eBrokerage

Approval Note

|  |  |  |
| --- | --- | --- |
| To | : | Chief Executive Officer |
| From | : | Project Management Office |
| Reference Number | : | PMO/eBrokerage/2024/001 |
| Date | : | 13-May-2024 |
| Capex | : | xxxx |
| Subject | : | eBrokerage Approval Note |

## **Introduction**

As part of ahlibank’s roadmap towards digital transformation and digitizing the offerings of the bank, the decision to implement the eBrokerage platform was taken, which is a platform to be used for investment and brokerage customers to trade in stocks, equities as well as other investment products online and on their own, without the dependency on the bank’s brokerage unit to execute their deals on their behalf.

With the growing number of ahlibank’s brokerage portfolio of customers trading in Muscat Stock Exchange as well as GCC and international markets, an online Brokerage platform would offer the customers more flexibility and control over their portfolios and transactions. Customers would be able to access their brokerage account at any time, even if trading hours are over. They would also have the ability to trade on their own times eliminating the dependency on Bank staff to execute their desired deal, which may in some instances take time until the purchase is not of benefit anymore.

Moreover, with the current hype of trading and investment activities by different segments of the community, and with the absence of any other bank offering this service to their customers, ahlibank stands to gain a large market share of investors and increase its commission-based business, as many users would take the chance to use the platform to trade local, GCC, and International stocks and equities through the bank rather than through the market expensive brokerage service providers.

Additional advantage of the eBrokerage platform is that it would provide non-ahlibank customers to easily be onboarded to the bank brokerage business, the funding and settlement process would be more convenient as well as the integration between front and back offices application would ease the manual tasks currently being executed by Brokerage front office and Operation Back office, resulting in cost cutting and the atomization of many manual processes.

The agreed approach decided post the evaluation of the solutions was to have two separate platforms, one for local trading, and the other for international trading, both being integrated to one back office system that is currently being used by the Bank as follows:

1. Local trading to be done through FIT mobile application\* .
2. GCC and International trading to be done through GTN mobile application\*.
3. Both the above applications to be integrated to FIT back-office solution (WASATA)

\* The mentioned apps are accessible through the Ahli retail mobile app, customer experience will be explored during the design phase

This was agreed mainly to avoid acquiring a high-cost data feed service which would heavily impact the implementation and servicing costs, as GTN offers the GCC and International data feed as part of their solution without the need to integrate with separate data feed providers.

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

Based on the RFP response from the vendor a comprehensive evaluation was carried out using our standard vendor proposal evaluation matrix of Functional, Technical and Vendor criteria (FTV) carrying weightage of 50%, 30% and 20% respectively. The complete list of bidders included the following suppliers:

* GTN
* FIT
* Geojit

The below table summarizes the Functional, Technical and vendor scoring for the 3 vendors:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Details** | | **FIT** | **Geojit** | **GTN** |
| **Functional** | **Score** | **100** | 74.92 | 55.44 | 52.81 |
| **Weightage** | **50%** | 37.46 | 27.72 | 26.405 |
| **Technical** | **Score** | **100** | 87 | 78 | 64 |
| **Weightage** | **30%** | 26.10 | 23.40 | 19.20 |
| **Vendor** | **Score** | **100** | 85.58 | 76.62 | 79 |
| **Weightage** | **20%** | 17.12 | 15.32 | 15.80 |
| **Overall FTV** | **Weightage** | **100%** | **80.68** | **66.44** | **61.41** |
| **Ranking** | | **1** | **2** | **3** |

Based on the FTV of the three shortlisted vendors and the evaluation against the above criteria along with the reference site calls conducted, ESS presentation was conducted highlighting the functional, technical and supplier capabilities and limitations, as well as the commercials shared by the three vendors as outlined on **Appendix A** and the management recommended going with the following approach:

1. To acquire FIT solution for local market (MSX)
2. To acquire GTN solution for GCC and international markets\*
3. To integrate both solutions with FIT’s current back office portal (WASATA)

\*GTN was chosen for GCC and International markets for multiple reasons including the following:

1. In case the bank decides to acquire another solution, integrations are needed to be acquired from different data feed providers for each market to be signed up for. This makes the integration process costly and inefficient, and increases the number of interfaces, integrations, vendors and overall project cost significantly.
2. GTN provides the data feed as part of their overall cost, saving the bank the difficulties in data feed acquiring, integration, cost, and other 3rd parties involvement, and that is why they operate on a minimum commission basis.

