Treasury Single Account (TSA)

Approval Note

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| To | : | Chief Executive Officer |
| From | : | Project Management Office |
| Reference Number | : | PMO/TSA/2024/001 |
| Date | : | 03-Jun-2024 |
| Capex | : |  |
| Subject | : | TSA Approval Note |

## **Introduction**

Treasury Single account is a unified structure of the government bank accounts, where are all the government accounts balances are accumulated to show the movement of revenues and expenses related to the government entities in Oman, leading to an optimal use of government cash resources.

The objectives of the Treasury single account are outlined as follows:

* To consolidate the government cash balances and provide oversight on cash flows
* To ensure the government cash balances are optimally managed to reduce short-term borrowing costs
* To enhance treasury management and improve cash flow forecasting capabilities
* Live monitoring of budgeted revenues and expenses to enhance cash flow transparency

Hence, the Ministry of Finance has initiated the Treasury Single Account (TSA) project and shared the requirements to the participating banks, to develop a new account structure and a digital platform serving the purpose of the Treasury Single Account initiative as well as the specific government entities requirements.

These requirements include, but not limited to the following:

* Creating a TSA Bank account structure, involving expenditure and revenue accounts defined into multiple sub-levels.
* TSA tree view and sub-levels hierarchy
* Restricted centralized and decentralized cash inflows and outflows structures
* New governance model for accounts opening and management
* Digital platform with dashboards and unique role-based experiences
* Transfers, payments and government salaries
* E-Tendring and payment gateway requirements
* Reports, statements, and audit trails
* POS and personalized/non-personalized cards requirements
* Complex authorization matrices including both government entities and Ministry of Finance.
* Other detailed requirements are included in **Appendix A**

Moreover, the Ministry of Finance invited all the banks to participate in the new TSA initiative, and highlighted that the government accounts would be distributed only to the participating banks availing the TSA required capabilities. Hence, the TSA project is initiated by Ahlibank to ensure the continuation of government account and expanding its share of Omani government accounts.

## **List of Bidders and Evaluation details**

Post internal evaluation, and due to the nature of the project, it was decided that the development would be delivered internally by the bank’s development team in the Outsystem platform, middleware and core banking system, while acquiring resources to be dedicated to this project.

The TSA project requirements are scoped to be delivered in the span of 20 months (Tentatively). However, the delivery approach proposed is a sprint wise delivery. Hence, this approval note is to secure the cost of the first 12-months of the project, and a subsequent approval would be taken once the project is re-evaluated upon the completion of this period.

## **Benefits and Justification**

The Treasury Single Account (TSA) is a unified structure of the government bank accounts that consolidate government cash resources into a single account. Having the TSA of the Ministry of Finance with Ahli bank can offer several benefits:

1. **Increase deposits:** The TSA can lead to significant increases in deposits, which can enhance the banks liquidity and overall financial strength.
2. **Improved cash management:** with large and stable deposits from the TSA, the bank can manage its liquidity more effectively, ensuring it can meet its obligations and invest excess funds more strategically.
3. **Enhanced reputation and credibility:** Managing the TSA for the Ministry of Finance can boost the banks reputation, demonstrating its reliability and trustworthiness to other potential clients and stakeholders.
4. **Fee income:** The bank may earn fees for managing the TSA, providing various services, and handling transactions for the different line ministries.
5. **Better interest rate spreads:** Large, stable deposits from the TSA can allow the bank to improve its interest rate spread, as it can lend out these funds at a higher rate it pays for deposits.
6. **Strengthen relationships with the Government:** managing the TSA can strengthen the bank’s relationship with the government, potentially leading to more business opportunities, such as handling other government accounts or participating in government financial initiatives.
7. **Access to Government transactions Data:** Having the TSA can provide the bank with valuable insight into government financials flows, which can be leveraged for better financial planning and forecasting and cross selling.
8. **Economic stability contribution:** by managing the TSA effectively, the bank contributes to the overall economic stability of the Sultanate of Oman, by ensuring efficient management of the government funds.

