TRADE FINANCE (BIDBOX)

VERSION 1.0

PROCESS FLOW

1. INTRODUCTION

Trade Finance signifies financing for trade. It concerns both domestic and International trade transactions. A trade requires a seller of goods and services as well as a buyer. Various financial institutions can facilitate these transactions by financing the trade. BidBox is a web based bonds application tool. Currently bonds applications are initialized online and processed at bank which requires physical submission of certain documents at banks premise

A bid bond is a written guarantee, usually from a financial institution, submitted to the individual/organization that has advertised for a service (project owner) by a business that is willing to supply the service to ensure that upon receiving the bid/tender, they shall take on the job and in the price terms that they had put in the bid/tender.

A bid bond protects the organization that has advertised for the service (project owner) as there is a total bond amount that a supplier/contractor will be liable to pay should he/she breach the contract by not taking on the project or by asking for a higher price.

Contents

[2. PROPOSED SOLUTION 3](#_Toc531005395)

[2.1. Client Accounts 3](#_Toc531005396)

[2.1.1. Client Registration 3](#_Toc531005397)

[2.1.2. Client Profile 3](#_Toc531005398)

[2.2. Transactions 3](#_Toc531005399)

[2.2.1. Bond Application 3](#_Toc531005400)

[2.2.2. Commission Payment 3](#_Toc531005401)

[2.2.3. CRB Vetting 3](#_Toc531005402)

[2.3. Bank Approval 3](#_Toc531005403)

[2.4. Delivery of the Bond 4](#_Toc531005404)

[3. Banks 4](#_Toc531005405)

[3.1.1. Bank Accounts 4](#_Toc531005406)

[4. Administrator’s Panel 4](#_Toc531005407)

# PROPOSED SOLUTION

## Client Accounts

### Client Registration

• During registration we will collect company information

• On account creation we will Collect Business information

• Send account activation details via email or SMS

• When client activates the account Check clients CRB credit rating

### Client Profile

• Client can View previous Bond applications and run queries on application status

• Client can apply for a new Bond

• Client can manage a service fee financial account that saves money

• Client select a preferred notification mode i.e. SMS/email or both

• Create company users

## Transactions

### Bond Application

• Client can raise multiple bond applications to different banks

• When client creates a new application, the system checks for different bank quotes based on a listing matrix and provide the client with options. The client has also the option of selecting a preferred bank.

### Commission Payment

• Before application is submitted to CRB for vetting the client will make payment for the bond commission and portal charges.

* This is revenue to DIT and other third parties.

### CRB Vetting

• Once the commissions and portal charges are paid the Bond application is then forwarded to CRB portal for credit eligibility vetting. This reduces the banks workload.

### Bank Approval

• Bond applications that are eligible for credit as per the CRB portal are submitted to the bank for processing and approval.

• The bank user can view respective applications and client details that have been submitted and approve or cancel the application reducing the time taken on one bond application.

• Once the bond is accepted the bank will scan and upload the bond to the portal. This will give the customer time to validate that the bond has the correct details before it’s shipped.

• Notifications and approvals are sent to the clients via email or SMS increasing efficiency.

• The bond is then shipped to the preferred customer location

### Delivery of the Bond

• Fully processed Bonds are notified to the client and managed according to their respective delivery options i.e. courier delivery or Direct Collection from the Bank.

• For courier delivery Bonds notifications are sent to the courier company for collection and delivery address.

## Banks

### Bank Accounts

• Each Bank will maintain profile in the system that will have respective user account for bank employees and quotes for bonds

• An administrative user account is created for each bank for management of the bank profile, commission matrix and user accounts within the bank.

## Administrator’s Panel

• The portal admin will be responsible for creating banks, updating commission matrix and creating bank users