## **Benefits and Justification**

Ahlibank’s Brokerage team has worked on providing the benefits and justification for the required investment of the eBrokerage Application (attached in detail on **Appendix B**) by first, providing the financial projections based on the below methodology and assumptions:

Assumptions:

1. It is assumed that each market’s trading value would grow by 20% each year for year 1 & 2.
2. It is assumed that each market’s trading value would grow by 40% each year for subsequent years

Then, the detailed market-based assumptions and details are outlined on the below table:

|  |  |
| --- | --- |
| **Market** | **Assumptions & Details** |
| **Oman (MSX)** | The projections were based on the trading volumes from Retail investors in 2023, it is expect to shift most of the Retail investors to online trading, allowing brokers to focus on HNI & Institutional investors on souring big deals & bulks along with the following:   1. The team assumes that 70% of local volume from Retail will be shifted to online trading. 2. At least half of the volume from existing Retail will come from new investors. 3. New IPOs will post the volume from retail investors. 4. The automation of Margin Financing will enhance volume with trading app. 5. Commission is fixed for MSX trading at 0.25% net. |
| **GCC Markets** | The projections on these new segments were based on the of demand of existing customers & the feedback from local brokers having already the service for their own customers. Therefore:   1. It is expected that most of the volume will come from 6 main markets, US, Saudi, Europe, Dubai & Abu Dhabi & Doha 2. Volume projections were based on demand, opportunities, and ease of trading on those markets. 3. Projections also consider the allocation of fund managers to those markets based on their share of allocation. 4. The Saudi market is expected to attract more investors, but some limitations of creating investor numbers for each trader may limit the number of new traders. |
| **US Market** | The Team’s expectations and other peers' feedback suggest that the trading volume in US markets will be almost half of the MSX retail's demand from both existing and new investors. Additionally, the US market offers a wide variety of opportunities to traders and strategic investors which can stimulates trading turnover per trader. |
| **Other International Markets** | Trading volume in other international markets will depend on the customer's ability to see opportunities. Accordingly, the projections were based on global fund managers' expected allocations to these markets. |

Then, each market’s projections were derived for year 1 and the total projection of the first year of investment is shown on **Appendix C**. then, based on the above assumptions, the 5-year projection are presented on the below table:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Projections E-Brokerage Trading Value (OMR)** | | | | | |
| **Stock Exchange** | **2025** | **2026** | **2027** | **2028** | **2029** |
| Muscat Stock Exchange | 15,000,000 | 18,000,000 | 25,200,000 | 35,280,000 | 49,392,000 |
| US | 7,700,000 | 9,240,000 | 12,012,000 | 16,816,800 | 23,543,520 |
| Saudi Stock Exchange (Tadawul) | 4,106,718 | 4,928,062 | 6,406,480 | 8,969,072 | 12,556,701 |
| Dubai Stock Exchange | 2,096,864 | 2,516,237 | 3,271,108 | 4,579,551 | 6,411,371 |
| Europe (CHI-X) | 2,084,371 | 2,501,245 | 3,251,618 | 4,552,266 | 6,373,172 |
| Doha Securities Market | 1,057,691 | 1,269,230 | 1,649,998 | 2,309,998 | 3,233,997 |
| Abu Dhabi Securities Exchange | 1,048,432 | 1,258,118 | 1,635,554 | 2,289,775 | 3,205,686 |
| Kuwait Stock Exchange | 877,131 | 1,052,557 | 1,368,324 | 1,915,654 | 2,681,915 |
| UK | 477,400 | 572,880 | 744,744 | 1,042,642 | 1,459,698 |
| Hong Kong | 245,932 | 295,119 | 383,654 | 537,116 | 751,962 |
| Singapore | 229,098 | 274,918 | 357,394 | 500,351 | 700,491 |
| Nadaq Dubai | 115,500 | 138,600 | 180,180 | 252,252 | 353,153 |
| Bahrain Stock Exchange | 102,393 | 122,872 | 159,734 | 223,627 | 313,078 |
| **Total Projections** | **35,141,531** | **42,169,837** | **56,620,788** | **79,269,104** | **110,976,745** |

Post that, based on the projections expected above, the team has prepare the Income projections with implementing the eBrokerage application with the following considerations:

1. The Brokerage won't bear any subscription fee regarding markets live data feed subscription, As the MSX data feed is free and for GCC & International markets investors will use GTN white label service to get the free delayed data feed with option for end-user (active traders) to subscribe at their end for each market on monthly basis.
2. GTN Commission rates:
3. Minimum monthly commission charges applied by GTN (3,000 USD) are limited to 36,000 USD a year, the team expects this to be in the range of 5,000-15,000 USD resulted from lower volume trading during summer months. In this case, the GTN shared commission from trading is less than 3,000 USD.
4. Commission from GTN are fixed at the rate provided.
5. Ahli Bank Commission:
6. Commission were calculated to be competitive to market local peers and not to exceed 40 Bps.
7. Income projections were taken on the net commission applied after deduction of GTN shared commission.
8. in case of minimum commission applied by markets shall be passed to the clients.

