would create transactions beforehand and then settle with the HQ afterwards. Generally, HQ Agents are not subjected to these credit controls when creating transactions.

Agents can be configured to have an overdraft on their credit profile, made up of two components : Automatic Overdraft and Manual Overdraft. The idea is that the Agent is always given a certain Overdraft amount to allow normal day-to-day creation of transactions. This amount would be set on the Automatic Overdraft setting. In exceptional circumstances, a Manual Credit amount could be temporarily added by the Admin to allow the creation of less common high value transactions.

If an Agent is under an Agency, then when creating transactions the Agent must have sufficient credit with it's Agency, and also the Agency must have sufficient credit with the HQ.

Agent Deposit Entries:

There is an additional feature termed Agent Deposit Entries that is related to general accounting. The Agent can record for information purposes only the bank deposits that they have made as settlement of their funds due. The screen for this is at Credit Logs -> Deposit Entries. This value can viewed by the Admin, so they can then cross check these payments in their Bank Statement. However the Agent Deposits do not actually affect the Agent Credit Log. This is purely meant for communication between the Agent and the Admin.

Agency Accounting

Every Agency has a credit log and the currency of this credit log can be set to any available source currency. This means that an Agency's Agents may create transactions in GBP, but the Agency can settle with the HQ in, say, USD. It would be common for Agencies to settle with the HQ in the System Settlement Currency. The Agency credit log will represent the amalgamation of the credit logs of all its Agents.

The Agency can set the credit level of the Agents under it. In this case, when creating a transaction, an Agent must have sufficient credit with the Agency, and also the Agency must have sufficient credit with the HQ.

Processing Bank Accounting

Every Processing Bank has a credit log and the currency of this credit log can be set to any system source or destination currency. In practice, it will generally be set to the primary destination currency of that country or the System Settlement Currency.

Whenever a transaction is accepted by a Processing Bank for payout, the transaction status will become SENT_FOR_PAY or SENT_FOR_DELIVERY, and at this point the Bank's credit log will be debited the value of the transaction in the plus the bank's charges for paying out the transaction. The two together represent the total amount owed by the HQ to the Processing Bank.

Processing Bank Branch Accounting

Every Branch of a Processing Bank has a credit log between it and the Processing Bank. When a transaction is assigned to a Branch, it's status becomes SENT_FOR_DELIVERY and at this point the Branch's credit log is debited by the value of the transaction only. The bank charges are not included in the Branch's account.

The Processing Bank can settle with it's branches using the standard Credit Management screens.

HQ Accounting

At the HQ Level there are two credit logs – a General log and a Commissions log.

The General Log contains all entries where a manual credit adjustment is made for an Agent or Processing Bank. The purpose of this ledger is to track the actual payments received from Agents versus those paid out to Processing Banks, thus allowing the HQ to keep track of their cash flow, and overall profit margin.

The Commissions Log shows all entries for the following: Commission earned on a transaction, bank charges paid for a transaction, commission refunded for a transaction, bank charges refunded on a transaction. This allows the HQ to keep track of profits from the perspective of charges, without considering exchange rate profits.

Remitter Accounting and eWallets

Remitters in the system can be created with an eWallet. This eWallet can then be topped up and the remitter is able to use these funds to pay for transactions, either via the ARM when an Agent creates a transaction on their behalf, or via the ORM where the remitter directly creates the transaction. Topping up the eWallet is a credit action while paying for a transaction is a debit action.

Remitter eWallets can be created in multiple currencies. It is also possible to transfer funds from one eWallet currency to another. The eWallet can then be used to pay for a transaction.

Wallet Transfer Transaction Type

There is also a transfer method named "Wallet Transfer" that can be optionally enabled. This allows one remitter to send funds to another remitter's eWallet. In this case, the system functions as a closed money transfer loop. MTOs may need additional licencing such as EMoney Licencing to conduct these types of transfers.

Bank Deposits and Deposit Matching

This is a sophisticated mechanism for keeping track of payments made into the MTO's bank account(s). This functionality is available to Admin users and Accounts users of the HQ.

Essentially this mechanism allows your Back Office to upload CSV files of bank deposits into the system, and then use a matching process to assign these deposits to either pending transactions or agents from whom funds are due, or remitters who have topped up their eWallets.

The setup process is as follows:

1. Go to Accounting -> Bank Deposits -> Bank Deposits Bank Accounts, and create your bank accounts. These bank accounts are where your customers would deposit payment for transactions. When creating these bank accounts you must specify the currency and the file format that you will use. There is a standard R1 format that we recommend using, but you will need to convert the data from your online banking portal to follow this format.
2. If you require custom file formats then this can be arranged as a customisation with RemitONE.

