

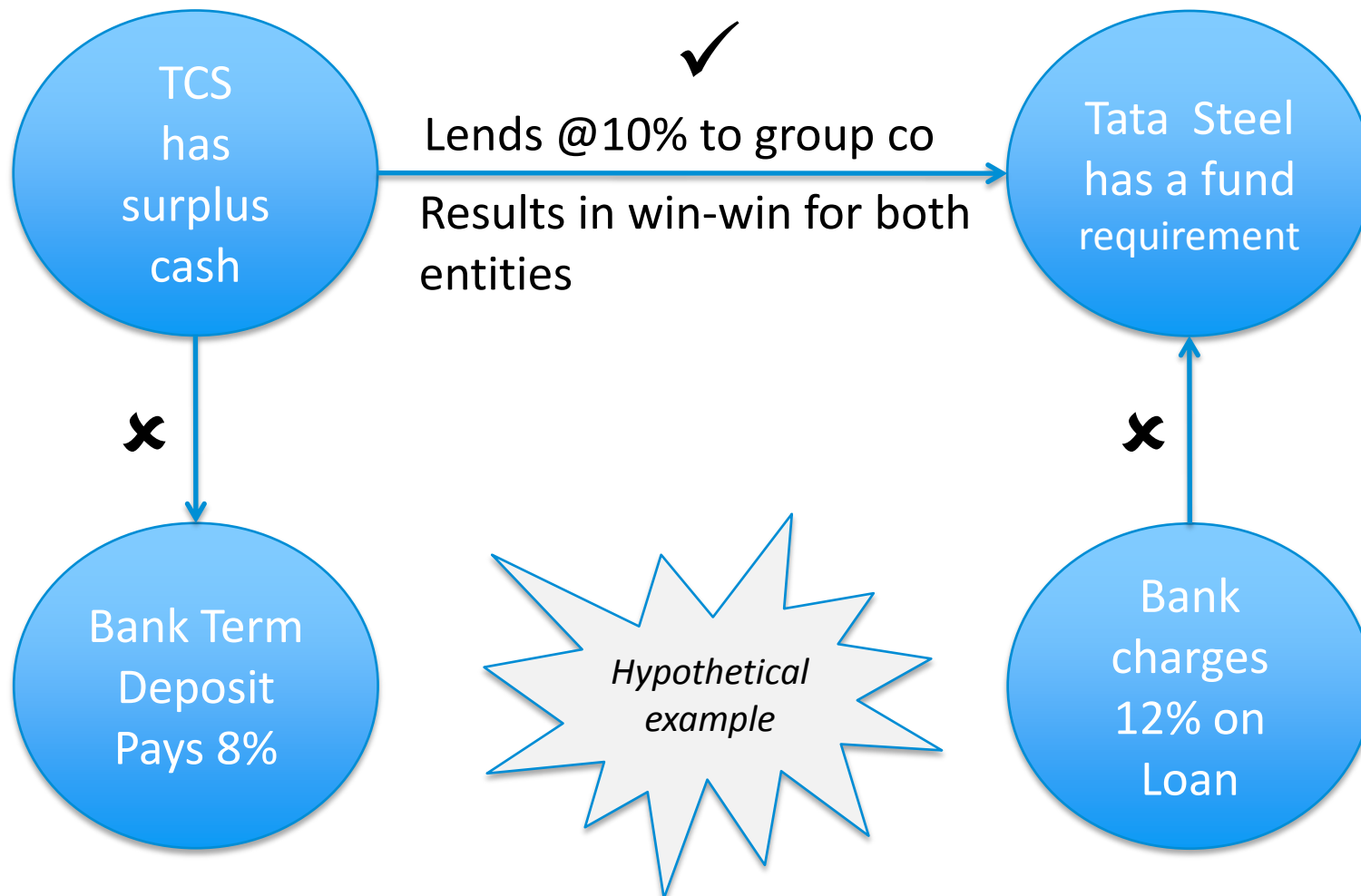
# Intercompany Loans

# What is ICL?

- Inter Company Loan is an arrangement between two or more corporates (usually belonging to the same group) to lend / borrow surplus money between each other
- ICL arrangements create a win-win situation for both borrower and the lender by leading to
  - Savings in borrowing cost for the borrower
  - Higher returns on cash surpluses for the lender
  - Savings in operational costs for both the parties
- Under ICL, bank provides a service to manage & track ICL arrangements on behalf of the corporates.
- Bank itself is neither involved in lending nor borrowing.
- It is a fee based value added service

# ICL – basic business justification

- Corporates with surplus cash can lend to group companies with a cash deficit, resulting in savings for both the entities