Moreover, **Appendix C** also includes the specific calculation for the income projection as a total as well as a breakdown for each market’s income projection for year one, taking into consideration the above mentioned assumptions.

Additionally, the assumptions stated above were used to derive the 5-year income projection for the eBrokerage solution as presented on the below table:

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Sr. #** | **Stock Exchange** | **Projections Brokerage Net Commissions (OMR)** | | | | |
| **2025** | **2026** | **2027** | **2028** | **2029** |
| 1 | Muscat Stock Exchange | 37,500 | 45,000 | 54,000 | 75,600 | 105,840 |
| 2 | US | 15,400 | 18,480 | 22,176 | 31,046 | 43,465 |
| 3 | Saudi Stock Exchange (Tadawul) | 8,213 | 9,856 | 11,827 | 16,558 | 23,182 |
| 4 | Dubai Stock Exchange | 5,242 | 6,291 | 7,549 | 10,568 | 14,795 |
| 5 | Europe (CHI-X) | 4,169 | 5,002 | 6,003 | 8,404 | 11,766 |
| 6 | Doha Securities Market | 2,644 | 3,173 | 3,808 | 5,331 | 7,463 |
| 7 | Abu Dhabi Securities Exchange | 2,621 | 3,145 | 3,774 | 5,284 | 7,398 |
| 8 | Kuwait Stock Exchange | 1,754 | 2,105 | 2,526 | 3,537 | 4,951 |
| 9 | UK | 955 | 1,146 | 1,375 | 1,925 | 2,695 |
| 10 | Hong Kong | 615 | 738 | 885 | 1,239 | 1,735 |
| 11 | Singapore | 573 | 687 | 825 | 1,155 | 1,617 |
| 12 | Nadaq Dubai | 289 | 347 | 416 | 582 | 815 |
| 13 | Bahrain Stock Exchange | 256 | 307 | 369 | 516 | 722 |
| **Total** | | **80,231** | **96,277** | **115,533** | **161,746** | **226,444** |

## **Financial Summary**

The below table outlines the **total cost of the project while going with the eBrokerage solution providers for the 1st year**:

|  |  |
| --- | --- |
| **Upfront Cost for 1st Year (OMR)** | |
| **Year 1** | **Cost (OMR)** |
| GTN Implementation Fees |  |
| **Total Cost payable towards GTN** |  |
| FIT License Cost |  |
| FIT Professional Services Fees/Implementation Fees |  |
| FIT Integration Cost |  |
| FIT Interfaces (Customization) Cost |  |
| **Total Cost payable towards FIT** |  |
| **Gross Cost of Solution (Excluding Taxes)** |  |
| Contingency |  |
| **Total Cost with Contingency to be Approved (Excluding Taxes)** |  |

### **Notes –**

* AMC is mentioned along with the 5-year TCO in **Appendix D**
* GTN Minimum commitment is based on the projections prepared by Business and is included in the 5-year TCO shown in **Appendix D**
* License & Interfaces (Customization) cost breakdown is included in **Appendix E**
* The FIT license is on perpetual basis
* 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:
* Infrastructure (post technical discussion on the architecture)
* Integration cost (internal /3rd party systems)
* UAT testing 3rd party testing vendor resource (if needed)
* Out of pocket costs (Travel, accommodation, Visa .. etc), if needed.
* External Penetration Testing cost, if needed.
* Cost savings are showcased in **Appendix F**
* Payment terms related to charges and expenses are included on the proposals as attached in Appendix **G**

## **Recommendation**

Based on the detailed evaluation of eBrokerage Solution, both FIT & GTN platforms and implementation methodologies meets the business requirements and supports the strategic direction of the Bank. It is therefore recommended to accept the proposals from GTN & FIT, at a total cost of **183,125.25+WHT+VAT** from CAPEX …