The operational process is as follows:

1. Obtain a CSV file of bank deposits from the MTO's Internet Banking account.
2. Filter this CSV using a spreadsheet such as Excel or LibreOffice to include only Bank Deposits from Agents or Remitters.
3. Split the CSV file into three files – one for deposits made by Agents as settlement of their daily transactions, one for payment by Remitters for transactions that they have created via Agents or the ORM, and one for payments by Remitters as topups of their eWallet.
4. Upload the CSV files into the system from the screen: Accounting -> Bank Deposits -> Bank Deposits Management. Click on the button at the top right: "Upload Bank Deposits Statements". When uploading the bank deposits file, make sure the correct deposit type is selected: Agent Deposit, Transaction Payment or Remitter Credit. This will correspond to the CSV file type mentioned in step 3 above.
5. Return to main Bank Deposits Management screen and verify the deposits are correctly uploaded.
6. Now assign the deposits to the appropriate pending payments using the Bank Deposits Matching screens as explained below.

- A. **Match Deposits to Agent Credits:** On this screen unused deposits from agents will appear on the left hand side, and a list of Agents will appear on the right hand side. You can match a deposit to an Agent in order to allocate that deposit to the Agent's Credit Log. This allows the settlement of Agent payments to managed efficiently.
- B. **Match Deposits to Pending Clearance Transactions:** On this screen unused deposits from remitters will appear on the left hand side, and a list of Transactions in PENDING_CLEARANCE status will appear on the right hand side. These could be transactions created via the ARM or via the ORM. You can match a deposit to a transactions in order to allocate that deposit to the transaction. This will mark the transaction as 'paid' by the remitter. The transaction status will then change to ENTERED or beyond, depending on the settings in the system state machine. This will then trigger a credit on the Agent and Agency's credit logs, as they no longer owe this amount (source amount + hq charges) to the HQ.
- C. **Match Deposits to Remitter Credit:** On this screen unused deposits from remitters will appear on the left hand side, and a list of remitters with eWallets can be generated on the right hand side. When a match is made, that remitter's eWallet will be credited with the amount of the deposit, allowing the remitter to utilise these funds for payment of transactions via the ORM or ARM.

HQ Bank Accounts

In addition to Remitter Bank accounts, you can also create HQ Bank Accounts. These can be used to hold the funds held by the MTO itself in their own bank accounts. You can also create cheque books against these HQ bank accounts, and use these cheques when paying out transactions to beneficiaries.

External Transactions Accounting

Integrations with payout organisations can broadly be categorised as either single-entity integrations or “hub” integrations. In the case of a single-entity integrations, a Processing Bank would typically be created to map against the integration partner, and all transactions routed to that Processing Bank would be delivered to that partner. However, in the case of a Hub Integration, the Hub provides delivery to a number of different payout organisations in different countries. So typically we would create multiple Destination Countries with their own Processing Banks to map to this single Hub Entity.

To track the accounting of the Hub becomes more complex in this scenario, and hence a new method is employed in this case.

Firstly, the transactions routed to the Hub are given a different Transaction Mechanism, other than DEFAULT. Any transaction created with a non-DEFAULT Transaction Mechanism then has special accounting entries added to the External Transactions Report, irrespective of Destination Country or Processing Bank. The amounts are all calculated in the System Settlement Currency, which must be the currency in which the MTO settles with the Hub Entity. On the External Transactions Report itself it is possible to segregate between different Transaction Mechanisms, and therefore different Hubs, and this individual balances with Hubs can be reported for.

Also a separate Manual Credit entry screen is provided for External Transactions, so that payments to the Hub or manual refunds can be tracked. This ensure the main report shows an accurate balance position between the MTO and the Hub.

The entire mechanism has been implemented in a generic fashion so that multiple Hubs can be added to the platform, and still allow the same reports to be used for all the Hubs together. Currently the RemitONE MTMS is integrated with the URemit Hub. Other Hub integrations are expected to follow shortly.

Credit Queue for High Transaction Systems

On high transaction systems, we recommend that the optional Credit Queue Manager is enabled. This ensures that accounting entries are captured and then processed sequentially in a more reliable way, that is suitable for these high transaction systems. Please contact RemitONE if you require further information on this.

R1 Accounting System (FRM – Financial Reporting Manager)

RemitONE also have an application for additional accounting functionality. This is provided as a separate linked application that allows for management of small business accounting, but geared towards an MTO or Exchange House. Accounts can be created and income and expenditure logged. Currency purchase and sale can also be managed. For the UAE market there is also a module for WPS (Wage Protection Scheme). The main RemitONE MTMS system has built in integration with the FRM, so all activities on the MTMS are reflected within the FRM. Please contact RemitONE if this module is of interest.



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