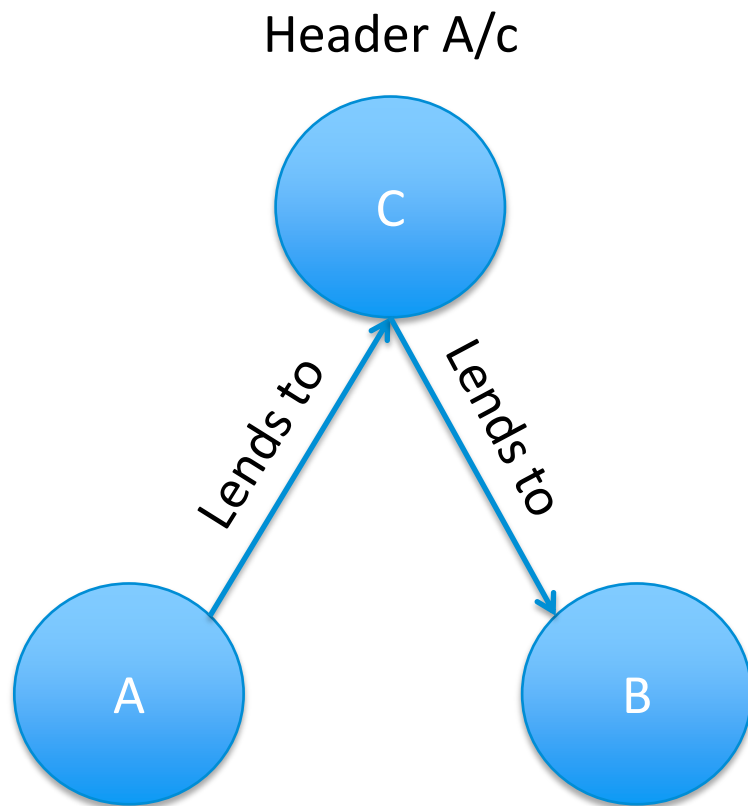
# Module functionalities

LMS ICL Module supports activities such as

- Maintenance of loan agreements and creating loan definitions
- Creation of loans between the participating accounts
- Tracking of loan positions
- Calculation and posting of interest on loan positions
- Handling tax aspects such as Withholding tax, Business tax and Stamp Duty
- Handling maturity processing such as automatic repayments, rollovers etc.

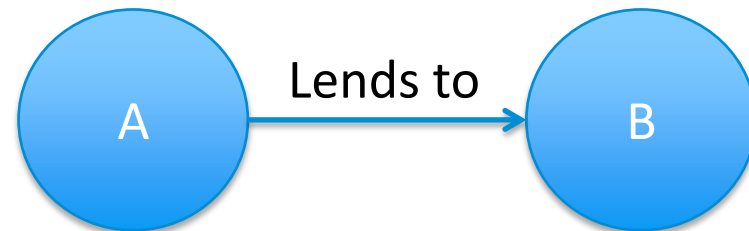
# Multi-lateral & Bi-lateral loans

## Multi-lateral Loans



Usually uses a header account

## Bi-lateral Loans



# Multi-lateral & Bi-lateral loans

## Multi-lateral



- ☐ Agreement is mandatory
- ☐ GFL\* can be applied
- ☐ Header A/C can be used
- ☐ Stamp Duty, Commission etc. supported

## Bilateral



- ☐ Agreement is not required
- ☐ GFL is not applicable
- ☐ No Header account
- ☐ No SD, Commission

*\*GFL = Group Facility Limit*

# ICL Definition

- In order to start tracking ICLs in the system, it is mandatory to create an ICL definition
- ICL Definition is created for all companies who intend to lend / borrow between each other and captures details like:
  - The account numbers, start and end dates of the arrangement, types of loan (revolving / non-revolving) etc.
  - Interest details such as the interest types, accrual & posting cycles, balance types etc.
  - Limit details such as the type of limit, limit amount, limit breach option etc.
  - Tax details for TDS / WHT\*, business tax such as Tax code, rate, settlement account etc.
- Once an ICL definition is in place, loans can be created manually through the Active Transaction screen or by linking definition to a Sweep instruction
- It is possible to create ICL Definitions automatically from the Agreement itself in case of Multilateral Loans

# ICL Definition

Relationship Definition		Interest Calculation		Limit Details		Tax Details	
Terms Inherited From Agreement	<input type="checkbox"/>						
Inter Company ID	<input type="text"/>	Inter Company Variant Identifier *		Select__			
Agreement ID #	<input type="text"/>	Exchange Rate Card#		<input type="text"/>			
Account 1 Identifier	Internal	Host System/BIC-Sort Code-Account 1 *		<input type="text"/> <input type="text"/> <input type="text"/>			
Non-Working Day Option #	Select__						
Registration Branch	<input type="text"/>	Base Reference Currency		<input type="text"/>			
Account 2 Identifier	Internal	Host System/BIC-Sort Code-Account 2 *		<input type="text"/> <input type="text"/> <input type="text"/>			
Effective Date *	<input type="text"/>	End Date#		<input type="text"/>			
Use Limits	Select__						
BVT Limit Check	Follow Multiple Limits Check	Reverse Breach within Limit		<input type="checkbox"/>			
Interest Calculation Allowed	<input type="checkbox"/>						
WHT Tax Calculation Required	<input type="checkbox"/>	Business Tax Calculation Required		<input type="checkbox"/>			
Loan Type *	Select__	Tenor #		<input type="text"/> Days <input type="text"/> Months <input type="text"/> Year			
Opening Position	<input type="text"/>	Opening Accrued Interest		<input type="text"/>			