## **Stakeholders Approval Tracker**

|  |  |
| --- | --- |
| **Reviewed and Recommended By:** | |
| **Saad Abdullahi**  Head of ePMO & Innovation | **Amor AlMaashani**  Head of Brokerage |
| **Amin AlBalushi**  Head of Business Development, Investment Banking | **Jitin Hiranandani**  Head of Digital Program Development |
| **Abdullah AlHinai**  AGM – Information Technology | **Sriram Balakrishnan**  DGM - Head of Finance |
| **Taher AlBalushi**  GM - Strategy & Transformation | **Hana AlKharusi**  Senior GM – Wholesale Banking |
| **Bilal Anwar**  DCEO – Business Group |  |
| **Approved By:** | |
| **Said AlHatmi**  Chief Executive Officer |  |

## Appendix A

Below is the ESS slides presented to the stakeholders highlighting the Functional, Technical, and Supplier evaluation along with the commercials from the vendors:

## Appendix B

## Below is the cost benefit analysis submitted by the eBrokerage Team as presented in section 3 of this approval note:



## Appendix C

Below is each market’s projection derived for year 1 and the total projection of the first year of investment is shown

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Sr. #** | **Stock Exchange** | **Local Currency** | **Price Bps** | **Expected Trading Value- Local Currency** | **Exchange- USD** | **Expected Trading Value- USD** | **Expected Trade Value OMR** |
| **Ahli** |
| 1 | Muscat Stock Exchange | OMR | 0.25% | 15,000,000 | 1.000 | 38,961,039 | 15,000,000 |
| 2 | US | USD | 0.20% | 20,000,000 | 1.000 | 20,000,000 | 7,700,000 |
| 3 | Saudi Stock Exchange (Tadawul) | SAR | 0.20% | 40,000,000 | 0.267 | 10,666,800 | 4,106,718 |
| 4 | Dubai Stock Exchange | AED | 0.25% | 20,000,000 | 0.272 | 5,446,400 | 2,096,864 |
| 5 | Europe (CHI-X) | EUR | 0.20% | 5,000,000 | 1.083 | 5,413,950 | 2,084,371 |
| 6 | Doha Securities Market | QAR | 0.25% | 10,000,000 | 0.275 | 2,747,250 | 1,057,691 |
| 7 | Abu Dhabi Securities Exchange | AED | 0.25% | 10,000,000 | 0.272 | 2,723,200 | 1,048,432 |
| 8 | Kuwait Stock Exchange | KWD | 0.20% | 700,000 | 3.255 | 2,278,262 | 877,131 |
| 9 | UK | GBP | 0.20% | 1,000,000 | 1.240 | 1,240,000 | 477,400 |
| 10 | Hong Kong | HKD | 0.25% | 5,000,000 | 0.128 | 638,785 | 245,932 |
| 11 | Singapore | SGD | 0.25% | 800,000 | 0.744 | 595,061 | 229,098 |
| 12 | Nadaq Dubai | USD | 0.25% | 300,000 | 1.000 | 300,000 | 115,500 |
| 13 | Bahrain Stock Exchange | BHD | 0.25% | 100,000 | 2.660 | 265,957 | 102,393 |
| **Total** | | | | | | **91,276,704** | **35,141,531** |

Moreover, Below is the income projection anticipated for the first year including the total projection as well as market specific projections.

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Sr. #** | **Stock Exchange** | **Currency** | **Price Sheet Bps** | | | **Expected Trade Value OMR** | **Proje. AHLI -Annual Commi-OMR** | **GTN Annual Commission OMR** | **Income from Markets %** |
| **Total** | **GTN** | **Ahli Bank** |
| 1 | Muscat Stock Exchange | OMR | 0.25% | 0.00% | 0.25% | 15,000,000 | 37,500 | - | 47% |
| 2 | US | USD | 0.27% | 0.07% | 0.20% | 7,700,000 | 15,400 | 5,390 | 19% |
| 3 | Saudi Stock Exchange (Tadawul) | SAR | 0.32% | 0.12% | 0.20% | 4,106,718 | 8,213 | 4,928 | 10% |
| 4 | Dubai Stock Exchange | AED | 0.46% | 0.21% | 0.25% | 2,096,864 | 5,242 | 4,403 | 7% |
| 5 | Europe (CHI-X) | EUR | 0.36% | 0.16% | 0.20% | 2,084,371 | 4,169 | 3,335 | 5% |
| 6 | Doha Securities Market | QAR | 0.46% | 0.21% | 0.25% | 1,057,691 | 2,644 | 2,221 | 3% |
| 7 | Abu Dhabi Securities Exchange | AED | 0.36% | 0.11% | 0.25% | 1,048,432 | 2,621 | 1,153 | 3% |
| 8 | Kuwait Stock Exchange | KWD | 0.35% | 0.15% | 0.20% | 877,131 | 1,754 | 1,316 | 2% |
| 9 | UK | GBP | 0.30% | 0.10% | 0.20% | 477,400 | 955 | 477 | 1% |
| 10 | Hong Kong | HKD | 0.33% | 0.08% | 0.25% | 245,932 | 615 | 197 | 1% |
| 11 | Singapore | SGD | 0.35% | 0.10% | 0.25% | 229,098 | 573 | 229 | 1% |
| 12 | Nadaq Dubai | USD | 0.46% | 0.21% | 0.25% | 115,500 | 289 | 243 | 0% |
| 13 | Bahrain Stock Exchange | BHD | 0.47% | 0.22% | 0.25% | 102,393 | 256 | 225 | 0% |
| **Total** | | | | | | **35,141,531** | **80,231** | **36,000** | **100%** |

## Appendix D

## Below is the complete 5-years TCO required for the investment of the eBrokerage Solution, excluding the items mentioned on the notes under the financial summary (i.e. infrastructure, Integrations, Penetration Testing etc):

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **5-Years TCO (OMR)** | |  |  |  |  |
| **Year** | **Year 1** | **Year 2** | **Year 3** | **Year 4** | **Year 5** |
| GTN Minimum Commitment |  |  |  |  |  |
| GTN Implementation Fees |  |  |  |  |  |
| **Total Cost payable towards GTN** |  |  |  |  |  |
| FIT License Cost |  |  |  |  |  |
| FIT Professional Services Fees/Implementation Fees |  |  |  |  |  |
| FIT Integration Cost |  |  |  |  |  |
| FIT Interfaces (Customization) Cost |  |  |  |  |  |
| FIT Annual Maintenance Cost (AMC) |  |  |  |  |  |
| **Total Cost payable towards FIT** |  |  |  |  |  |
| **Gross Cost of Solution (Including AMC & Excluding Taxes)** |  |  |  |  |  |
| Contingency |  |  |  |  |  |
| **Total Cost (Including AMC & Excluding Taxes)** |  |  |  |  |  |
| **Total Cost of Ownership (OMR)** |  | | | | |

### **Notes –**

* GTN Minimum commitment is based on the income projections prepared by Business.

## Appendix E

Below is a breakdown of the license cost items as well as the interfaces customizations cost items as attached in FIT proposal on **Appendix G**

|  |  |  |
| --- | --- | --- |
| **Cost Item** | **Description** | **Cost (USD)** |
| **License (Solution Software) items** | | |
| **Customer Onboarding** | **AI Document Scanning**   * Digital / Face Identity Scanning and Verification * Built in KYC/KYB * Risk Profiling and Weights * Zero operation interference (Approve / Reject only) * Built in Workflow for customer Journey |  |
| **FIT Premium Trading Workstation** | Professional Trading workstations licensed for AHLI BANK staff |
| **FIT Premium Web Trading Workstation** | Professional Trading workstations licensed for AHLI BANK HNIs and VIP / Institutional customers |
| **eTrade (Browser Based Trading)** | Browser Based internet trading portal for AHLI BANK customers to trade in MSX (Local Trading |
| **Mobile and Tablet** | * Mobile and Tablet application for **local Trading** (MSX) installed on premises and hosted under AHLI name in Apple Store and Google Play. * Supports iOS iPhone and iPad, and Android Smartphones and Android Tablet |
| **Interfaces Customization items** | | |
| **Interface with ID verification Service (such as https://uqudo.com/)** | |  |
| **Equation Core Banking and IMAL Interface** | |  |
| **Email Exchange System** | |  |
| **SMS Gateway** | |  |
| **Single Sign in Integration** | |  |
| **World Check / AML Screener Interface** | |  |
| **Integration with MCD (expected to be launched by MCD in few months)** | |  |

## Appendix F

Based on the negotiation held with FIT & GTN following is the savings on eBrokerage:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Description** | **Initial Cost**  **(in OMR)** | **Negotiated Cost**  **(in OMR)** | **Savings in OMR**  **(Total negotiated cost)** | **% Negotiated** |
|  |  |  |  |  |

## Appendix G

## Proposal details and payment terms can be found on both GTN & FIT proposals attached below:

 