• Creating and updating portal charges

1. Below are the Bid Bond requirements

|  |  |
| --- | --- |
| No. | PROCESS |
| 1 | Recruit Customer through the various applicable approaches |
| 2 | Customer Registers on Bid Bond platform and gets a verification email |
| 3 | Customer Logs-in and selects the preferred Bank for Bid Bond application. |
| 4 | Customer accesses Bid Bond application requirements. If okay with requirements, proceeds to the next stage of filling-in the application details. |
| 5 | Customer Fills-in and submits the Bid Bond application details which include;   1. Applicant Name & Address (as required on the bid bond) 2. Applicant’s PIN number 3. Applicant physical location details. 4. Beneficiary Name and Address 5. Bid Bond Amount and Currency 6. Tender Number 7. Tender Details 8. Tenure of the tender 9. Expiry Date   Customer also accesses Indemnity Form details, reads through the terms and conditions and confirms acceptance of the same if okay. |
| 6 |  |
| 7 | Customer / Applicant authorizes the administrator to use the Kenswitch account if the Bid Bond application is successful OR confirms that they will use Mpesa to pay the bid bond commission.  RM: IF KENSWITCH , USE CARD, OTHERWISE MPESA. |
| 8 | Applicant also confirms whether the Bid Bond will be delivered to their premises or not. If to be delivered, then the applicant also agrees to pay an additional charge for delivery depending on already set delivery schedule and amounts per given radius.  RM: CHALLENGE OF CALCULATING THE AMOUNT BASED ON LOCATION AND CHALLENGE OF ALL LOGISTICS RELATED TO DELIVERY/NON-DELIVERY AND URGENCY BY CLIENT. |
| 9 | Administrator;  Receives the online bid bond application and verifies the details given against the already set parameters. This can run concurrently as the applicant is filling the online bid bond application.  The set parameters should be the standard parameters agreed between various banks and which should include the following;   1. Pre-qualified list of procuring entities. 2. Bid bond amount (To be within unsecured limits) 3. Tenor; Within the agreed tenor mostly 180 days’ maximum. 4. - RM: INTEGRATION WITH CRB NEEDED- BUT MUST HAVE SORTED OUT KYC ISSUES, OTHERWISE WE CAN CHECK THE CRB OF THE WRONG PERSON/ENTITY?   Administrator accesses KRA portal and verifies the applicant’s PIN through the PIN checker checks.  Administrator checks CRB report through the integrated CRB system. |
| 10 | Administrator Selects the most convenient bank and branch and submits the Bid Bond application.  Assumption; there should have been a well negotiated bid bond parameter with the banks including pricing so that there is no bidding for pricing. The administrator will be the one to identify and select the appropriate bank as he tries to spread the requests across the pre-qualified banks.  RM: THESE ITEMS MUST BE DONE BY THE SYSTEM. |
| 11 | Administrator receives an online acknowledgement of the bid bond application from the bank (through the bid bond portal) |
| 12 | Bank processes the bid bond and requests for settlement of charges by sending a Bid Bond reference number through the portal.  RM: BRN ( BidBond reference number) IS USED TO PAY FIRST. OPTIONS FOR NOW TO INCLUDE KENSWITCH CARD or MPESA – Okay |
| 13 | Administrator collects the Bid Bond commissions from the KENSWITCH card and passes the entries as follows;  Dr: Customer KENSWITCH account  Cr: Bank’s Collection account  Cr: JV Collection account |
| 14 | Bank collects the Bid Bond Commission and prepares the hard copy Bid Bond and alerts the administrator through the portal. |
| 15 | Administrator arranges for delivery or pick-up points depending on the customer’s preference noted above. |
| 16 | Customer picks the Bid Bond after delivery through courier to the already agreed physical location (captured during application) or picks it up from the bank’s branch and signs or acknowledges receipt of the bid bond.  RM: THAT?  Applications and commissions paid before 1pm to be delivered same day while those done after 1pm to be delivered the following day. |
| 17 | Bank confirms through the portal that the bid bond has been picked. OR  Administrator confirms through the portal that the Bid Bond has been picked if through the delivery approach. |
| 18 | Administrator waits for Bid Bond Expiry or cancellation from the bank to close the request from the portal. |
| 19 | Reconciliations continue on a regular basis to avoid any claims  The Bid bond applications should have an expiry date so that they are also closed from ARC’s portal, so active bid bond applications mean they can be claimed for payment but as per point 18 above the bank absorbs that risk. |

1. FLOWCHART DIAGRAM

IS ACCOUNT CREATED?

LOGIN

CREATE ACCOUNT

Send activation mail

Verify Account

Load Clients Details

Previous Bonds and status

Create application and submit for approval

IS application approved?

Application Declined

Proceed to payments

Process bond document and check delivery options

Deliver Bond

no yes

yes no