# Types of Loans

- Loan set ups are of two types viz. Non-revolving & Revolving.
- Non-revolving Loan creates a new loan with every new transaction whereas revolving loan updates the existing loan
- The difference between the two is given in the table below

			Revolving			Non-revolving		
Sweep Transaction	Fund movement direction	Amount \$	Loan Id	Loan Position	Lender	Loan Id	Loan Position	Lender
1	A ---- > B	5,000.00	1	5,000.00	A	1	5,000.00	A
2	B ---- > A	1,000.00	1	4,000.00	A	2	1,000.00	B
3	B ---- > A	2,000.00	1	2,000.00	A	3	2,000.00	B

# Types of limits

- LMS supports maintenance of limits are multiple levels
  - Account Pair Limits (APL)
  - Sub Facility Limit (SFL)
  - Group Facility Limit (GFL)
- Limits restrict the maximum amount an account can lend or borrow across all ICLs
- All limits are bi-directional limits i.e. lending and borrowing limits maintained separately
- GFL can also be unidirectional i.e. absolute value of Lending + Borrowing is tracked under a single limit
- Limit currency can be different from the loan currency

# Limit Breach options

- User can configure the response in the event of breach of limit
  - Transfer full amount & Report
  - Transfer full amount & override
  - Transfer full amount with Reversals
  - Transfer Partial Amount
  - Reject Transaction

Terms Inherited From Agreement ☐ SFL Currency# SGD

Limit Details

Limit Type	Loan Direction#	Amount#	Breach Action Code#
Select_	Select_		Select_

Select\_

Transfer Full Amount With Reversal  
 Transfer Full Amount  
 Transfer Partial Amount  
 Reject Transaction  
 Transfer Full Amount & Override

# Interest Calculation & posting

- System uses the same interest module as seen earlier
- System supports both the types of interest rates i.e.
  - Fixed Rate
  - Linked to a Base Rate
- Interest posting can be maintained as Cycle based or On Maturity
- For revolving loans, debit and credit interest can be netted off or posted separately

Relationship Definition		Interest Calculation		Limit Details		Tax Details	
Balance Type for Interest calculation#	Value Dated Balance	Balance Type for Tier Selection#	Value Dated Balance				
Interest Calculation Allowed	<input checked="" type="checkbox"/>	Interest Posting Allowed	<input checked="" type="checkbox"/>				
Terms Inherited From Agreement	<input type="checkbox"/>						
Interest Rollover Allowed	<input type="checkbox"/>						
Interest Posting Option #	<div>           Cycle Based            Select            Cycle Based            On Maturity         </div>	Interest Posting Cycle Code#	WEEKLY				
Previous Posting Date		Next Posting Date#	05/10/2007			<a href="#">Check Date</a>	
Follow Posting Cycle		Interest Accrual Cycle Code#	DAILY				
Base Rate Frequency	Select__	Base Rate Refresh Date#	Select__				
Wait for Refreshed Base Rate	<input type="checkbox"/>	Non-Working Day Option	Previous Day				
Net Lending & Borrowing Interest	<input checked="" type="checkbox"/>	Calculate WHT on Net Interest	<input type="checkbox"/>				
WHT Accounting Option#	Select__						

# Loan creation

- Loan can be created in one of the two ways:
  - Sweep transaction
  - Manually through the Active Transaction screen

Transaction Id	<input type="text"/>	Transaction Date	<input type="text"/>
Inter Company Variant Identifier *	Select__	Options *	Select__
Agreement Id#	<input type="text"/>	Inter Company Loan Id#	<input type="text"/>
Instruction Id #	<input type="text"/>	Post Accounting Entries	<input checked="" type="checkbox"/>
Status	<input type="text"/>	Error Reason	<input type="text"/>

## Instruction Details

### Control Account Details

Account1 Identifier*	Internal
Sort Code-Account Number*	<input type="text"/> <input type="text"/>
Host System/BIC	<input type="text"/>
Currency	<input type="text"/>
Customer Code	<input type="text"/>
Balance Type*	Select__

### Contra Account Details

Account Identifier*	Internal
Sort Code-Account Number*	<input type="text"/> <input type="text"/>
Host System/BIC	<input type="text"/>
Currency	<input type="text"/>
Customer Code	<input type="text"/>
Balance Type*	Select__

### Sweep Details

Sweep Type*	Select__	Percentage#	<input type="text"/>
Minimum Balance#	<input type="text"/>	Multiples Of	<input type="text"/>
Maximum Balance#	<input type="text"/>	Exchange Rate Card#	Select__
Debit Margin Amount	<input type="text"/>		
Credit Margin Amount	<input type="text"/>		

# Repayment & Maturity

- LMS supports multiple maturity handling parameters such as
  - To Rollover the loan
  - To Settle (i.e. repay) the loan
- LMS supports repayment of ICLs in multiple options
  - At Maturity
    - Tenor Maturity
    - ICL Maturity
    - Loan Agreement Maturity
  - Cyclical Repayment
  - Manual Repayment



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