In addition, the current deposits with Ahli bank from Ministry of Finance are at OMR 100,000 at a average rate of 3.5%, where the deposits from MOF are to increase to a potential additional OMR 100 Mio at what is considered to be a medium cost deposit. While the deposits of the MOHUP stands at OMR 40 Mio at an average rate of 4.5%, where the deposits from the MOHUP are to increase by an additional OMR 150 Mio.

Furthermore, at these initial stages’ MOF has committed routing all the funds of MOHUP via Ahli banks TSA platform which will come with approximately 80 POS machines, 100 “Amaal” prepaid cards & integration of “AhliPG” with three of the MOHUP platforms (Amlak Platform/ Tatweer Platform/ Ikhtar Ardhak Platform).

At this early stage the MOF has also committed routing the accounts of the “TAX Authority of the Sultanate of Oman” and “The Tender Board of the Sultanate of Oman” in addition are undergoing discussion with other governmental bodies such as the Royal Oman Police and The Ministry of Labor.

Overall, the benefits of managing the TSA for the Ministry of Finance include enhanced financial stability, increased profitability, improved reputation, and stronger government relations, as a note, moving forward the Ministry of finance will only be dealing with banks that have a dedicated “Treasury Sigle Account” Platform.

## **Financial Summary**

The below table outlines the **Resources Cost to be obtained for the 1st year of the project:**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **S/n** | **Description** | **Type** | **No. of Resources** | **Duration (Month)** | **Rate (USD/Month)** | **Total Contract Value (USD)** | **Total Contract Value (OMR)** |
| 1 | OutSystems Developer – Netlink | Offshore | 2 | 12 |  |  |  |
| 2 | OutSystems Developer/Tester – Netlink | Onsite | 2 | 12 |  |  |  |
| 3 | SIT Tester (service provider) | Onsite | 1 | 12 |  |  |  |
| 4 | Middleware Resource - Gramener | Offshore | 1 | 12 |  |  |  |
| **Total Resources Cost** | | | | | |  |  |
| 6 | Contingency (5%) | | | | |  |  |
| **Total Resources Cost (Including Contingency)** | | | | | |  |  |

##### **Notes –**

* VAT and WHT Taxes are excluded from the requested amount but should be paid to the vendor.
* The note does not include the following cost:
* Additional Infrastructure/AMC costs
* Integration cost (internal /3rd party systems)
* UAT testing 3rd party testing vendor resource (if needed)
* External Penetration Testing cost, if needed.
* Payment terms related to charges and expenses are included on the proposals as attached in Appendix **B**

## Recommendation

Due to the criticality of the project, in order to maintain the government accounts for ahlibank, as well as adhering to Ministry of Finance requirements, it is therefore recommended to accept the approval note proposed cost, at a total cost of **OMR** **183,304.80 +WHT+VAT.**

## Stakeholders Approval Tracker

|  |  |
| --- | --- |
| **Reviewed and Recommended By:** | |
| **Saad Abdullahi**  Head of ePMO & Innovation | **Mustafa Zafarullah**  Head of Corporate eChannels |
| **Fahad AlMaawali**  Head of Transaction Banking | **Jitin Hiranandani**  Head of Digital Program Development |
| **Mohammed Abdullah AlAjmi**  Advisor Government Banking Services | **Abdullah AlHinai**  AGM – Information Technology |
| **Sriram Balakrishnan**  DGM - Head of Finance | **Taher AlBalushi**  GM - Strategy & Transformation |
| **Zaliya Albalushi**  GM – Corporate Banking | **Hana AlKharusi**  Senior GM – Wholesale Banking |
| **Bilal Anwar**  DCEO – Business Group |  |
| **Approved By:** | |
| **Said AlHatmi**  Chief Executive Officer |  |

#### Appendix A

Below are the TSA requirements that are shared to the banks for the TSA project:



#### Appendix B

#### Proposal details and payment terms are included in the below proposal from Netlink: