

OVERVIEW

ABSTRACT

This document gives a background to the CBDA Banking Platform Project.

Tony Yunnie

DOCUMENT HISTORY

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1 Introduction

This document is designed to provide a context for the Banking Platform that the CBDA is looking to establish. To this end the document will cover the CBDA (Co-operative Banks Development Agency), the Co-operatives Act, the Co-operative Banks Act and describe the nature of CFIs (Co-operative Financial Institutions).

1.1 Background

Co-operative Financial Institutions (CFIs) are institutions offering retail banking services to members who have a 'common bond'. A 'common bond' might, for example, be membership of an organisation such as a trade union. To be a client of a CFI the person must be part of the 'common bond' plus they must also be a member of the CFI. To become a member of the CFI the person must apply for membership of the CFI, their membership application must be approved by the CFI and the person must purchase a share in the CFI.

Members of a CFI can be natural or juristic persons.

CFIs can offer a range of 'high street' banking services such as savings, investments and loans to their members. In some parts of the world CFIs are large banking enterprises. In South Africa the CFIs are small. The Government believes that CFIs can play a significant role in the South African banking industry.

To this end an agency, the CBDA (Cooperative Banking Development Agency), has been established in the Treasury Department with the objective of growing the CFI industry in South Africa.

1.2 The Problem

In South Africa the CFIs industry is facing three significant problems:

1. The CFIs are constrained in growth by not being able to offer products and services that require access to the National Payment System (ATMs, Debit and Credit cards, POS, etc).
2. Inconsistency in meeting regulatory reporting requirements.
3. Limited expertise regarding management and financial control.

These problems in turn impact on the CFIs capability to grow and, from a community perspective, the opportunity to develop responsible savings and loans is negatively impacted. Increasing the level of savings is becoming a national priority.

1.3 The Solution

The CBDA is looking to address the issues constraining the growth of CFIs by, amongst other initiatives, the establishment of a solution that will:

1. Provide consistent, robust and auditable administrative processes and procedures being used by the CFIs;
2. Be able to offer an extended range of banking products and services;
3. Provide access to the NPS in order to:
 - a. Receive salaries, grants and other deposits directly into member's savings accounts;
 - b. Facilitate the payments of Debit and Standing (Stop) Orders;
 - c. Facilitate payments directly to other financial institutions;

- d. Provide for CFI members to be able to pay and withdraw cash at retail till points.
4. Be available 7 X 24;
5. Provide full Disaster Recovery (DR) and Business Continuity (BC) services;
6. Improve management and financial Information;
7. Be client (member) centric.

As part of this solution CBDA envisage a Central Support Services (CSS) that will provide a range of services to the CFI's specifically services that it would not be feasible for the CFIs to provide themselves. So the solution must support both the CFIs and the CSS.

1.4 Scope

This project will address Retail Banking within the CFI space.

1.5 Affordability and Growth

The existing CFIs are small organisations with staff complements in the range of 3 to 5 people. The intention is that this Project will create an environment which will facilitate significant growth in the CFIs. The proposed solution needs to be affordable to small CFIs in terms of capital and operational costs. On the other hand the solution should not hinder or constrain the growth of the CFIs.

1.6 Documents

This document will give insight into the high level requirements in terms of a solution for the co-operative Financial Institutions.

There are 3 other related documents that provide the detailed requirements:

1. Central Support Services (CSS) Business Requirements Specification
2. CFI Business Requirements Specification
3. Business System Specification.

1.7 Central Support Services (CSS) Business Requirements Specification

This document defines the requirements of the Central Support Services (CSS). The CSS will manage the set of services constituting the banking platform, including, the management of the link into the NPS (National Payment System). The CSS will also provide support services to the CFIs (Co-operative Financial Institutions).

1.8 CFI Business Requirements Specification

This document defines the business system requirements of the CFIs (Co-operative Financial Institutions). It also will define the operational environment of the CFIs, as well as the superset of products and services that must be available from which each CFI can select when setting up their operation.

1.9 Business System Specification

The Business System Specification outlines the environmental and general system requirements to be supported by the system. It covers the CSS (Central Support Service) and CFI (Co-operative Financial Institution) system requirements.

This document also covers the migration requirements to migrate existing CFIs to the new solution.

*It is important to note that this project is mandated to provide a **complete business solution**, not just a computer system. In this context a complete business solution includes:*

- *Training, support and guidance for the CFIs when and where the CFIs request such assistance*
- *The facility for the CFIs to out-source certain operational and management functions to the CSS should they so choose*
- *A solution that is suitable for new and small CFIs that will assist them to grow into large, multi-product CFIs*
- *Supports the CSS*
- *Support for current and future legal and regulatory requirements mandated for the industry*
- *The provision of a fully supported, scalable, multi-tenanted, configurable, IT system that includes disaster recovery and business continuity services*
- *Operates within the financial, resourcing and technological constraints faced by the industry.*

*So, in summary, this project is looking to implement a **COMPLETE business solution**.*

2 Nature of the Solution

There are a number of ways in which the requirements of this project could be delivered. The area of the project that is open to the most alternative approaches is the CSS (Central Support Services) aspect of the project.

When this document and the related documents were developed in an attempt to reduce the size and complexity of the documents certain assumptions were made when writing the documents, especially in the CSS area. For example, the CSS could be delivered via a number of different legal structures, it could be a secondary Co-operative Bank, it could be a service provider operating under a sponsor's NPS license, etc. This is just one example. The documents don't specifically address all the variations that could apply.

So there are possibly a number of approaches that could be followed to arrive at the required solution. It is possible that a vendor might wish to propose alternative approaches. The project team is open to suggestions and alternative approaches that will facilitate the delivery of an effective solution.

3 The Industry

CFIs (Co-operative Financial Institutions) are micro banks set up to provide financial services to a community of people who have a common bond. There are three type of common bond. They can be district, employer or associational based. For example, a trade union might elect to create a CFI to provide banking services to its members (associational common bond) or member of a rural community might opt to form a district based geographical CFI.

CFI's refer to their clients as members. This term is used because a user of a CFI's services must be a member of the CFI before they can use the services offered by the CFI. A potential member must meet the common bond requirements before such a potential member can apply to become a member of a CFI so membership of a CFI is a two-step process. First meet the common bond requirement, second meet the membership requirements of the CFI. Each CFI will specify its own membership criteria.

It is possible that one person could be a member of more than one CFI should the person meet the common bond and membership requirements of multiple CFIs.

Given that CFIs operate within a community where the members have a common bond their client bases are relatively small, especially compared to commercial banks. The CFIs client bases' are measured in the hundreds or thousands of members (clients) not millions.

The management and reporting capabilities of the CFIs are often limited, as is their ability to meet regulatory requirements.

The current CFI model is a savings led model which provides few products and services to its members. Members typically save towards a future event in term savings products. The savings pool serves as either collateral for a loan for the members, or the pool of savings that can be used by the CFI to on lend to other members.

Whilst such a model has served a purpose, currently CFIs are not in a position to provide a service comparable to what commercial banks can offer. A major constraint in this area is the ability to offer transactional card based services that allow the members to transact via ATMs, point of sale devices, etc. Another is the ability to make payments to third parties, either via debit orders or transfers. CFIs are also not able to offer the range of products that their members require.

The obvious answer to the transaction restriction problems is for the CFIs to join the NPS (National Payment System). The reason they don't is twofold, cost and resourcing.

Because the CFIs currently have very small client bases they do not have the financial resources required to join the NPS. In addition, their staff complement is usually in the 3 to 5 people range so they don't have the human resources to setup and manage a relationship with the NPS.

These constraints also contribute to the management issues and make it difficult for the CFIs to offer the range of products their members and potential members require.

3.1 Banking the 'un-banked' and under-banked

While there are practical issues related to the CFIs they are well positioned to provide access to affordable financial services to the many South Africans that are still unbanked or under-banked. The success of CFIs in driving financial inclusion will, among other things, depend on the sector's adoption of a suitable banking platform that will incorporate access to the National Payments

System (NPS) and provide their members with products and services presently only being offered by commercial banks.

3.2 CBDA (Co-operative Banks Development Agency)

The Government is keen to develop the CFI industry. To this end the CBDA (Co-operative Banks Development Agency) has been established as an agency within the National Treasury. The mandate of the CBDA is to regulate, promote and develop co-operative banking, including deposit-taking and lending co-operatives.

The CBDA was established to:

1. To register, regulate and supervise co-operative banks
2. To promote, register and regulate representative bodies
3. To facilitate, promote and fund education and training to enhance the work of co-operative financial institutions
4. To accredit and regulate support organisations
5. To provide liquidity support to registered co-operative banks through loans or grants.

The CBDA's vision is to see a strong and vibrant co-operative banking sector that broadens access to and participation in diversified financial services towards economic and social well-being.

3.3 What is a co-operative?

3.3.1 Definition

A co-operative is an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.

3.3.2 Values

Co-operatives are based on the values of self-help, self-responsibility, democracy, equality, equity and solidarity. In the tradition of their founders, co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

3.3.3 Principles

The co-operative principles are guidelines by which co-operatives put their values into practice:

- Voluntary and Open Membership
- Democratic Member Control
- Member Economic Participation
- Autonomy and Independence
- Education, Training and Information
- Co-operation among Co-operatives
- Concern for Community.

This project is looking at co-operatives that offer financial services to their members.

3.4 Legislation

There are three primary pieces of legislation that regulate and control the CFIs. They are:

1. The Co-operatives Act, No. 14 of 2005 (Co-operatives Act)

2. The Co-operative Banks Act, No 40 of 2007. (Co-operatives Banks Act).
3. The Banks Act No 94 of 1990, Exemption notice as proclaimed from time to time, the latest being Notice number 404, 25 May 2012 (Exemption Notice).

The Co-operatives Act of 2005 (the 'Act') regulates co-operatives in general, i.e., consumer co-operatives, housing co-operatives, agricultural worker co-operatives, etc. and financial co-operatives. While the Co-operatives Act regulates the form of entity, the Co-operative Banks Act regulates the activities of a co-operative taking deposits. The Co-operative Banks Act requires that when a CFI reaches one million rand in deposits assets and has 200 members it applies to register as a Co-operative Bank. Should it meet and fulfils prudential requirements it can then be registered as such.

The Co-operatives Banks Act is targeted at just co-operative banks, not the wider deposit taking co-operatives industry. Eligible deposit taking co-operatives that do not meet the prudential requirements nor meet the minimum thresholds of the Co-operative Banks Act, must register with the CBDA and operate under the exemption to the Banks Act. CFIs which fall under both acts are in scope for this project.

3.5 The Market

The market consists of registered co-operative banks, financial services co-operatives (FSCs) and savings and credit co-operatives (SACCOs) operating under the Exemption Notices comprises the CFI sector in South Africa. On the 31st March 2013, there were 18 co-operative banks and eligible CFIs with a total of R215.2 million worth of assets and 31 899 members. Eligible CFIs are those that meet the minimum requirement of 200 members and R1 million held in deposits in terms of the Co-operative Act.

It is important to note that the CFIs are separate, independent, legal entities that are not related to each other, the CSS or to the CBDA other than that they operate under the same legislation and all offer financial services to their respective members.

3.6 Rationale for Project

The intention of this project is to create a solution that will allow the CFIs to grow in a financially prudent and sustainable manner which will accelerate the growth of the industry. Growth in terms of the:

1. Number of CFIs
2. Number of members each CFI is servicing
3. Number of accounts per member
4. Number of transactions per member
5. Range of products the CFIs are able to offer their members.

In summary, the overriding objective is to increase the number of people being sustainably served by CFIs and to broaden the range of services provided to each member.

It is envisaged that the solution will offer a 'menu of services'. Each CFI will select what services it wishes to offer. This will be driven by their members' requirements and the business strategy that the CFI is following. The CFI will be billed according to the services selected and used.

4 Product Range

CFIs offer savings and loans products that are similar in many ways to the types of products offered by the mainstream banks to their individual customers. However, there are some twists.

For example, a number of CFIs offer 'Christmas' savings accounts. These are subscription savings products where the client can only make a limited number, often 1, withdrawal per year during the December / January period.

The bulk of the current CFIs offer only simple savings products and limited, simple loans products. The intention of this project is to allow the CFIs to grow the range of products they offer should this fit into their individual business models.

Most CFIs will start offering the following types of products:

1. Savings
2. Investments
3. Short to medium term loans.

It is the intention that the solution must allow the CFIs to grow their offering substantially to include a product set that much more closely matches the product set that commercial banks offer their individual clients which include the full range of loans from personal loans through to vehicle finance and mortgages and products that operate via ATMs, Internet, Mobile, POS, Debit Orders, debit and credit cards while still supporting the CFI specific products such as the Christmas account outlined above.

5 Approach

The intention of this project is to establish a solution that will address the business needs of the CFIs and will allow them to offer their members (clients) products and services that are on a par with those offered by commercial banks while taking cognise of the financial and resourcing constraints under which they operate and it will enable effective controls and processes.

This will be done by providing:

1. A central service, the CSS (Central Support Services) that will provide connectivity to the NPS (National Payment System) as well as various other services that will allow the CFIs to provide the required level of service. Examples of these services will include business process support, an afterhours lost card service, training, administrative support, etc. See the '*Central Support Services (CSS) Business Requirements Specification*' document for more details.
2. A flexible, scalable, parameterised, rules based banking solution that will allow the CFIs to choose the range and rules of products they wish to offer.
3. A banking solution that will allow new, small CFIs to start with a just a few, simple products, should this be what the CFI requires and then seamlessly and easily grow the breadth and depth of the products and services they offer their members.
4. The three points listed above need to be delivered within the financial and resourcing limitations within which the CFI's operate.

To achieve this objective the solution must be:

1. Easy to setup. It must be possible for a new CFI to be setup in a couple of days. In this time the CFI must be able to select, configure and personalise their product set. Define the terms and conditions, the rates, the fees, the conditions under which fees are applicable, 'free' transactions, minimum and maximums, etc applicable to the selected products.
2. This must be done with no 'programming' and no need for technical skills.
3. The cost of setting up and running the solution must be appropriate for an organisation that has hundreds, not millions of members and where the members are unlikely to be from the top end of the economic spectrum.
4. The solution must be so easy to use that an organisation with 3 or 4 staff can run it effectively.

While the solution must be easy for a really small operation with a small portfolio of simple products to use it must also be scalable on a number of fronts. It must be possible for a CFI:

1. To significantly increase the size of its active membership.
2. To significantly broaden and deepen its product offerings.
3. Grow a branch network.

The following diagram provides a high level view of the proposed solution.

Some points to note about the diagram.

There will be a CSS (Central Support Service) that will handle the NPS connections for the CFIs. This will include settlement, etc.

The CSS will also provide generalised support functions such as a help desk, training, capacity building, administrative support, legal advice on implementing appropriate acts and general legal issues, audit assistance, compliance services, advisory services, advise on industry directions, risk management, accounting services, money laundering, standardisation, etc.

As can be seen from the diagram a CFI may or may not have a branch structure.

CSS Platform overview

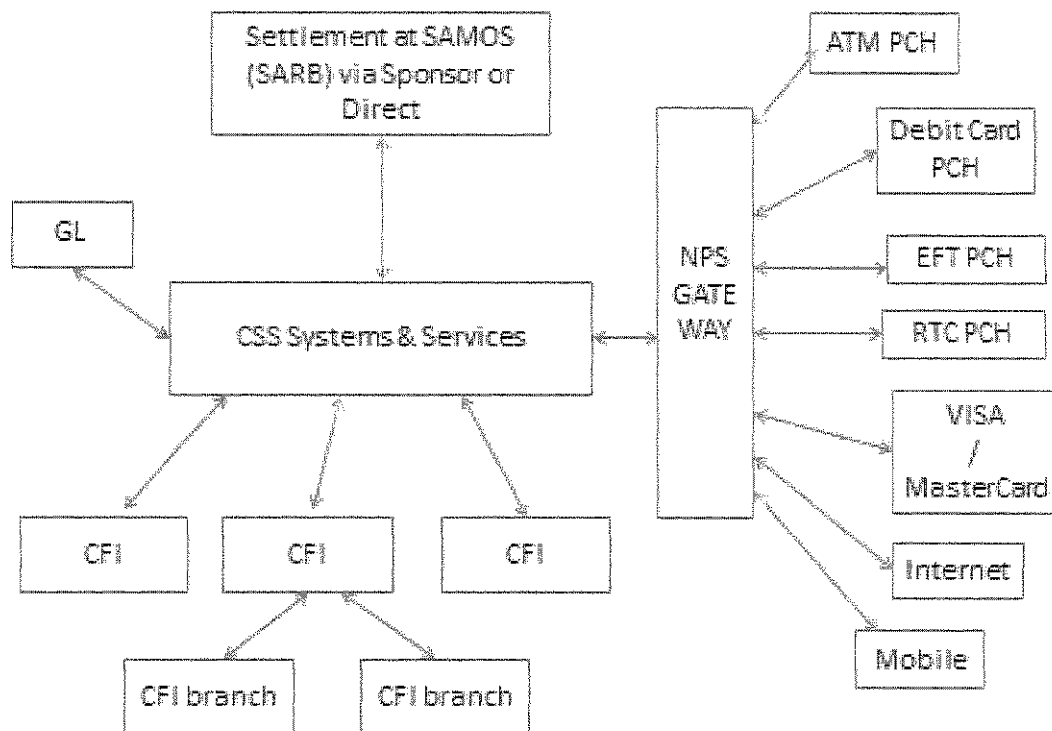


Figure 1 - High Level View of the Proposed Solution

5.1 Phased Approach

The intention is to run the Implementation Project on a phased basis. The exact number, nature, sequence and content of the phases will be decided as part of the Implementation Project. As an example the phases could include:

- Enabling the CFIs to operate more effectively
- Card issuing
- Broadening the product set
- Internet banking
- Supporting retailers as 'branches'
- Inter CFI transactions - allowing members to transact at other CFIs.

The nature of the phases will be determined by the needs of the industry, the skills available and the functionality provided by the solution.

A key aspect of this project is the parameterisation which is explained in the next section of this document.

6 Parameterisation / Customisable

To achieve the twin objectives of flexibility, support for small and large CFIs, support for limited and extensive product sets and independent branding alongside easy to setup, easy to manage implies that there must be a high degree of configurability in the solution which must be provided within the cost constraints that the CFI industry operates.

The solution must allow each CFI to select the products they wish to offer from a menu of products.

Each product should be customisable. Customisable in terms of duration, interest rate algorithms, tiers, fees, minimums and maximums, restrictions on withdrawals, supported channels and so on.

It must be possible for an authorised user (the configurator) to setup the products and processes to be used in a CFI via parameters and rules. The person doing the configuration should not need programming skills to perform the task. In addition the process to configure a small CFI should be measured in days not months.

The Parameterisation / Configuration must allow the CFI to:

1. Select their Product Set.
2. Define the characteristics of each product.
3. Enhance their product set over time as the CFI grows and expands its offering.
4. Configure their business processes.
5. Configure the channels they wish to support.
6. Configure new branches.
7. Indicate what reports a CFI requires and when they will be produced.
8. Indicate what scheduled tasks a CFI requires and when they will be run.
9. Select the languages to be used on their (UI) User Interfaces and the languages for client communications.

This is just a sample of what is required. The details are provided in the other documents in this set.

In addition to been able to setup the CFI it must also be possible, as stated in point 3 above, to add new products and services once the CFI is operational and change and close existing products.

It is important to note that what is described above is a logical view of the parameterisation / configuration process. In practice various modules in the solution might use different mechanisms to support parameterisation / configuration. This is not an issue. What is important is that each CFI can select their products and processes and the definitions of these products and processes without the involvement of a programmer / developer / coder.

It is also import to note that the person doing the configuration might come from the CSS, the vendor or the CFI. While CFIs are unlikely to have this level of skill in the near future it is possible, over time, as the industry grows and as larger CFIs emerge that one or more CFIs might elect to bring this responsibility in-house.

For the purposes of this document it is not important which organisation provides the person who does the configuration. What is important is that the system supports this approach.

7 Limited Resources and Skillset

The CFIs, especially in the early days, will have VERY limited resources and skillsets. They will not be in a position to have the support infrastructure one finds in commercial banks. A small CFI is not going to have a risk department, a department to manage the relationship with the National Payment System, an internal audit department, a team to manage FICA, an IT team or even an IT person, the list goes on.

While the CFIs will not have the resources to establish all these functions the need for the functions does not go away. The way this will be addressed in this project is twofold, via the system and the CSS.

The intention is that the CSS should provide a range of services to the CFIs that the CFIs are unable to provide for themselves. However, irrespective of whether the CFIs support themselves or make use of services provided by the CSS the bulk of these services should be automated as far as possible. So while the CSS will provide the CFIs a range of automated and manual services where practical the level of human involvement, from either the CSS or the CFIs should be limited.

So while the system should be easy to learn and easy to use internally it must be sophisticated and add value to the CFI by providing services, either directly to the CFIs or to the CFIs via the CSS, that are not currently available to the CFIs. This will enable the CFIs to offer their members a broader range of services.

This leads onto a key aspect of this project, namely the range or size of organisations to be addressed.

8 Scope of Solution

Two of the drivers behind this project are the establishment of more, viable CFIs and the growth of the existing and new CFIs in terms of financial growth, member growth and product growth.

As mentioned elsewhere in this document, the current CFIs are micro organisations with total staff complements of 3 to 5 people. An organisation of this size cannot invest weeks and months into setting up a system. Similarly when new CFIs are established they will most likely also be micro organisations.

One could argue that the best solution would be a simple system that only supports a handful of products. This would be a short sighted approach for a number of reasons:

1. Short sighted in that even the smallest CFIs require access to the National Payment System which by definition is not a small or simple undertaking.
2. Short sighted in that the objective is to grow the CFIs so that they can offer full banking services to their members thereby addressing the massive 'unbanked' problem we face in South Africa.

So what is required is a scalable solution. Scalable in the area of number of accounts and transactions but more importantly scalable in the sense of the breadth of products and services that can be offered while keeping within the financial constraints faced by the CFI industry and the need for simplicity and ease of use.

Ideally for a small CFI the solution should offer a 'bank in a box' which will allow the CFI to customise the system to meet their requirements in terms of branding, product definition, rates, fees, etc. with very little effort or skill. It should be possible to set up a new, small CFI in person days, not weeks or months.

However, the solution must be expandable, scalable enough to allow a larger CFI to offer their members the same range of products and services that are available from a commercial bank. However, even for the more sophisticated CFIs the setup time must still be minimal. Even the 'bigger' CFIs are still small in terms of any measure, compared to a commercial bank. Even the bigger CFIs won't have dedicated departments that address specific areas of the business. The bigger CFIs will still be running on small staff complements.

Because the CFI industry is an industry of micro and small enterprises the solution must look to take on the responsibility to manage as much of the business activities as possible. Activities that commercial banks will run outside of the banking system need to be included in this solution.

In addition the effort to setup and run the system, from the CFI's perspective, must be very low, measured, as mentioned previously in person days, not person months or years. And lastly setting up and running a CFI on the system must not require specialist technical or business skills.

9 Useful Links

The following sites can provide useful additional information.

The Co-operative Banks Development Agency (CBDA) site on the National Treasury website

<http://www.treasury.gov.za/coopbank/default.aspx>

Co-operative Banks Development Agency: FAQ's

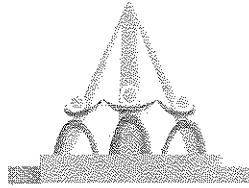
<http://www.treasury.gov.za/coopbank/FAQs.aspx>

The Co-operatives Act, Act No. 14 of 2005

<http://www.info.gov.za/view/DownloadFileAction?id=67866>

The Co-operative Banks Act, Act No. 40 of 2007

<http://www.info.gov.za/view/DownloadFileAction?id=77864>

**CO-OPERATIVE BANKS DEVELOPMENT AGENCY**

27th Floor, 240 Vermeulen Street • Private Bag X115, Pretoria, 0001 • Tel: 012 315 5367 • Fax: 012 315 5905 • email: CBDA@treasury.gov.za

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CFI Business Requirements Specification**Background**

The purpose of this document is to present the business requirements specification for implementing a new Banking Platform for the Co-operative Financial Institutions (CFI's).

The Co-operatives Banks Development Agency (CBDA) is taking the lead role in line with its mandate of supporting, promoting and developing co-operative banking, by investigating the feasibility of CFI's utilizing a shared and affordable banking platform with access to the National Payments System (NPS).

Document History

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2014-05-07	Final Review	APJ , CFI User Group, Nehawu and Disebotla

Document sign-off

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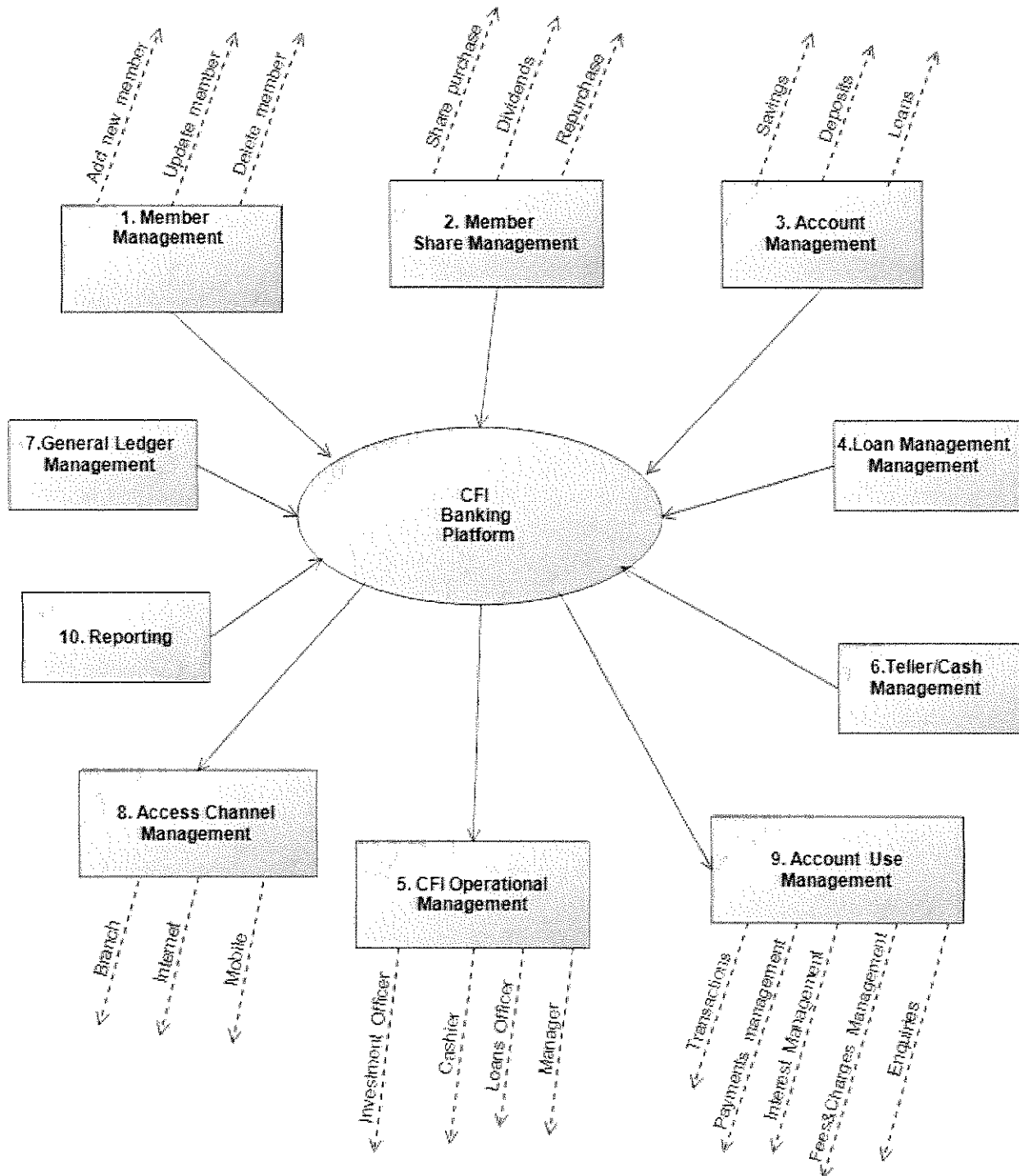
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HIGH-LEVEL SYSTEM FUNCTIONAL REQUIREMENTS OVERVIEW



REQUIREMENTS CATALOGUE

Requirement ID	Functional Requirement Name	Functional Requirement Definition
1	Member Management	1. This function must allow users to add, delete and update the CFI members
2	Member Share Management	This function must allow users to process share purchases, pay out share dividends to members and also to allow for the re-purchase of shares by CFI members resigning
3	Account Management	<p>This function must allow management of the following accounts:</p> <ol style="list-style-type: none"> 1. Savings Accounts <ul style="list-style-type: none"> • Normal Savings Account • Transactional Accounts • Target Date e.g. Christmas savings 2. Deposit Accounts <ul style="list-style-type: none"> • Term deposits • Notice deposits • Linked Deposits • Annuities 3. Loan Accounts <ul style="list-style-type: none"> • Term Loans • Revolving Loans • Secured and unsecured Loans. <p>The system must be designed to allow a member to hold any number of accounts and types of accounts.</p>
4	Loan Management	<ol style="list-style-type: none"> 1. This function is required to maintain the loan accounts of all the members. This function must allow the opening of the loan account automatically once a loan application has been approved. 2. The system must acknowledge loan repayments, calculate and post interest to the members loan account.

		<ol style="list-style-type: none"> 3. The system must calculate loan repayments automatically. 4. Interest paid on the loan must be separated from the principal amount. 5. The system must provide scenarios for advanced payments and indicate the decrease of the principal amount or pre-payment.
5.	CFI Operational Management	<p>This function must allow the allocation of operational roles and user access control of different CFI employees e.g. Manager, Loans Officer, Investment Officer and Cashier.</p> <p>Maintain complete audit trails of all inquiries, transactions and adjustments made to any data held in the system.</p>
6	Teller/Cash Management	<ol style="list-style-type: none"> 1. This function must be responsible for receiving all cash and cash equivalent into the system. 2. Tellers can receive cash and cheque deposits, pay out cash and cheques, cash cheques, etc. 3. The system must support an unlimited number of tellers working simultaneously. 4. The system also supports online authorizations of transactions.
7	General Ledger Management	<p>The general features of the General Ledger must include the following functionality:</p> <ol style="list-style-type: none"> 1. The GL must be automated and integrated into the system 2. An industry specific and modifiable, sample charts of accounts that could be used to save time when setting up the general ledger. 3. Quick location of accounts within the chart of accounts. 4. A flexible search feature. 5. Inquiry capability to examine account status, balance history, budgets and transactions. 6. The ability from the general ledger to drill down to the source of the original posting. 7. Account information and journal entries can be imported from a text file. 8. Must allow for journal entries to be exported /imported in a CSV, Excel and PDF format. 9. Must have default chart of account/
8	Access Channel Management	<p>This function must allow must to access the banking platform via the following channels:</p>

		<ol style="list-style-type: none"> 1. Branch 2. Mobile 3. Point of Sale 4. Internet 5. ATM.
9	Account Use Management	<p>This function must provide the following capabilities.</p> <ol style="list-style-type: none"> 1. Value Transaction Management 2. Enquiries Management 3. Payments Management 4. Fees and Charges Management 5. Interest Managements 6. Value Added Services.
10	Reporting	<p>The system must provide operational and management reporting that will allow the CFIs and the CSS to run their businesses on a day to day basis and to manage their business in the short, medium and long term.</p> <p>All reports should be configurable and customisable.</p> <p>All reports should be available on the user's terminal, hardcopy, CSV format, Excel format and PDF format.</p> <p>From a GL perspective the system must provide the following reporting capabilities.</p> <ol style="list-style-type: none"> 1. Must allow sub-totalling and consolidation accounts for custom financial statements 2. Must produce monthly, quarterly, yearly and date range (e.g., weekly, monthly, etc.) income statements 3. Must be capable of printing date sensitive balance sheets (as of a certain day in a month) 4. Must allow a date range selection for the trial balance 5. Must offer flash reports providing quick overall view of financial strength with various financial ratios (e.g., current ratio, acid test, etc.) 6. Income Statement / Comparative Income Statement/ Budget Variance Income Statement

		<ul style="list-style-type: none">7. Budgets-only (proforma) Income Statement8. Balance Sheet /Comparative Balance Sheet9. Statement of Cash Flow10. Trial Balance (General Ledger) /Summary Trial Balance /Working Trial Balance11. Journal Reports12. Account Detail Report13. Budgets Worksheet14. Flash Report (summary report of financial ratios and historical information.
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REQ-0 GENERAL PRINCIPLES

The system must cater for the following general operational principles:

1. Only members can use the services of the CFI.
2. All CFI members must have shares.
3. The CFI must remain operational if telecommunications is not available.
4. Transactions are processed as and when the transaction occurs (Data entry at point of origination), which should be the preferred option, OR data entry is done in a delayed fashion, with or without batch uploads. It must be the CFIs choice as to which technique to use for a particular requirement.
5. A user can only access the system by supplying a user name and a password.
6. All transactions and queries or inquiries and report generations must be logged in a user accessible audit trail.

REQ-1 Member

1. When loading a new member the system must record the following information about a new Member:

- Title (e g. Mr/Mrs/Ms/Miss – configurable dropdown list)
- Initials (String)
- First Names (String)
- Surname (String)
- Member number (String)
- SA Citizen (Yes/No option)
- If SA, ID Number (13 digits numeric, must be valid SA ID) see verification code
- If Not SA Citizen, other identification number and the expiry date (25 alpha numeric characters)
- Income Tax Number (10 digits numeric, must be valid SA tax number)
- Postal address (String)
- Postal Code (must be 4 digits code)
- Residential address (String)
- Telephone numbers (10 digits plus a 5 digit country code). The system must cater for 3 contact numbers
- E-mail address (system must verify structure of e-mail address)
- Common bond identification number (String)

2. The system must create a new member record and assign a membership number.

3. It must be possible to specify the membership number structure and a starting value.

4. The member must be marked as 'inactive' until the share purchase requirements have been met.

5. The system must provide the facility to maintain a member's details.

NOTES:

The following guidelines must be used for the verification of a South African Identity Document

SA ID number format {YYMMDD}{G}{SSS}{C}{A}{Z}

- YYMMDD: Date of birth.
- G: Gender. 0-4 Female; 5-9 Male.
- SSS: Sequence No. for Date of birth / Gender combination.
- C: Citizenship. 0 SA; 1 Other.
- A: Usually 8, or 9 [can be other values]
- Z: Control digit calculated in the following section:

Formula to calculate the check digit for a 13 digit identity number:

- The control digit, the 13th digit, is calculated as follows using ID Number 800101 5009 087 as an example:
 - Add all the digits in the odd positions except for the last digit.
 $8 + 0 + 0 + 5 + 0 + 0 = 13$ [1]
 - Move the even positions into a field and multiply the number by 2.
 $011098 \times 2 = 22196$ [2]
 - Add the digits of the result in the previous calculation [2].
 $2 + 2 + 1 + 9 + 6 = 20$ [3]
 - Add the answer in [3] to the answer in [1].
 $13 + 20 = 33$.
 - Subtract the second digit (i.e. 3) from 10. The number must tally with the last number in the ID Number. If the result is 2 digits, the last digit is used to compare against the last number in the ID Number. If the answer differs, the ID number is invalid.

REQ-1.1 MEMBER SHARES (MANDATORY)

1. Only members qualify to have accounts in a CFI (savings, deposits or loans).
2. To become a member a certain minimum number of shares must be bought.
3. A member must not be activated on the system until he / she has purchase a share(s). Only active members can open and transact on accounts.
4. The system must:
 - a. Capture the payment details.
 - b. Capture the date the shares were purchased
 - c. Allow approval by the Board
 - d. Issue a numbered share certificate.
 - e. Optionally capture the nominated beneficiaries and percentage split for a member.
 - f. Make the appropriate entries in the GL.
5. The system must allow the CFI to specify the share certificate number structure and a starting number.
6. The system should support the option for a member to pay for their share over time (a 'layby' option). The person only becomes a member and is permitted to transact once share fully paid up.
7. Value could range from R1 per share to a maximum of R999 999 999.
8. No single member may own more than 20% of the total shareholding.
9. These shares CANNOT be encumbered or used as collateral for any loans.

REQ-1.2 MEMBER SHARES (VOLUNTARY)

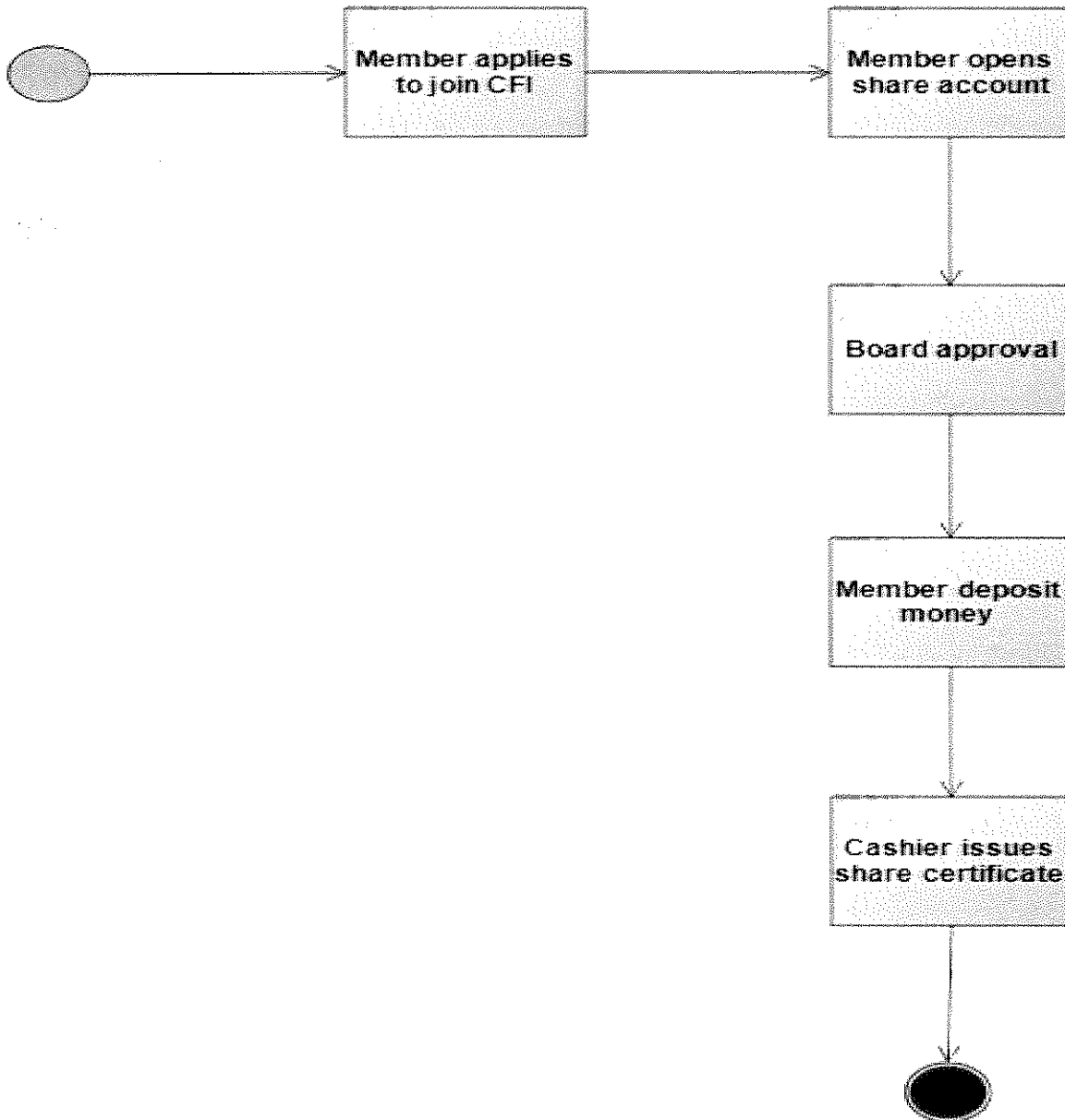
1. CFIs may allow members to optionally purchase additional shares. The purpose of this type of share is to assist CFIs meet their capital requirements. These shares can be:
 - a. Used as collateral;
 - b. Time and/or period specific
 - c. Redeemed.
2. However, if any of the above is applicable, then the shares cannot be used for adequacy between capital and assessment.
3. All other characteristics of the voluntary shares are as for the mandatory shares including that of the 20% rule. If included in capital requirement assessment then no single member to hold more than 20% of Member Shares both Mandatory and Voluntary.
4. The System must:
 - a. Support the purchase of voluntary shares
 - b. Support marking voluntary shares as used for collateral
 - c. Support unmarking voluntary shares as been used for collateral
 - d. The redemption of some or all of a member's voluntary shares due to a request from the member
 - e. The redemption of some or all of a member's voluntary shares due to the date reached.

REQ-1.3 SHARE REGISTER

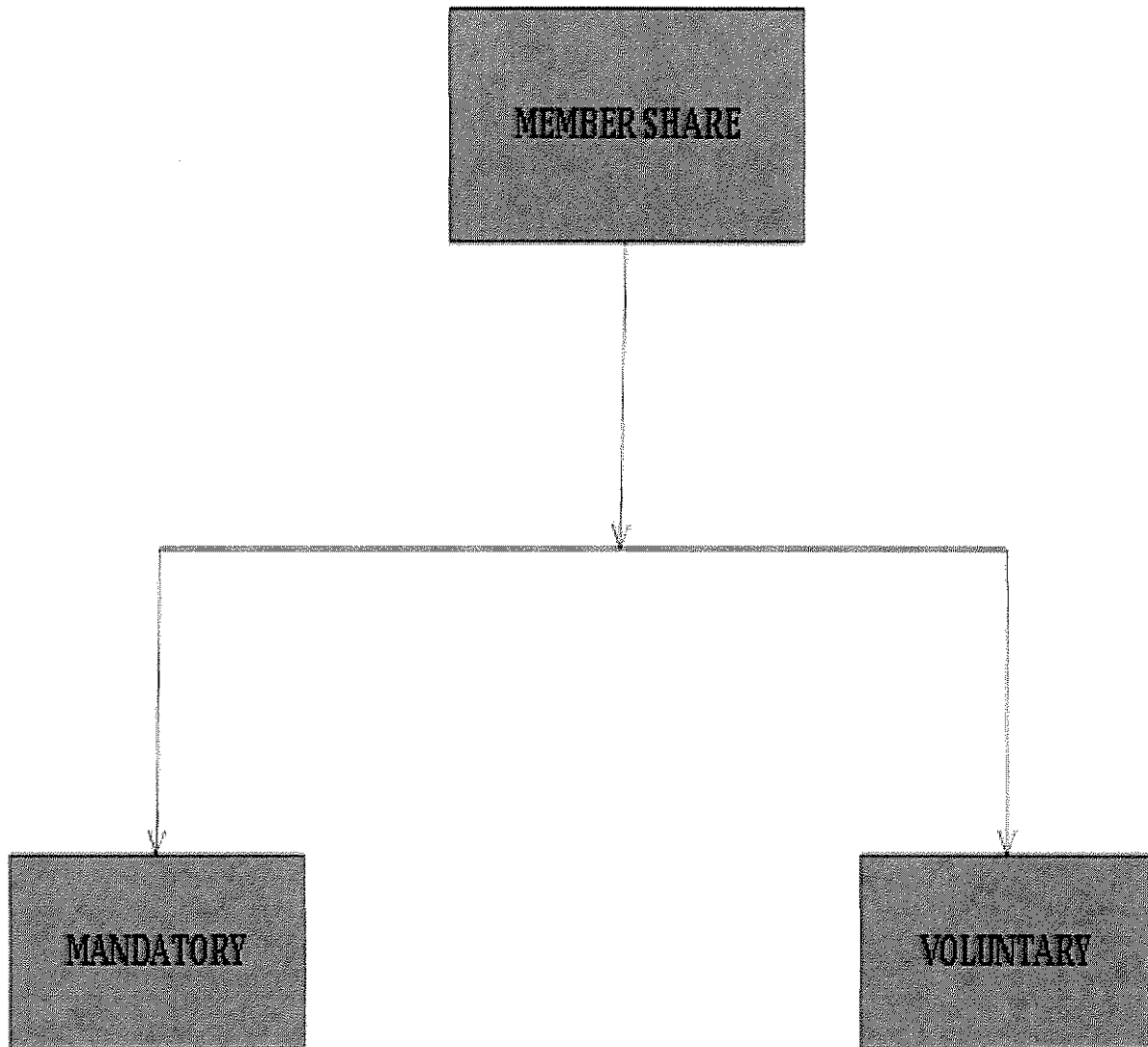
The system must provide the following functionality related to member shares.

1. A Share Register which reflects the following information for each shareholder:
 - Name of Member
 - Address of Member
 - Number of shares issued and value per share
 - Date(s) share certificate(s) issued
2. The facility to transfer shares between members indicating the number of shares transferred.
 - 2.1 If bought by an existing member the shares must be added to the existing record of such member.
 - 2.2 Record the date when the transaction occurred.
3. The facility to repurchase shares from members indicating the number of shares repurchased.
 - 3.1 Record the date when the transaction occurred.
4. For all these transactions the appropriate GL entries must be made. .
5. The system must calculate the patronage dividend

PROCESS FLOW DIAGRAM – MEMBER SHARE PURCHASE DIAGRAM



MEMBER SHARE TYPES



REQ-2 CREATING A PRODUCT

1. The system must support the creation of products by the CFI.

- Table 1 below shows the types of characteristics a Product (account type) can have.
- Table 2 below outlines the types of transactions that a Product can support (allowed).
- Table 3 shows the controls or parameters that can be used when deciding whether a fee that can be applied to a transaction that is allowed on a Product should be applied.
- Table 4 below shows the various ways of calculating the value (amount) of a fee that is applied to a transaction.

Table 1 - Account Characteristics

Account Characteristics	Description
Overdraft allowed	Does this account allow overdrafts
Product Overdraft limit	If this product type allows overdrafts what is the maximum overdraft allowed on any account of this type.
Account Overdraft limit	The maximum overdraft allowed on a specific account. This will depend on the credit rating of the client (member). It cannot exceed the Product Overdraft Limit for this Account / Product type.
EFT transactions allowed	Can the client (member) do EFT transactions on this account?
ATM transactions allowed	Can the client (member) do ATM transactions on this account?
Additional Deposits allowed	For investment products can additional deposits be made after the initially deposit?
Additional Deposits maximum number	If additional deposits are allowed is there a limit on the number of additional deposits allowed?
Additional Deposits maximum percentage	If additional deposits are allowed is there a limit on amount deposited relative to the initial deposit?
Additional Deposits minimum period	If additional deposits are allowed is there a minimum period that must elapse between deposits?
Is this a Loan Product	The type of account
Is this a Savings Product	
Is this an Investment Product	
Payment Frequency	How often must the client make payments to this account (applicable to loan accounts and

	certain types of savings / investment products). Monthly, quarterly, bi-annually or annually.
Make Dormant	If there are no client initiated transactions on an account for a specified period should the account be marked as dormant?
Dormant period	Number of months during which no Client initiated transaction occurred on the account that must pass before an account is marked as dormant.
Investment Period Type	Days / months / years
Investment Period	The number of days, months or years for a fixed term investment (Range 1 to 365 (days), 120 (months), 25 (years)).
Notice Period	Number of days' notice required to redeem a notice investment (Range 1 – 999).
Minimum balance	System must not allow the balance to drop below this amount unless the account is being closed.
Maximum balance	System must not allow a transaction that take the balance above this limit.
Maximum Duration	The maximum period the account can be active for, for example, 20 year loan, etc.

Table 2 – Transactions Types

The following table defines the types of transactions that can be used on products.

Transaction Types	Description
Deposit	Funds coming in
- Cash (Branch and Agency Bank)	
- Cheque (Branch and Agency Bank)	
- EFT	
- Internal transfer	
Withdrawal	Funds going out
- Cash (Teller, ATM, POS)	
- Cheque	
- Internal transfer	
- (1. Debit order)	
- (2. Bill payment)	
- EFT	
Journal	Funds in and out
Payroll Deduction Credit	Funds in

Payroll deduction will be

- **Credited to a nominated savings account.**
- **The allocation of “splits” accounts will be held in the nominated account**
- **The subsequent “splits” will be transferred from the nominated account into the splits accounts e.g. R100 deposit to savings, “split” instructions will be R20.00 to the short-term loan, R30.00 to the medium-term loan.**
- **(Underpayments) Should the credit the receiver account not be sufficient to cover all the required payments, the system must provide a method to indicate the order in which payments must be made.**
- **(Overpayments) If the credit exceeds the payments to be made to , the excess should be left in the receiving account**

Table 3 - Transaction Fee Control Parameters

The following table indicates the parameters used to control the calculation of each Transaction Fee that is applicable to a particular Product. As part of the Product definition the Product definer, the person who is configuring the Product, will indicate whether a particular parameter is applicable to a Product

Transaction Fee Control Parameters	Description
Minimum balance	The minimum balance on the account. If the account balance drops below this value the fee is applied.
Free Balance	If the account balance remains above the value for the calculation period the fee is not applied.
Maximum Free 'X' Transactions	If the accounts have more than the 'Maximum free' transactions of this transaction type in the 'Period' the fee is applied.
Period	The period (duration) used to calculate the 'Maximum Free 'X' Transactions' and 'Free Balance'.
Exempt	If the account is marked as 'exempt' this transaction fee does not apply to the account.
Pensioner	Not applicable if the client (Member) is a pensioner. The system must support the ability to define the age when a client (member) is regarded as a pensioner.
Payroll deduction	Free – no fee applicable for payroll deductions
Account closing	Account can be closed if the balance is zero or less than X amount.

Table 4 - Transaction fee calculation methods

The following table defines the various methods required to calculate a transaction fee.

Transaction Fee Calculation Methods	Example
Fix value	Rx.00
Tiered fixed values	$Rx.00 < Ra / Ry.00 < Rb / Rx.00 > Rb$
Tier percentage with minimum and cap	$x\% \text{ to } Ra / y\% \text{ to } Rb / z\% > Rb$ Minimum Rm / maximum Rn
Percentage with minimum and cap	$x\%$, minimum Ry.00, maximum Rx.00
Base amount + percentage + minimum + cap	Ra.00, $x\%$, Ry.00 / Rz.00

REQ-2.1 PRODUCT MAINTENANCE

1. The system must allow an authorised user to change specific values on the Product description.
2. When the product is changed the system must record the values before and after the change and who made the change.
3. Impact of change. The system must support the following options:
 - 3.1 Make the change effective immediately.
 - 3.2 Allow the authorised user to specify a future dated effective date.
4. Scope of change. When configuring a product it must be possible to indicate whether a change impacts all accounts related to the product or only new accounts created and or changed on or after the effective date where changed means the member added or removed funds.

REQ-2.2 PRODUCT INQUIRY

1. The system must allow an authorised user to inquire on a Product.
2. The system should show all the current product parameters.
3. The user should have the option to see old parameters, i.e., parameters that have been changed.

REQ-2.3 CLOSE A PRODUCT

1. The system must allow an authorised user to close a Product.
2. There are two types of closure, closed to new business and fully closed.
 - If the Product is closed to new business the system must not allow a new account of this type to be opened but the existing accounts will continue to operate as normal.

- If the authorised user wants to fully close a product the system must only allow this if all the accounts of this product are closed.

REQ-3 ACCOUNT OPENING REQUIREMENTS

Only an active member can open and transact on an account. CFI members are eligible to open any accounts offered by the CFI where the member meets the requirements to have an account of the type.

1. When opening an account the system must link the account to the member and allocate a unique account number.
2. The system must link the new account to the appropriate GL Control Account.
3. It must be possible for the CFI to specify:
 - 3.1 The account structure.
 - 3.2 The starting value for a product's account number.
4. When opening an account the system must record the type of account being opened.
5. When opening an account the system must record the account open date as "today's" date.
 - 5.1 The system must offer an over-ride facility subject to authorisation to change the account opening date.

REQ-3.1 ACCOUNTS TRANSACTIONS

1. The system must support the functionality to deposit cash and cheques.
2. The system must support electronic deposits and withdrawals.
3. The system must support internal transfers.
4. The system must support online transactions as well as batched transactions. The system must not place any restrictions on what transactions the CFI chooses to run as online transactions and which transactions the CFI chooses to run as batch transactions.
5. The system must allow the same type of transactions to run as both online and batch transactions.
6. The system must support scheduled transactions.
7. The system must support system generated transactions such as interest calculations, interest capitalisation, raising of fees and charges, etc.
8. The CFI must be able to specify frequency, when and the conditions under which these system generated transactions will occur.

REQ-3.2 OVERDRAFT FACILITY

1. The system must provide the facility when configuring a product to specify whether accounts of this product can have overdraft facilities.
2. If accounts of a product can offer an overdraft facility the system must provide a facility to specify:
 - a. The maximum overdraft allowed.
 - b. The rate to use.
 - c. Any one off or recurring fees incurred if the member chooses to have an overdraft facility

on her / his account.

- d. Any fee incurred when the facility is used.
3. For accounts that allow overdrafts the CFI must be able to specify per account:
 - a. Whether the account has an overdraft facility
 - b. The amount of the overdraft facility
4. For accounts that have an overdraft facility the CFI must be able to change or deactivate the overdraft facility.

REQ-3.3 OVERDRAWN ACCOUNT

1. The system must decline any debit transactions against an account that is overdrawn where over drawn means the account balance is less than zero on an account that doesn't have an overdraft facility or where the account has exceeded its overdraft limit where an account has an overdraft facility.
2. The system must allow the CFI to configure a fee that is incurred whenever an account goes overdrawn.
3. The system must allow the CFI elect to specify that an account is not overdrawn if the cause of the account going overdrawn is solely due to charges applied by the CFI such as an account maintenance charge or some other similar charge raised by the CFI.
4. The system must provide a report that shows all accounts that went overdrawn and are still overdrawn in a specified period.

REQ-3.4 ACCOUNTS INQUIRIES

The system must support the following inquiries on all accounts.

1. It must be possible to inquiry on an account to see the current status, i.e., available balance, total balance, un-cleared effects, last transaction date and amount, current rate, etc.
2. Generate a statement, either for the current period or for a period selected by the user.
3. The user must have the option to view the statement, e-mail the statement or to create a CSV, Excel or PDF file.
4. Search for a transaction by either specifying a transaction type, or value, or value range or date or date range or any combination of these parameters.

REQ-3.5 DORMANT ACCOUNTS

The banking industry uses the concept of dormant accounts. A dormant account is an account where there has been no member generated activity on the account for an extended period of time. Depending on the nature of the product this may or may not be normal. For example, on a 5 year fixed deposit there will be no member generated activity for 5 years. However on a savings account one would expect the member to transact on the account on a fairly regular basis.

1. The system must provide the facility to define whether accounts associated with a product can 'go dormant'.
2. The system must provide the facility to define the period of member inactivity used to define a dormant account.
3. The system must provide a schedule task that will mark, using a hold code or similar mechanism, accounts as dormant.
4. The system must require special authorisation to allow a teller initiated transaction against a dormant account. This authorisation must lift the dormant indicator.

REQ-3.6 ACCOUNT CLOSING

1. In order to close an account, the account balance must be zero or within the product specified tolerance limit e.g. R5.00.
2. The system must allow a 'closing balance tolerance' value to be specified per product type.
3. The system must record the date the account was closed and mark the account as in-active.
4. If any electronic transactions are received for a closed account these must be rejected with an appropriate reason and a report must be produced and an electronic record (audit trail entry) of the rejection made.

REQ-3.7 WITHDRAWAL LIMITS

1. The system must allow the CFI to specify limits which if a withdrawal exceeds the limits additional authorisation is required.
2. The system should allow tiered limits which require increasing levels of authorisation.
3. The system must be able to specify teller withdrawal limits per product.
4. The system must support any statutory withdrawal limits such as the limits on NAEDO, EFT, cheques, etc.

REQ-3.8 CHEQUE WITHDRAWALS

1. The system must support cheque withdrawals.
2. Does the system support cheque printers at the teller station?
3. Does the system support the generation of a cheque request that will be fulfilled by a back office function?

REQ-3.9 PINS

1. The system must support the confidential issuing of PINS to members where a member has a PIN based account.
2. The member must be able to select her / his own PIN subject to CFI specified rules such as the number of digits.
3. The system must support the confidential changing by a member of their PIN.

REQ-3.10 ACCOUNT HOLD

1. The system must support the facility for a member to ask the CFI to place a hold on one of his / her accounts should they have lost / misplaced the account card.
2. The system must support the re-activation of the member's account subject to suitable authorisation.

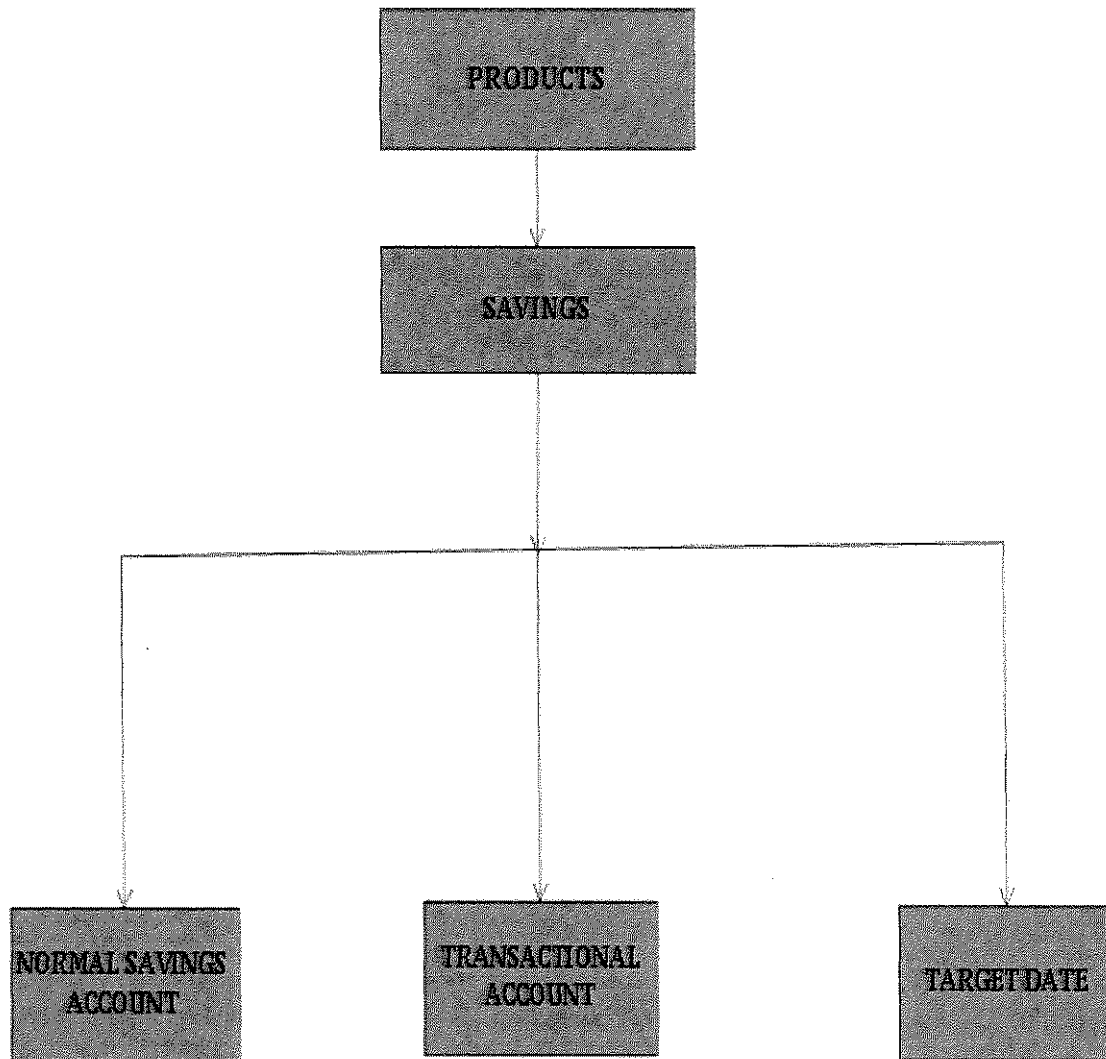
REQ-3.11 CLEARANCE PERIOD

1. The system must allow the CFI to indicate per product whether a clearance period must be applied to cheque deposits and if yes what that period is in working days.

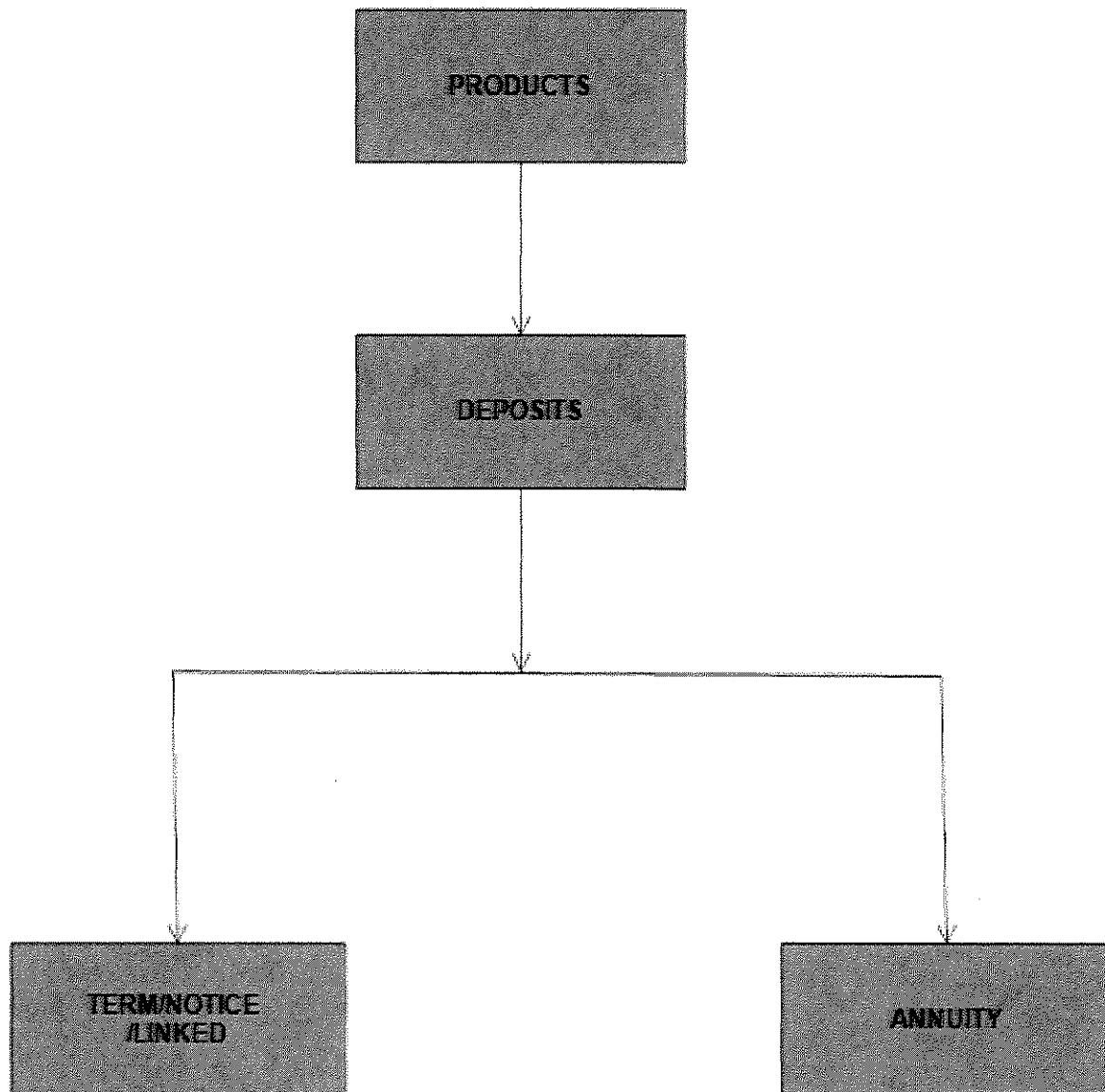
REQ-3.12 ACCOUNT SWEEP

1. The system should provide a facility to allow a member to instruct the CFI to sweep funds between the members accounts on specified events, such as a particular date in the month, or if the balance drops under or exceeds a threshold.

SAVINGS ACCOUNT FUNCTIONAL DECOMPOSITION DIAGRAM



DEPOSITS FUNCTIONAL DECOMPOSITION DIAGRAM



REQ-4 PROCESSING OF LOAN APPLICATIONS

1. The system must give guidance and record keeping of a new loan application by holding the information pending and not as a final entry.
2. The system must hold the following record information to be posted on a pending file:
 - Member
 - Purpose of application
 - Amount applied for
 - Asset to be acquired if appropriate
 - Deposit amount to be paid if appropriate
 - Sureties offered if appropriate
 - Supporting documents required if appropriate
 - Supporting documents received if appropriate.
3. If a loan application is approved the system must automatically open an account with all the information provided on the application.
4. If the application is declined the system must keep a record of the application details plus the reason(s) for the decline, who declined the application and who approved the decision if required.
5. The system must provide the delegation of authority in approving loans in the following process flow
e.g.
 - All loan applications , funds must be released by the Credit Committee
 - The manager must be responsible for 1st Authorisation level approval and rejection of all loan applications.
 - Loan Officer must be given the 2nd Authorisation Level for approval and rejection of all loan applications.

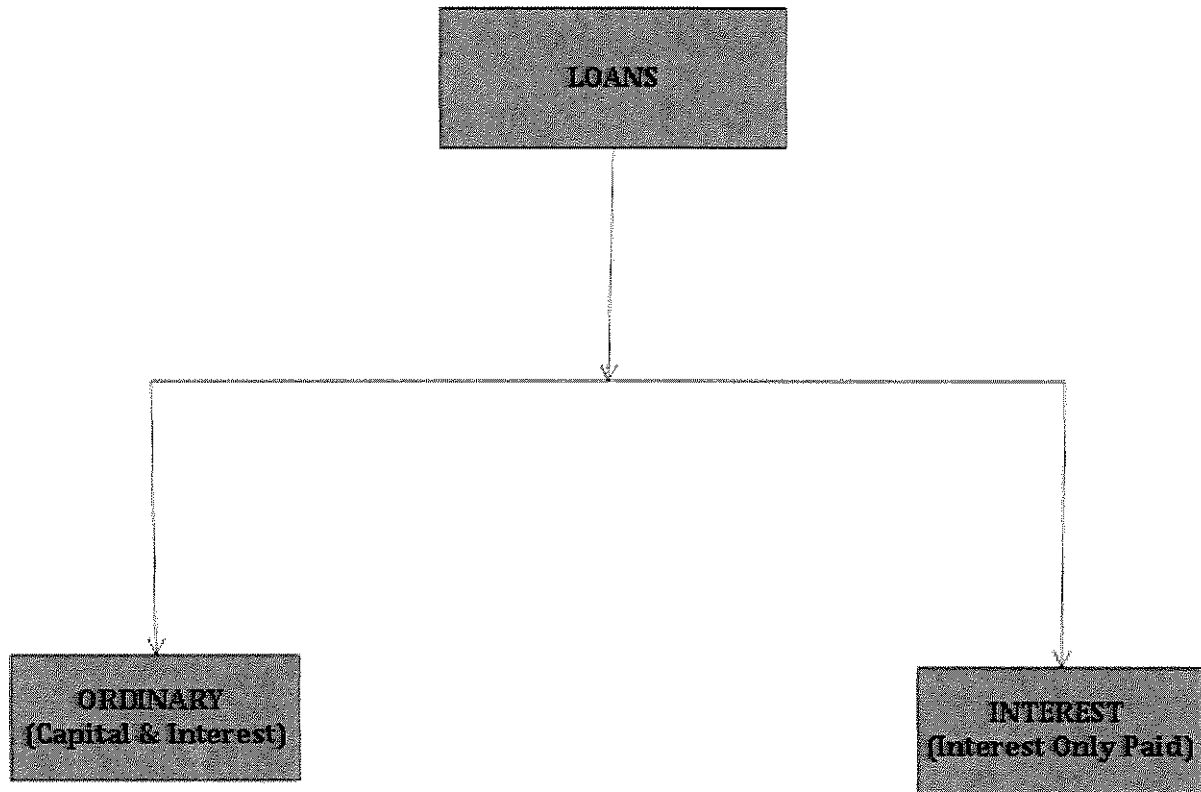
REQ-4.1 LOAN ARREARS MANAGEMENT

1. When a payment becomes overdue, the system must generate reminders at intervals specified by CFI'S, with the details of the outstanding payment as of the date of the reminder.
2. The CFI must be able to specify how the reminders are sent to the member – mail, email or SMS.
3. For example, the system must produce late payment notices/reminders in the following scenarios:
 - An SMS , mail or e-mail reminder must be sent to the member for a 1 week late payment
 - A first letter of demand must be sent to a member he/she has missed payment by 2 weeks
 - A second letter of demand must be sent to a member he/she has missed payment by 3 weeks
4. A final letter of demand if payment has been missed by 4 weeks
5. The system must produce an arrears loan report.

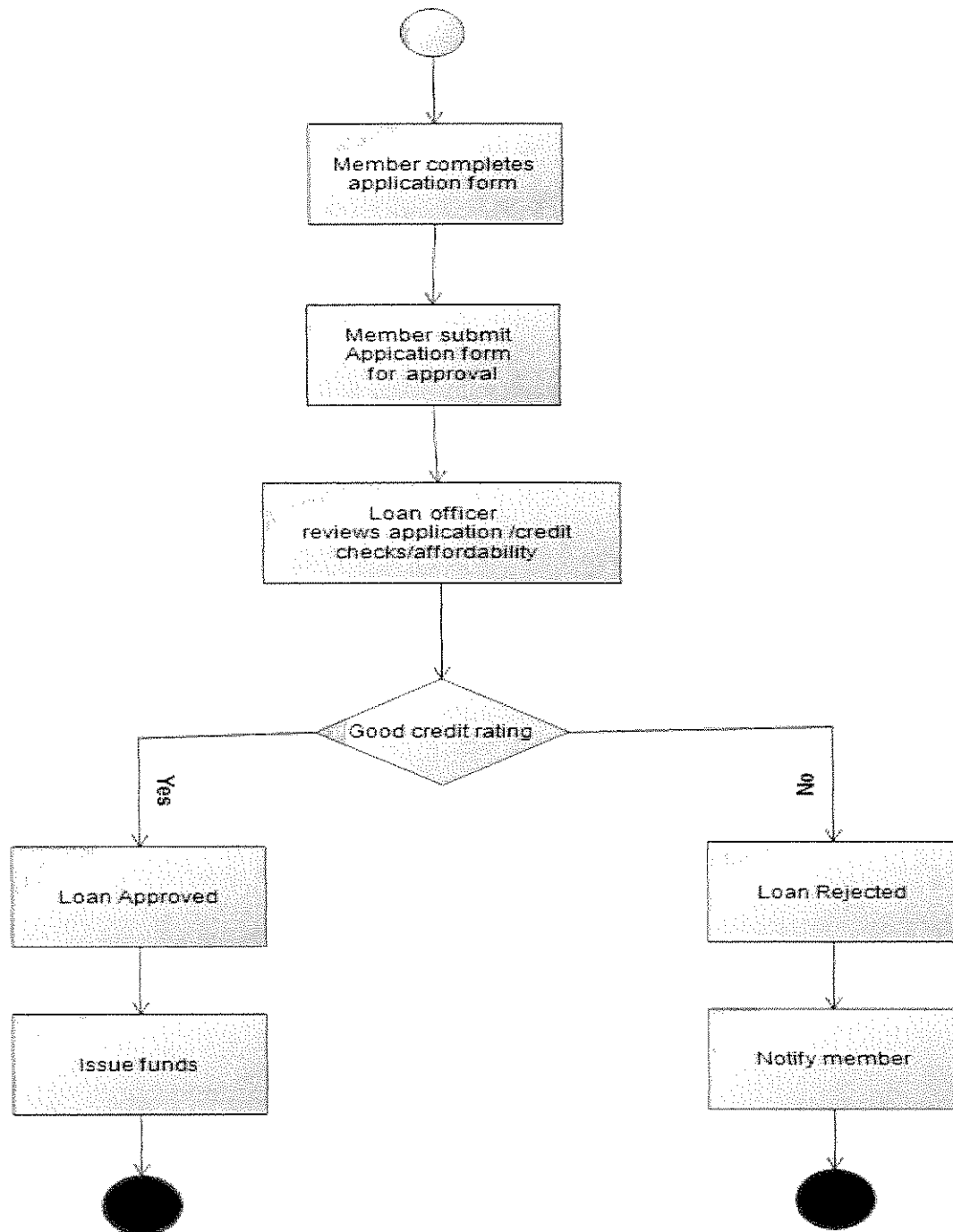
REQ-4.2 SECURITIES MANAGEMENT

1. Does the system provide support for managing security documents? If yes please provide details.

LOANS FUNCTIONAL DECOMPOSITION DIAGRAM



PROCESS FLOW DIAGRAM – LOAN APPLICATION



REQ-13 CASH MANAGEMENT

1. The system must support the control of cash from the vault to the teller and back to the vault.
2. The system must record the Cashier starting float.
3. The system must provide a teller balancing facility.

REQ-13.1 CASH ON HAND: WITHDRAWAL FROM AN EXTERNAL BANK ACCOUNT

It may be necessary to replenish Cash on Hand (CoH) from time to time by withdrawing cash from the CFI's external bank account.

After cash been withdrawn from an external bank account the following procedure must be followed:

1. The bank official who withdrew the cash must complete the normal cash deposit process of the CFI.
2. The deposit must be entered into the GL through the system to increase CoH plus the contra account.

REQ-14 INTEREST RATE REQUIREMENTS

1. The system must support the concept of 'base rates' such as prime and the ability to drive product rates directly or indirectly off these base rates.
 - a. Directly means the product uses the 'base rate'.
 - b. Indirectly means the product applies some formula to the 'base rate' to derive its rate.
2. The system must allow for the input of new rates.
3. It must be possible to future date a rate change.
4. The system must keep a complete record of all rate changes including the rate, the date the change was made, the date the change becomes effective and who made the change.
5. When configuring a product the CFI must be able to specify if a rate change impacts on existing and new accounts or only new accounts.
6. The CFI must be able to specify different effective dates for new accounts and existing accounts.
7. The CFI must be able to specify a notice period before which a new rate comes into effect.
8. The CFI must be able to specify a tiered 'offset' rate relative to the base rate for a product.
9. The system must allow for the requirement for an authoriser to authorise any rate changes.

REQ-14.1 INTEREST RATES FOR SAVINGS, FIXED DEPOSIT & LOANS

Table 5 Account Rate Calculation Method

Account Rate Calculation Method	Description
Fixed Rate	Is this rate fixed? Example, if the rate is driven by Prime is the Prime Rate on the day the account was open used for the duration of the account. If it is the answer to this question would be, 'yes'. If not the answer would be, 'No' and then as Prime moves the account's rate will move.
Rate	Flat
	Tiered based on balance
	Tiered based on period
	Tiered based on balance and period
	Linked to Prime with an offset percentage. For example, Prime -0.75%. Assume Prime at 8.5% would give 7.75%
	Linked to some other rate with an offset percentage
Rate Over-ride	Zero if balance falls below specified threshold
	Specified value if any client initiated transactions occurred on the account during the month
Interest calculation method - Daily Balance	The closing balance on the account during the day.
Interest calculation method - Minimum Monthly Balance	The lowest balance on the account during the Month.
Interest calculation method – Average Monthly Balance	The average balance on the account during the Month.
Pensioner Additional Percentage	A percentage added to an interest rate if a client (member) is a pensioner. The system must support the ability to define the age when a client (member) is regarded as a pensioner.
Capitalisation	Monthly / Quarterly / Bi-annually / Annually / At termination of investment

REQ-16 CFI BUSINESS PROCESSES

Processing Name	Description
Start of Day Processing	<ol style="list-style-type: none"> The system must be allow the following functions: <ul style="list-style-type: none"> The cashier must have a sign-on process including the date of confirmation. Cashier to enter float.
End of Day Processing	<ol style="list-style-type: none"> The system must be able to perform the following automated activities: <ul style="list-style-type: none"> Balance and Balance Sheet for the day are printed Automatic payments on loans and deposits are performed The status of bad loans and overdue deposits are changed Reminders and notices on loans and deposits are generated The account statements that fall due for the day are printed To reconcile and balance float i.e. Cash and Cheques
Month End Processing	<ol style="list-style-type: none"> The system must be able to perform the following activities: <ul style="list-style-type: none"> If the day is a month-end, interest accruals are performed on loans, deposits and current/savings accounts
Year End Processing	<ol style="list-style-type: none"> The system must be able to perform the following activities during the Year End processing: <ul style="list-style-type: none"> Archiving of accounts that have been closed for a product specific configurable period Capturing of new budget Switching to the new financial year

REQ-17 FEES

- The system must automatically calculate fees according to predefined rules specified per product.
- The following table defies the types of Transaction fees that can be applied to Products.

Table 6 – Transaction Fee Types

Transaction Fee Type	Description
Account Initiation Fee	A fee levied when an account is opened.
Account Maintenance Fee	A fee levied on a regular basis to cover the costs of hosting the account.
Account Maintenance Fee Duration	The period when the Account Maintenance Fee must be applied, for example, monthly.
Dormant Account Fee	A fee levied on a regular basis on accounts where there is no client initiated activity for a specified period of time.
Minimum Balance Fee	A fee levied on a regular basis on accounts where the balance drops below a specified threshold.
Cash Deposit Fee	A fee levied when a cash deposit is made.
Cash Withdrawal Fee	A fee levied when a cash deposit is made.
Cheque Deposit Fee	A fee levied when a cheque deposit is made.
Cheque Withdrawal Fee	A fee levied when a cheque withdrawal is made.
Processing an EFT outward transaction	A fee levied when the client requests the CFI to make an EFT payment on behalf of the client from the client's account.
Processing an EFT inward credit transaction	A fee levied when the CFI receives an EFT credit to the client's account.
Processing an EFT inward debit transaction	A fee levied when the CFI receives an EFT debit to the client's account.
Processing an Card inward credit transaction	A fee levied when the CFI receives a card credit to the client's account.
Processing an Card inward debit transaction	A fee levied when the CFI receives a card debit to the client's account.
EFT rejection	A fee levied if an EFT transaction is rejected.
Internal transfer – other CFI Client's account	A fee levied on a transfer to an account belonging to another client (Member)
Internal transfer – own account	A fee levied on a transfer to an account belonging to the same client (Member)
Stop Order	A fee levied on stop orders placed on the account by the client (member).
Early Withdrawal Penalty – fixed amount	A specified fee for early withdrawal of an investment
Early Withdrawal Penalty – Percentage	A variable fee based on a percentage of the amount withdrawn for early withdrawal of an investment
Early Withdrawal Penalty – Percentage with minimum and maximum amount	A variable fee based on a percentage of the amount withdrawn for early withdrawal of an investment with a minimum and maximum value
Early Withdrawal Penalty – based on Period with minimum and maximum amount	A variable fee based on how early a withdrawal is made with a minimum and maximum value

Fast clearance	Fee for expediting a cheque clearance
Real Time Clearing Payment fee	A fee to make a RTC payment
Excess withdrawal fee	A fee for exceeding a withdrawal limit
Card replacement fee	Fee for replacing a lost card
Reactivation fee	Fee to reactivate a dormant account
Loan early repayment fee	Fee payable on early repayment of a loan
Loan early repayment fee period	The period applicable to the loan early redemption fee.
Loan instalment dishonoured fee	A fee applicable when a loan payment is dishonoured

Requirement:

For each fee applicable to each Product it must be possible to select the corresponding GL account.

REQ-18 PROCESSING OF EXTERNAL BANK STATEMENTS

A CFI might elect to have accounts with one or more commercial banks where members can make deposits. The CFI might also elect to allow other types of transactions to be performed on such accounts.

1. The system must be able to process electronic bank statements from one or more commercial banks where the CFI may hold a banking account. The process must 'read' the bank statement and make the appropriate postings to the CFI's GL and to the members' accounts.
2. The CFI must be able to configure how the various entries are processed, i.e., which GL accounts are to be posted to where GL postings are required.
3. If an entry cannot be processed it must be posted to a suspense account.
4. A report must be produced after processing an electronic bank statement indicating the number of transaction processed broken down into debits, credits and 'unsuccessful' transactions, the value of the transactions per category and a list of unsuccessful transactions.
5. The system must provide a facility that allows an authorised user to correct and re-post unsuccessful transactions.

REQ-19 DEBIT ORDERS – STRIKES OUT

The system must support the capability to allow the CFI members to authorise the CFI to debit an account held by the member with an external bank to, for example, to pay loan instalments where the CFI has granted the member a loan.

1. The system must provide the functionality to capture, maintain, cancel and execute debit orders against external bank accounts.
2. The system must support:
 - 2.1 AEDO
 - 2.2 NAEDO
 - 2.3 EFT.
3. The system must capture the following information:
 - Name of bank account holder
 - Name of bank
 - Branch number (sort code)
 - Account number
 - Type of bank account
 - Account holder's (payer's) full names (or registered name for a business)
 - Amount
 - Date of first payment and date of future repeated payments.
4. The system must be able to electronically process the return file handling issues such as failed strikes.
5. The CFI must be able to specify what actions to take in the event of failed strikes such as restrike, double strike on the next strike, stop the strike after 'x' unsuccessful strikes, etc.
6. The CFI must be able to configure, at the product level, the ability to raise a 'failed debit order' fee against the CFI account initiating the debit order and specify the charge.

7. A report must be produced each day of unsuccessful strikes indicating the reason for the failure.

REQ-19.1 DEBIT ORDERS – STRIKES IN

CFI members must be able to authorise external parties to raise debit orders against the member's CFI account to, for example, pay the member's cell phone account.

1. The system must provide the functionality to electronically process external debit orders requests against CFI accounts.
2. The system must support:
 - 2.1 NAEDO
 - 2.2 AEDO
 - 2.3 EFT.
3. The system must have the ability for the member to request the CFI to reject a debit order.
4. The system must be able to create a response file indicating failed debit orders.
5. The CFI must be able to configure, at the product level, the ability to raise a 'failed debit order' fee against the CFI account against which the debit order failed and specify the charge.
6. A report must be produced each day of unsuccessful strikes indicating the reason for the failure.

REQ-19.2 EFT PAYMENTS – TO EXTERNAL PARTIES

The system must support the capability to allow the CFI members to authorise the CFI to make a payment to an external account held by the member with another bank to, for example, for payments from an annuity held by the member with the CFI to an account held by the member with an another bank or to transfer the proceeds of an investment held by the member with the CFI on maturity to another bank.

The system must also support Stop Orders where the member instructs the CFI to make regular electronic payments to a third party on behalf of the member from the member's CFI account.

1. The system must provide the facility to setup, maintain, stop and execute EFT payments to external parties.
2. The system must capture the following information:
 - Name of bank account holder
 - Name of receiving bank
 - Receiving bank branch number (sort code)
 - Account number
 - Type of bank account
 - Account holder's (payer's) full names (or registered name for a business).
 - Date of first payment and date of future repeated payments.
3. The system must be able to electronically process the return file handling issues such as failed payments.
4. The CFI must be able to configure, at the product level, the ability to raise an 'external payment' fee against the CFI account initiating the payment and specify the charge.
5. The CFI must be able to configure, at the product level, the ability to raise a 'failed external payment' fee against the CFI account initiating the payment and specify the charge.
6. A report must be produced each day of unsuccessful payments indicating the reason for the failure.

REQ-19.3 REAL TIME PAYMENTS TO EXTERNAL PARTIES

The system must support the capability to allow the CFI members to authorise the CFI to make a payment to an external account with another bank as described in the previous section, 'EFT Payments – To External Parties' but in real time using the real time clearing system.

1. The system must support the use of the Real Time Clearing Payments system.

REQ-19.4 REMITTANCES TO EXTERNAL PARTIES

1. The system must support the capability to allow the CFI members to make remittances (low value money transfers) domestically and cross border.

REQ-20 INTERNAL DEBIT ORDERS REQUIREMENTS (INTERNAL TRANSFERS)

The system must support the capability to allow the CFI members to authorise the CFI to debit an account held by the member with the CFI and make a regular payment to another account in the CFI owned by the same member or another member.

1. The system is required to capture, maintain, terminate and execute debit orders to and from internal accounts.
2. The system must verify all data fields have been captured.
3. The system must provide the function to cancel an internal debit order.
4. The system must capture the following information:
 - Name of recipient bank account holder
 - Branch number (sort code)
 - Account number
 - Type of bank account
 - Amount
 - Date of first payment and date of future repeated payments.
5. The system must be able to electronically process unsuccessful payments.
6. The CFI must be able to configure, at the product level, the ability to raise a 'failed internal debit order' fee against the CFI account initiating the debit order and specify the charge.
7. A report must be produced each day of unsuccessful payments (internal debit orders) indicating the reason for the failure.

REQ-21 ONE OFF 'ON DEMAND' INTERNAL TRANSFERS

The system must support the capability to allow the CFI members to transfer funds from an account held by the member with the CFI to another account in the CFI owned by the same member or another member.

1. The system must capture the following information:
 - Name of recipient bank account holder
 - Branch number (sort code)
 - Account number
 - Type of bank account
 - Amount.
2. Internal transfers must be processed in real time (immediately).
3. The CFI must be able to configure, at the product level, the ability to raise an 'internal transfer' fee against the CFI account initiating the debit order and specify the charge.

REQ-22 GENERAL LEDGER REQUIREMENTS

1. The system must either incorporate an integrated GL System that handles all transactions or that offers the facility to upload daily transactions to a conventional and independent GL, such as PASTEL.
2. It should provide for an unlimited set of accounts in the Chart of Accounts.
3. It must maintain current financial information as well as transaction history and budget information for the current, prior and next year.
4. It must allow for the integration of information from multiple branches for consolidated reporting.
5. Maintain complete audit trails of all transactions and adjustments made to transactions.
6. Include a South African banking industry specific and modifiable, sample charts of accounts that could be used to save time when setting up the general ledger.
7. Provide inquiry capability to examine account status, balance history, budgets and transactions. Additionally the inquiry option in the general ledger will drill to the source of the original posting.
8. Allow quick location of accounts within the chart of accounts with a search feature.
9. Account information and journal entries can be imported from a text file.
10. Will allow for General Ledger account information to be exported using different formats including Comma-Separated Variable, ASCII, Access, Excel, Word, and many others.

REQ-22.1 GL REPORTING CAPABILITIES

All reporting to be available as either a print or display option, or both.

11. Will allow for customisation of financial statements including section headings, page breaks, font styles, sizes and colours;
12. Will allow sub-totalling and consolidation accounts for custom financial statements down to a level of 5, for example, the sum of level 5s make up the level 4 total, sum of level 4 make up level 3, etc. to level 1;
13. Will produce monthly, quarterly, yearly and date range income statements;
14. Will allow for the following enquiries:
 - A specific account balance;
 - Specific main account balance with details of all sub accounts balances;
 - Specific transaction
 - Range of main accounts by period
 - Range of sub accounts by period
15. Will be capable of printing date sensitive balance sheets (as of a certain day in a month);
16. Will allow a date range selection for the trial balance;
17. Will offer reports providing overall view of financial strength with various financial ratios (e.g., current ratio, acid test, etc.);
18. Income Statement / Comparative Income Statement/ Budget Variance Income Statement;
19. Budgets-only Income Statement
20. Balance Sheet/Comparative Balance Sheet
21. Statement of Cash Flow
22. Trial Balance (General Ledger)/Summary Trial Balance /Working Trial Balance
23. Journal Reports
24. Account Detail Report
25. Budgets Worksheet
26. CBDA Regulatory Reports
27. Reports based on user selected criteria.

REQ-22.2 INVOICES AND CREDIT NOTES REQUIREMENT

The system must support the payment of invoices for services provided to the CFI.

The source document for creditors' processing can be an invoice or a credit note.

1. When keying-in an invoice the system must offer posting options for:
 - Order number
 - Cash purchase

- Verbal order
2. The system must allow the Amount to be separated into the cost and the VAT if the invoice is a VAT invoice.
 3. The system must allow the CFI to configure the relevant GL account.
 4. During the key-in process the system must facilitate the selection of a specific Creditor's Account by leading to such creditor's name through an indication of only a few account numbers or relevant alphabetic characters of such creditor's name.

REQ-22.3 CREDITORS PAYMENTS REQUIREMENTS

1. Payment of creditors must be available through two methods:
 - a. From an External Bank Account (ABSA, Standard bank, etc.) Note: A CFI may have more than one external bank account.
 - b. From an Internal (own CFI) account to a CFI client savings account/ or any other account held anywhere in South Africa (where such creditor holds a savings account with the CFI).
2. The system must provide the option to select the relevant Creditor's external bank account.

REQ-22.4 JOURNAL ENTRIES

1. The system must allow the option to select a GL account to which a transaction can be posted.
2. After the initial GL account's posting has been done the system must allow for the selection of the corresponding GL account for the opposite debit or credit entry.
3. The system must allow the CFI to configure the contra account so that it is provided automatically.

REQ-25 REPORTS

Each CFI must be able to draw any and all reports when required (ad hoc reporting). In addition it must be possible for each CFI to create and maintain a schedule that will cause selected reports to be produced automatically on a predefined daily, weekly, monthly, quarterly, half-yearly or annually cycle.

The following are the report requirements

1. Statement of financial position
2. Statement of comprehensive income
3. Statement of changes in equity
4. Statement of cash flows
5. Statistical Information
6. Statement of Cash Flow Reports
 - The report must display movement of cash in the CFI for a single CFI's in every provinces
7. CFI Demographic Report (*refer to appendix A for the description of the report*)
 - *The number of all employees , managers and number of board members must be categorised per gender in every CFI, Province and per CFI sector*
8. General Ledger
 - The report must extract assets depreciation
 - The report must display cost of the assets
 - The report must display current depreciation as well as accumulated depreciation of the assets
 - The report must be generated daily, weekly, quarterly and yearly
 - The report must be itemized in the following categories:
 - Income from loans
 - Charges on withdrawal and deposit savings
 - Grants received
 - Penalties for overdue loans
 - Other income e.g. income from investments
9. Savings/Deposit Report
 - The report must display all savings and deposit products
 - The report must be generated daily, weekly, quarterly and yearly
10. Loans Reports
11. The following are some of the reports the system must produce.
 - Members monthly statement
 - Payroll deduction summary
 - Monthly deductions report
 - Repayment Exception report

- Loan defaulters report
- Guarantors report
- A Repayment schedule based on automatic interest calculation and complete periodical analysis over 6 months or 12 months. The report must highlight those loans whose repayment is behind schedule

12. Share Register

- Refer to appendix A

13. Creditor's Report

- The report must display CFI's current and long-term obligations

14. CFI member reports – Information on CFI member profiles and relevant information.

15. Statutory reporting such as IT3(b) certificates. It must be possible to produce statutory reporting for the current period and for previous periods.

16. Statistical Information

- The report must display all active and dormant members, financial information and comparative figures
- The report must be able to extract previous financial information (e.g. 5 years).

REQ-26 HOLD CODES / ACCOUNT STATUSES

The system must provide a mechanism for the CFI to indicated statuses and requirements on accounts. There are at least two category of hold codes, codes that indicate problems and others that indicate the need for information. Examples of the first type of hold codes are holds that indicate that an account is overdrawn, or that an account is in arrears or 'ask the member for FICA documentation'. An example of the second type of hold code would be a bad address flag.

1. The system must be able to set hold codes automatically when specific events occur such as the account going into overdraft or mail is returned, 'address unknown'.
2. The system must allow authorised users to remove hold code.
3. Any placing or removal of hold codes must be recorded in the audit system.
4. The CFI must be able to pull reports on accounts that meet various criteria including having certain hold codes set.

REQ-27 SCHEDULE TASKS

1. The system must allow each CFI to create a schedule of tasks to be run on a regular basis, daily (at start of day / end of day), weekly, monthly, quarterly, Half-yearly and annually.
2. The schedule should be aware of non-working days and public holidays.
3. The schedule tasks will include tasks such as, but not limited to:
 - a. The generation of Statements (to be collected, posted or send via e-mail)
 - b. Interest calculation
 - c. Interest capitalisation
 - d. Account status – arrears, dormant, etc
 - e. 'Happy birthday' SMSs
 - f. Etc.

REQ-28 VALUE ADDED SERVICES

1. The system must support the ability to allow the CFI to offer members value added services such as:
 - a. Prepaid cell phone credits
 - b. Pre-paid electricity
 - c. Etc.

REQ-30 GENERAL QUESTIONS

1. Is the system client centric, i.e., does a client only get captured once in the system irrespective of the number of accounts the client has, irrespective of which branch the accounts were opened at, etc.
2. How are authorisation limits handled?
3. How is daily balancing handled?
4. How is bank reconciliation handled?
5. How is suspense account processing and management handled?
6. Can the system forecast interest to be paid / received in future periods?
7. Is interest calculated on the actual number of days in the month?
8. Can the system produce reports on the revenue generated by product?
9. Can the system report on the members the CFI has the highest exposure to?
10. How does the system handle none or late payments on loans or subscription type investments? When does overdue interest or penalties start accruing?
11. Exception handling. The system will have rules that define how to handle situations where a client is in arrears, for example, apply penalties. Does the system allow authorised users to over-ride default processing, for example, waive the penalty or reduce the penalty?
12. Does the system support interest only loans, high / low start loans, loans with balloon payments, etc.
13. Does the system support a Treasury function?
14. Does the system provide any teller stats, i.e., stats showing how much work a teller has done per day / week / month?
15. Does the system provide an Instalment calculator to CFI staff to give a member an indication of the rates and instalments on any proposed loan?
16. How does the system handle the management and reconciliation of all PASA transactions?
17. Does the system provide a CFI defined calendar of public holidays?
18. If the system provides a CFI defined calendar of public holidays can the CFI specify that certain scheduled tasks are not run on public holidays?
19. Does the system provide a repayment schedule for a loan?
20. Does the system produce rate change letters for members who have loans where the rate has changed?
21. How does the system handle early repayment or accelerated repayment of a loan?
22. Can the system be configured to stop / limit / penalise early or accelerate repayment of a loan?
23. Does the system allow a client to take re-advances against a loan?
24. Does the system provide support for restructuring of loans in arrears and loan write-off procedures?
25. Does the system support the calculation, reporting and GL posting of applicable taxes including VAT on charges and fees?
26. Does the system support:

- a. Post-dated cheque deposits
 - b. Reversals
 - c. The setup and maintenance of garnish orders.
27. Is it possible to centralise various administrative tasks, i.e., take the administration away from the branches?
28. How many addresses can be held per member?
29. Does the system differentiate between address types, i.e., residential, postal, future, etc?
30. Does the system generate documents that are suitable to send to or supply to members, i.e., with images, footers, variable fonts and font sizes, professionally laid out, etc.
31. Can the CFI modify standard documents in the system?
32. How does the system handle a matured account that has not been redeemed?
33. If a client elects after maturity date to re-invest an investment can the start date of the new investment be back dated? If yes is a supervisor over-ride required?

REQ-40 SYSTEM PARAMETERS VARIABLES

1. The system should be parameter driven in order to avoid hard-coding the business logic in the code.
The parameters would enable the business to add, configure and change services offered with minimal or no change to the code.
2. Users should be able to add, edit, delete or change parameters in the system i.e. provide for CRUD (Create/Add, Read, Update/Modify, or Delete).
3. Authorisation is required for every parameter change. This facility should keep a full version control of all parameter changes and a physical delete on the system should not be allowed to any parameter to avoid unnecessary system problems.
4. The system administrator may view all parameters; CFI's may view only their own parameters.

REQ-41 BATCH PROCESSING FACILITY

1. A batch processing facility to provide for the capture of multiple similar transactions, such as payroll allocation (credits) or insurance premiums (debits)
2. The facility to allocate batch credits to various accounts/ products e.g. fir R250 to loan account and then balance to savings
3. The allocation rule for credits to loan accounts, e.g initial allocation to interest, then fees , then arrears, and capital.

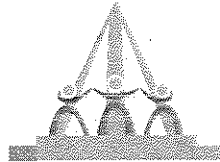
GLOSSARY

TERMS	DESCRIPTION
AEDO	Authenticated Early Debit Order
CBDA	Co-operative Banks Development Agency
CFI	Co-operative Financial Institution
C/N	Credit Note
CoH	Cash on Hand
D/O	Debit Order - a debit order is an instruction that a member (client of the CFI) provides to a third party authorising the third party to debit the member's account at the CFI.
NAEDO	Non Authenticated Early Debit Orders
POS	Point of Sale
Real Time Clearing (RTC) Payments	A RTC transaction is an inter-bank electronic credit payment instruction issued by the payer to the paying bank to transfer funds from the account of the payer to the account of a beneficiary, which payment instruction is delivered by the paying bank to the credit of the beneficiary account within 60 seconds.
Remittances - Cross Border	Remittances is the term used for low value money transfers. Participating banks facilitate transfer and receipt of cross border funds in conjunction with SARB accredited service providers such as Western Union and MoneyGram. Remittances are often required by migrant workers or for emergency payments to people abroad. Remittance providers are able to offer convenience through a large number of pay out points. Funds are also transferred quickly (typically within the hour) and there is transparency in terms of the costs of the transaction involved e.g. the exact value in the pay-out currency is provided to the sender at the time of initiating the transaction.
Remittances - Domestic Money Transfers	A number of domestic money transfer solutions are available. These range from solutions such as the Mzansi Money Transfer (MMT) to money transfer solutions via specific retailers. With the rapid proliferation of mobile technology and mobile usage, many money transfer solutions are enabled through the mobile channel, as well as leveraging other channels such as ATMs for the pay out of cash.
Stop Order	A stop order is an instruction that the member (client of the CFI) issues to the CFI to make a series of future dated recurring payments to a third party.
Target Date Account	A subscription savings account where the member can only make a withdrawal on a specified date, date range or event. As an example, a Christmas account where the

	member can only withdraw during December and January or a Strike Account where a member can only with draw in the event of a strike, etc.

APPENDIX A

See attached document - Financial Reporting Requirements of Cooperative Financial Institutions (CFIs).



CO-OPERATIVE BANKS DEVELOPMENT AGENCY

27th Floor, 240 Vermeulen Street • Private Bag X115, Pretoria, 0001 • Tel: 012 315 5357 • Fax: 012 315 5905 • email: CBDA@treasury.gov.za

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MFI Business Requirements Specification

The purpose of this document is to identify the business requirements for Micro Finance Intermediaries (MFIs) In order to incorporate their requirements into the Co-Operative Banking Platform.

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DOCUMENT HISTORY AND REVIEW TEAM

Version	Name	Company
First Draft	Evans Maphenduka	SEFA
	Alan Pugh-Jones	CBDA (Project Manager)
	Basetsana Makolomako	SEFA
	Nomadelo Sauli	CBDA
Version 1.2	Reviewed by Alan Pugh-Jones	
	Basetsana Makolomako	

1. INTRODUCTION

The present Co-Operative Banking Platform project, a project approved by National Treasury for CBDA (Co-Operative Bank Development Agency), has been requested to investigate, identify and incorporate the requirements of the sefa (Small Enterprise Finance Agency) MFIs (Micro Finance Institutions) into the project's set of requirements.

2. THE CFI BANKING PLATFORM

Individually each co-operative financial institution (CFI) does not have the time, money or expertise to provide itself and its members with a fully integrated banking platform.

In order to effectively implement such a banking platform for use by a number of CFIs, a Central Support Service (CSS) will be created to provide the required systems and services that the CFIs will make use of in providing their own members with the products and services that meet their own specific requirements.

The CSS will, in order to service registered CFIs, have to connect to the associations and services that will enable the CFIs to actively participate in the National Payments System (NPS). The CSS will be set up by the Co-operative Bank Development Agency (CBDA) and initially managed by them, eventually handing over the CSS for the CFIs to independently manage. This hand-over will only be done once the CSS is operating at a breakeven in terms of costs vs. revenue and have the capacity to sustain the required level of service and support.

The CFI Banking Platform is looking to address the issues constraining the growth of CFIs by the establishment of a service that will:

- Provide consistent, robust and auditable administrative processes and procedures being used by the CFIs;
- Be able to offer an extended range of banking products and services;
- Provide access to the NPS in order to:
 - ✓ Receive salaries, grants and other deposits directly into member's savings accounts;
 - ✓ Facilitate the payments of Debit and Standing (Stop) Orders;
 - ✓ Facilitate payments directly to other financial institutions;
 - ✓ Provide for CFI members to be able to pay and withdraw cash at retail till points.
- Be available 7 X 24 (Seven days a week and 24 hours a day);
- Provide full Disaster Recovery (DR) and Business Continuity (BC) service;
- Improve management and financial Information;
- Be client (member) centric.
- Be affordable.

- Be easy to use.
- Affordability and ease of operation.

Existing CFIs are relatively small organisations with typical staff complements in the range of 3 to 5. The project must create an environment which will be both affordable (minimal capital outlay) and easy to use (standard windows based screens) and should not hinder or constrain the growth of the CFIs in terms of members and products/services.

The service will be priced on a “pay as you use” basis with the fee criteria being the number of members and types of services being offered by each CFI. Not all may require full menu of functionality (e.g. access to the NPS (National Payments System)).

The service will be a remote (cloud based) IT service that will be accessible by CFIs, and MFIs, via a secure internet connection.

It is envisaged that MFIs will initially only make use of (and pay for!) the lending aspects of the service.

3. SEFA & MFIs.

The Small Enterprise Finance Agency Limited (sefa), was established on 1 April 2012 and is a wholly owned subsidiary of the Industrial Development Corporation (IDC) and bringing together the activities of three previous structures (Khula, SAMAF and the IDC small business activities).

sefa operates as a Development Finance Institution (DFI) to foster the establishment, development and growth of small, medium and micro enterprises (SMMEs) and contribute towards poverty alleviation and job creation.

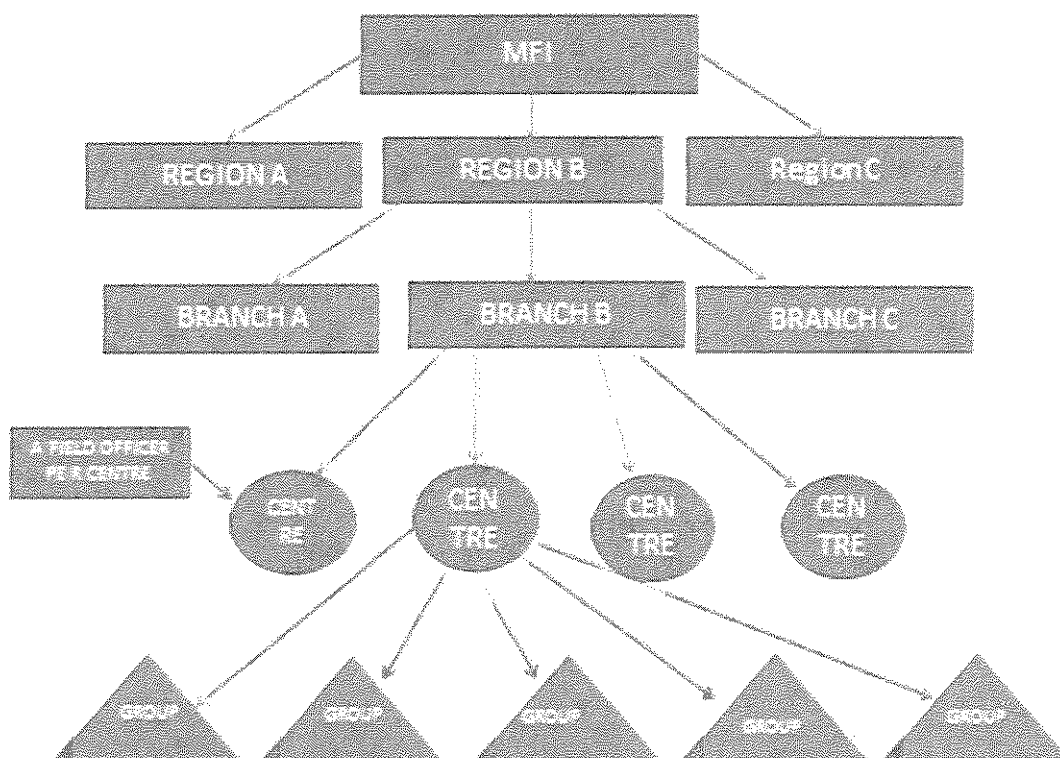
MFIs partner with sefa as intermediaries of their wholesale lending product assisting in the realisation of job creation and poverty alleviation.

4. THE CONCEPT OF GROUPS & CENTRES (AS-IS)

From a project perspective, the MFIs introduce the concept of Groups (made up of members) with a number of Groups making up a Centre which is serviced and supported by a MFI appointed Field Officer who can manage more than one centre.

CFIs, on the other hand, typically regard members (individually) as their clients. They do however provide for group membership.

A typical MFI organisation is made up of a number of branches, with each branch managing centres made up of a number of groups. Larger MFIs may combine branches into Areas or Regions.



The role played by Centres and Groups in many of the MFIs in the loan approval process is crucial to the success of the group loan application, with the Centre's endorsement serving as a credit approval process.

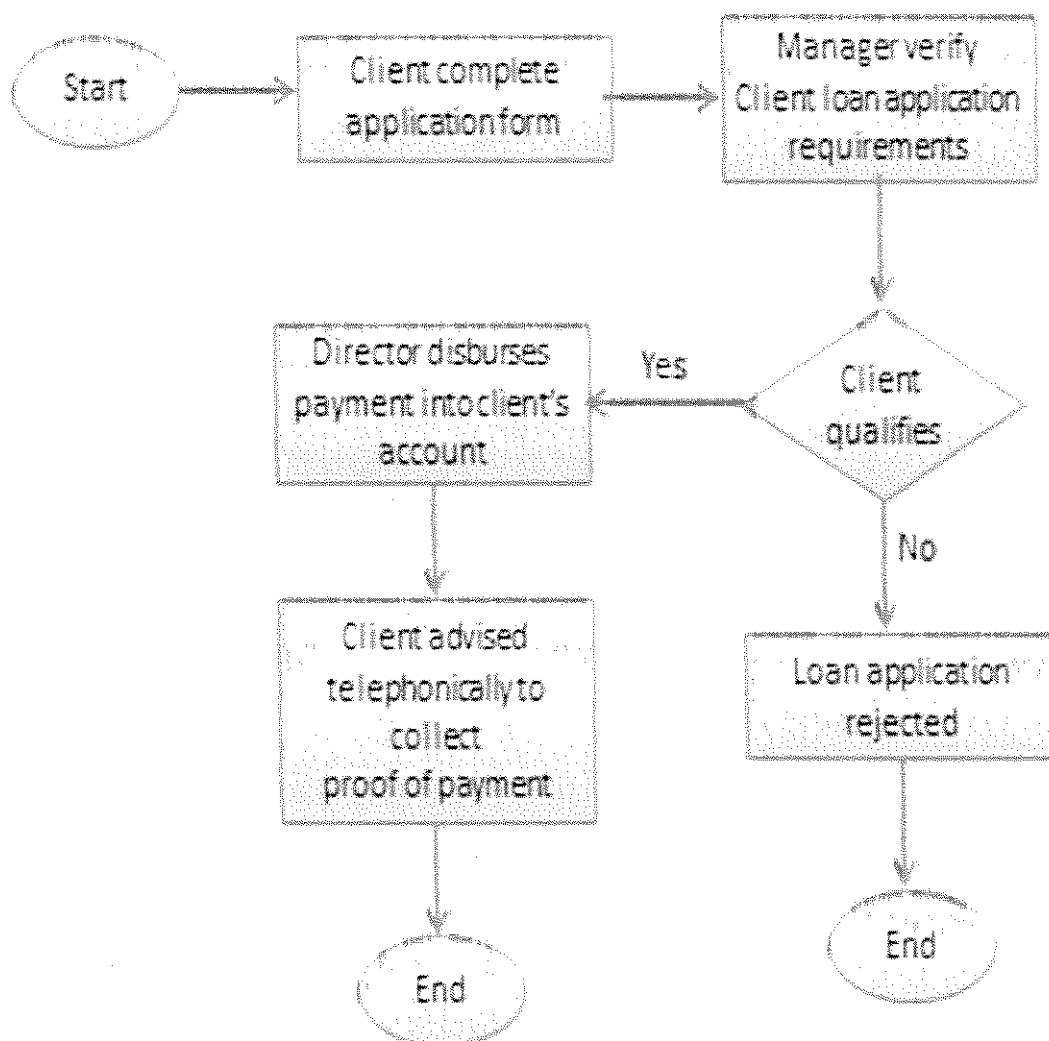
MFI Centres also play a crucial role in the following:

- Serving as a forum to improve financial management and promote savings;
- Supporting and assisting groups facing delinquency;
- Collection of loan repayments;
- Acting as an educational forum for any other educational program the MFI feels is required to sustain a healthy community.
- MFIs typically do NOT handle cash.
- Collections are the responsibility of each group owing the money depositing to a nominated bank or PostBank account.
- Disbursements are effected by being paid out to nominated commercial bank or PostBank accounts.

The concept of Individual Methodology

The MFIs also provide developmental loans to individual who own formal and informal SMME's. The diagram below depicts the individual lending methodology offered which is offered by the MFI's. The MFI is made up of branch or branches; a loan officer builds a relationship between the MFI and the individual lender.

Loan Application Process Flow diagram



Note:

The under-mentioned requirements are **not mandatory** for all MFI's. The system must cater for optional fields.

- Company registration
- Valid tax certificate
- Official purchase order
- 3 months bank statement
- Quotation from the suppliers

5. FUNCTIONAL REQUIREMENTS (TO –BE)

ID	Functional Requirement Name	Functional Requirement Definition
1	Client Management	Allows users to add, delete and update the MFI clients
2	Loan Account Management	Allows users to manage the following loan functions/products: <ul style="list-style-type: none"> ➤ Loan Accounts ➤ Term Loans ➤ Revolving Loans ➤ Secured and unsecured Loans.
4	Loan Account Management	<ul style="list-style-type: none"> ➤ This function is required to maintain the loan accounts of all the clients. ➤ This function must allow the opening of the loan account automatically once a loan application has been approved. ➤ The system must acknowledge loan repayments, calculate and post interest to the clients loan account. ➤ The system must calculate loan repayments automatically. ➤ Interest paid on the loan must be separated from the principal amount. ➤ The system must provide scenarios for advanced payments and indicate the decrease of the principal amount or pre-payment.
5.	MFI Operational Management	<ul style="list-style-type: none"> ➤ This function must allow the allocation of operational roles and user access control of different MFI employees e.g. Manager, Loans Officer and Cashier. ➤ Maintain complete audit trails of all inquiries, transactions and adjustments made to any data held in the system.
6	Cash Management	<ul style="list-style-type: none"> ➤ This function must be responsible for the processing of deposits and paying of disbursements through the system. ➤ The system also supports online authorizations of

		payments.
7	General Ledger Management	<ul style="list-style-type: none"> ➤ The GL must be automated and integrated into the system ➤ An industry specific and modifiable, sample charts of accounts that could be used to save time when setting up the general ledger. ➤ Quick location of accounts within the chart of accounts. ➤ A flexible search feature. ➤ Enquiry capability to examine account status, balance history, budgets and transactions. ➤ The ability from the general ledger to drill down to the source of the original posting. ➤ Account information and journal entries can be imported from a text file. Must allow for journal entries to be exported/imported in a CSV, Excel and PDF format. ➤ Must have default chart of account
9	Account Use Management	<p>This function must provide the following capabilities.</p> <ul style="list-style-type: none"> ➤ Enquiries Management ➤ Payments Management ➤ Fees and Charges Management ➤ Interest Management
10	Reporting	<ul style="list-style-type: none"> ➤ The system must provide operational and management reporting that will allow the MFI's to run their businesses on a day to day basis and to manage their business in the short, medium and long term. ➤ All reports should be configurable and customisable. ➤ All reports should be available on the user's terminal, hardcopy, CSV format, Excel format and PDF format. <p><u>SMME developmental impact reporting</u></p> <ul style="list-style-type: none"> ➤ The report must be able to display the following statistical information. ➤ Number of SMMEs funded ➤ Number of black owned enterprise funded

		<ul style="list-style-type: none"> ➤ Number of black owned women SMMEs funded ➤ Number of youth owned business funded ➤ Number of rural and peri-urban businesses funded ➤ Number of SMMEs funded in productive sectors <p>The following client information must appear in the report:</p> <ul style="list-style-type: none"> • Client Details • Client ID • Age • Race • Gender • Geographical Information • Sector (<i>e.g. retail , manufacturing etc.</i>) • Number of jobs created
--	--	---

6. REQ-1 CLIENT

When loading a new client (may be Group or individual member) the system must record the following information about a new Client:

- If Individual member:
 - Title (e g. Mr/Mrs/Ms/Miss – configurable dropdown list)
 - Initials
 - First Names
 - Surname
- Group name then group members:
 - Title (e g. Mr/Mrs/Ms/Miss – configurable dropdown list)
 - Initials
 - First Names
 - Surname
- Client number
- SA ID Number (13 digits numeric, must be valid SA ID) see verification code
- Income Tax Number (10 digits numeric, must be valid SA tax number)
- Postal address
- Postal Code (4 digits code)

- Residential address
- Telephone numbers (SA 10 digit number code). The system will cater for 3 contact numbers per client.
- E-mail address (system must verify structure of e-mail address)
- The system must provide the facility (insert/amend/delete) to maintain a client's details.

7. REQ-2 CREATING A LOAN PRODUCT

The system must support the creation of the various loan products offered by the MFI.

The system must cater for the following requirements:

- Loan Type;
 - Ordinary Group loan;
 - Individual loan;
 - Bridging Finance loan;
 - Emergency Loan.
- Fees:
 - Initiation;
 - Monthly administration;
 - Service
- Interest rate.
- Repayment period.
- Instalment.

8. REQ-3 PRODUCT MAINTENANCE

The system must allow an authorised user to:

- Change specific values on the Product description. For example, its rate.
 - Make the change effective immediately.
 - Allow the authorised user to specify a future effective date.
- When the product is changed the system must record the values before and after the change and who made the change. When configuring a product change it must be possible to indicate whether the change impacts:
 - All accounts related to the product, or;
 - Only new accounts created and/or changed on or after the effective date.

9. REQ-4 PRODUCT ENQUIRY

- The system must allow an authorised user to enquire on a Product.
- The system should show all the current product parameters.
- The user should have the option to see old parameters, i.e., parameters that have been changed.

10. REQ-5 CLOSE A PRODUCT

The system must allow an authorised user to close a Product.

There are two types of closure:

- Closed to new business. and;
- Fully closed.
- If the Product is closed to new business the system must not allow a new account of this type to be opened but the existing accounts will continue to operate as normal.
- If the authorised user wants to fully close a product the system must only allow this if all the accounts of this product are closed.

11. REQ-6 LOAN ACCOUNT OPENING

When opening an account the system must link the account to the client (group and/or individuals members of the group) and allocate a unique account number.

The system must link the new account to:

- The appropriate GL Control Account, e.g. the loan type;
- The Centre that the group or individual belongs to;
- The Field Officer allocated to support the group/individual;
- The Sector that the client belongs to.

It must be possible for the MFI to specify:

- The account structure.
- The starting value for a product's account number.

When opening an account the system must record the account open date as "today's" date.

The system must offer an over-ride facility subject to authorisation to change the account opening date.

12. REQ-7 ACCOUNT ENQUIRY

The system must support the following inquiries on all accounts.

- Current status, i.e. available balance, total balance, etc.
- Generate a statement, either for the current period or for a period selected by the user.
- The user must have the option to view the statement, e-mail the statement or to create a CSV, Excel or PDF file.
- Search for a transaction by either specifying a transaction type, or value, or value range or date or date range or any combination of these parameters.

13. REQ-8 ACCOUNT CLOSING

- In order to close an account, the account balance must be zero or within the product specified tolerance limit e.g. R5.00.
- The system must allow a 'closing balance tolerance' value to be specified per product type.
- The system must record the date the account was closed and mark the account as in-active.
- If any transactions are received for a closed account these must be rejected with an appropriate reason and a report produced (audit trail entry) of the rejection made.

14. REQ-9 LOAN PROCESSING

- The system must give guidance and a record of the status of a new loan application by holding the information pending and not as a final entry, if not finally approved.
- The system must hold the following information to be posted to a pending file:
 - Client
 - Purpose of application
 - Amount applied for
 - Asset to be acquired if appropriate
 - Deposit amount to be paid if appropriate
 - Sureties offered if appropriate
 - Supporting documents required if appropriate
 - Supporting documents received if appropriate.
- If a loan application is approved the system must automatically open an account with all the information provided on the application.
- If the application is declined the system must keep a record of the application details plus the reason(s) for the decline, who declined the application and who approved the decision if required.

- The system must provide the delegation of authority in approving loans in the following process flow:
 - Funds released by the Credit Committee
 - The manager must be responsible for 1st Authorisation level approval and rejection of all loan applications.
 - Loan Officer must be given the 2nd Authorisation Level for approval and rejection of all loan applications.

15. REQ-10 LOAN DELINQUENCY MANAGEMENT

- When a payment becomes overdue, the system must generate reminders at intervals specified by MFI'S, with the details of the outstanding payment as of the date of the reminder.
- The MFI must be able to specify how the reminders are sent to the client – mail, email or SMS, for example, the system must produce late payment notices/reminders in the following scenarios:
 - A SMS, mail or e-mail reminder must be sent to the client for a 1 week late payment
 - A first letter of demand must be sent to a client has missed payment by 2 weeks
 - A second letter of demand must be sent to a client has missed payment by 3 weeks
 - A final letter of demand if payment has been missed by 4 weeks
 - The system must produce an arrears loan report.

16. REQ-11 DISBURSEMENTS OF LOANS

- Loans are disbursed by making final payments to nominated accounts with either the PostBank or a commercial bank.
- Confirmation of the disbursement transactions must be kept and processed for record processes and subsequent bank reconciliation.

17. REQ-12 REPAYMENT OF LOANS

To administer the collection of loans, the system must cater for the following:

- A highly automated system for detecting early delinquencies
- A system for tracking customer contacts and following on repayment promises
- The development of adequate information base for the collectors to work on

18. REQ-13 INTEREST RATES

- The system must support the concept of 'base rates' such as prime and the ability to drive product rates directly or indirectly off these base rates. Directly means the product uses the

'base rate'. Indirectly means the product applies some formula to the 'base rate' to derive its rate.

- The system must allow for the input of new rates. It must be possible to future date a rate change.
- The system must keep a complete record of all rate changes including the rate, the date the change was made, the date the change becomes effective and who made the change.
- When configuring a product the MFI must be able to specify if a rate change impacts on existing and new accounts or only new accounts.
- The MFI must be able to specify different effective dates for new accounts and existing accounts.
- The MFI must be able to specify a notice period before which a new rate comes into effect.
- The MFI must be able to specify a tiered 'offset' rate relative to the base rate for a product.
- The system must allow for the requirement for an authoriser to authorise any rate changes.

19. REQ-14 INTEREST RATES

Account Rate Calculation Method

Account Rate Calculation Method	Description
Fixed Rate	Is this rate fixed? Example, if the rate is driven by Prime is the Prime Rate on the day the account was open used for the duration of the account. If it is the answer to this question would be, 'yes'. If not the answer would be, 'No' and then as Prime moves the account's rate will move.
Linked to Prime	Linked to Prime with an offset percentage.
Rate Over-ride	Zero if balance falls below specified threshold
	Specified value if any client initiated transactions occurred on the account during the month
Interest calculation method – Average Monthly Balance	The average balance on the account during the Month.
Capitalisation	Monthly / Quarterly / Bi-annually / Annually / At termination of investment

20. REQ-15 END OF PERIOD PROCESSING

Processing Name	Description
Month End Processing	If the day is a month-end, interest accruals are performed on loans,
Year End Processing	Archiving of accounts that have been closed Capturing of new budget Switching to the new financial year

21. REQ-16 FEES

The system must automatically calculate fees according to predefined rules specified per loan product. The following table defines the types of transaction fees that can be applied to loan products.

Table 6 – Transaction Fee Types

Transaction Fee Type	Description
Account Initiation Fee	A fee levied when an account is opened.
Account Service Fee/Administration	A fee levied on a regular basis to cover the costs of hosting the account.
Minimum Balance Fee	A fee levied on a regular basis on accounts where the balance drops below a specified threshold.
Loan early settlement fee	Fee payable on early repayment of a loan
Loan early settlement fee period	The period applicable to the loan early redemption fee.
Loan instalment dishonoured fee	A fee applicable when a loan payment is dishonoured

22. REQ-17 PROCESSING OF BANK STATEMENTS

- A MFI might elect to have accounts with one or more commercial banks where clients can make deposits. The MFI might also elect to allow other types of transactions to be performed on such accounts.

- The system must be able to process electronic bank statements from one or more commercial banks where the MFI may hold a banking account. The process must 'read' the bank statement and make the appropriate postings to the MFI's GL and to the clients' accounts.
- The MFI must be able to configure how the various entries are processed, i.e., which GL accounts are to be posted to where GL postings are required. If an entry cannot be processed it must be posted to a suspense account.
- A report must be produced after processing an electronic bank statement indicating the number of transaction processed broken down into debits, credits and 'unsuccessful' transactions, the value of the transactions per category and a list of unsuccessful transactions.
- The system must provide a facility that allows an authorised user to correct and re-post unsuccessful transactions.

23. REQ-18 DEBIT ORDERS (STRIKE OUT)

- The system must support the capability to allow the MFI clients to authorise the MFI to debit an account held by the client with an external bank to, for example, to pay loan instalments where the MFI has granted the client a loan.
- The system must provide the functionality to capture, maintain, cancel and execute debit orders against external bank accounts. The system must support:
 - AEDO
 - NAEDO
 - EFT.

The system must capture the following information:

- Name of bank account holder
- Name of bank
- Branch number (sort code)
- Account number
- Type of bank account
- Account full names
- Amount
- Date of first payment and date of future repeated payments.
- The system must be able to electronically process the return file handling issues such as failed strikes.
- The MFI must be able to specify what actions to take in the event of failed strikes such as restrike, double strike on the next strike, stop the strike after 'x' unsuccessful strikes, etc.
- The MFI must be able to configure, at the product level, the ability to raise a 'failed debit order' fee against the MFI account initiating the debit order and specify the charge.

- A report must be produced each day of unsuccessful strikes indicating the reason for the failure.

24. REQ-19 JOURNALS

- The system must allow the option to select a GL account to which a transaction can be posted.
- After the initial GL account's posting has been done the system must allow for the selection of the corresponding GL account for the opposite debit or credit entry.
- The system must allow the MFI to configure the contra account so that it is provided automatically.

25. REQ-20 REPORTS

- Each MFI must be able to draw any and all reports when required (ad hoc reporting). In addition it must be possible for each MFI to create and maintain a schedule that will cause selected reports to be produced automatically on a predefined daily, weekly, monthly, quarterly, half-yearly or annually cycle. The following are the report requirements:

26. GENERAL LEDGER

The system must provide the following reporting capabilities.

1. Must allow sub-totalling and consolidation accounts for custom financial statements
2. Must produce monthly, quarterly, yearly and date range (e.g., weekly, monthly, etc.) income statements
3. Must allow a date range selection for the trial balance
4. Income Statement/Comparative Income Statement/ Budget Variance Income Statement
5. Budgets-only (pro forma) Income Statement
6. Balance Sheet /Comparative Balance Sheet
7. Statement of Cash Flow
8. Trial Balance (General Ledger) /Summary Trial Balance /Working Trial Balance
9. Journal Reports
10. Account Detail Report
11. Budgets Worksheet
12. Summary report of financial ratios and historical information.
13. The report must extract assets depreciation
14. The report must display cost of the assets

15. The report must display current depreciation as well as accumulated depreciation of the assets
16. The report must be generated daily, weekly, quarterly and yearly
17. The report must be itemized in the following categories:
18. Income from loans
19. Penalties for overdue loans
20. Other income e.g. income from investments

27. LOANS REPORTS

The following are some of the loan reports the system must produce.

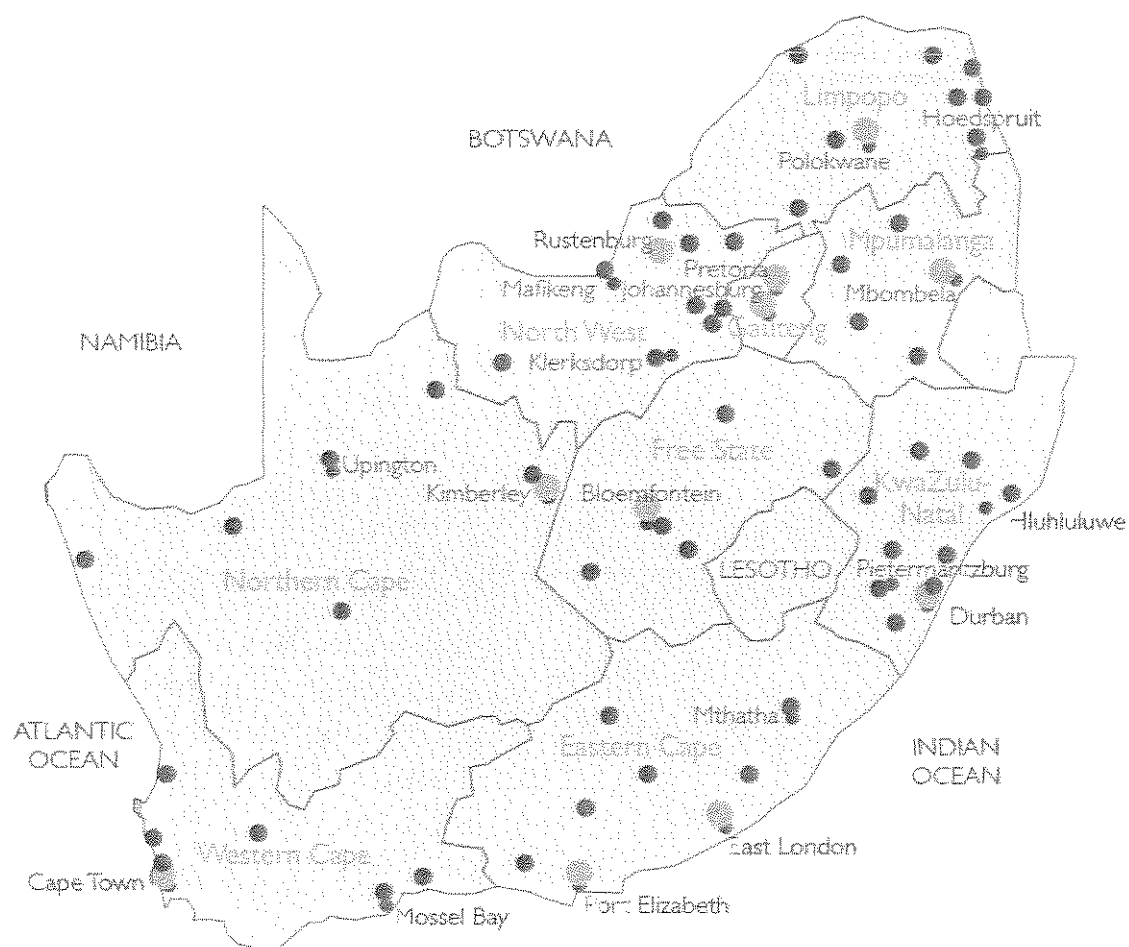
1. Actual Repayment Report.
2. Actual Expected Payments
3. Ageing Analysis Report
4. Portfolio Outstanding Report
5. Clients monthly statement
6. Monthly deductions report
7. Repayment exception report
8. Loans in default
9. Guarantors report
10. The report must highlight those loans whose repayment is behind schedule.
11. Periodic disbursement reports (ID, sector)
12. Creditor's Report. The report must display MFI's current and long-term obligations
13. MFI client reports – Information on MFI client profiles and relevant information.
14. Statutory reporting such as IT3 (b) certificates. It must be possible to produce statutory reporting for the current period and for previous periods.
15. Statistical Information. The report must display all active and dormant clients, financial information and comparative figures.
16. Reports must be able to be extracted for previous financial information (e.g. up to 5 years).

28. REQ-21 SYSTEM PARAMETER VARIABLES

- The system should, as far as possible, be parameter driven in order to avoid hard-coding of the business logic.
- The parameters should enable the business users to add, configure and change product variables such as rules & rates with minimal or no change to code, e.g. provide for a CRUD (Create/Add, Read, Update/Modify, or Delete) based facility.

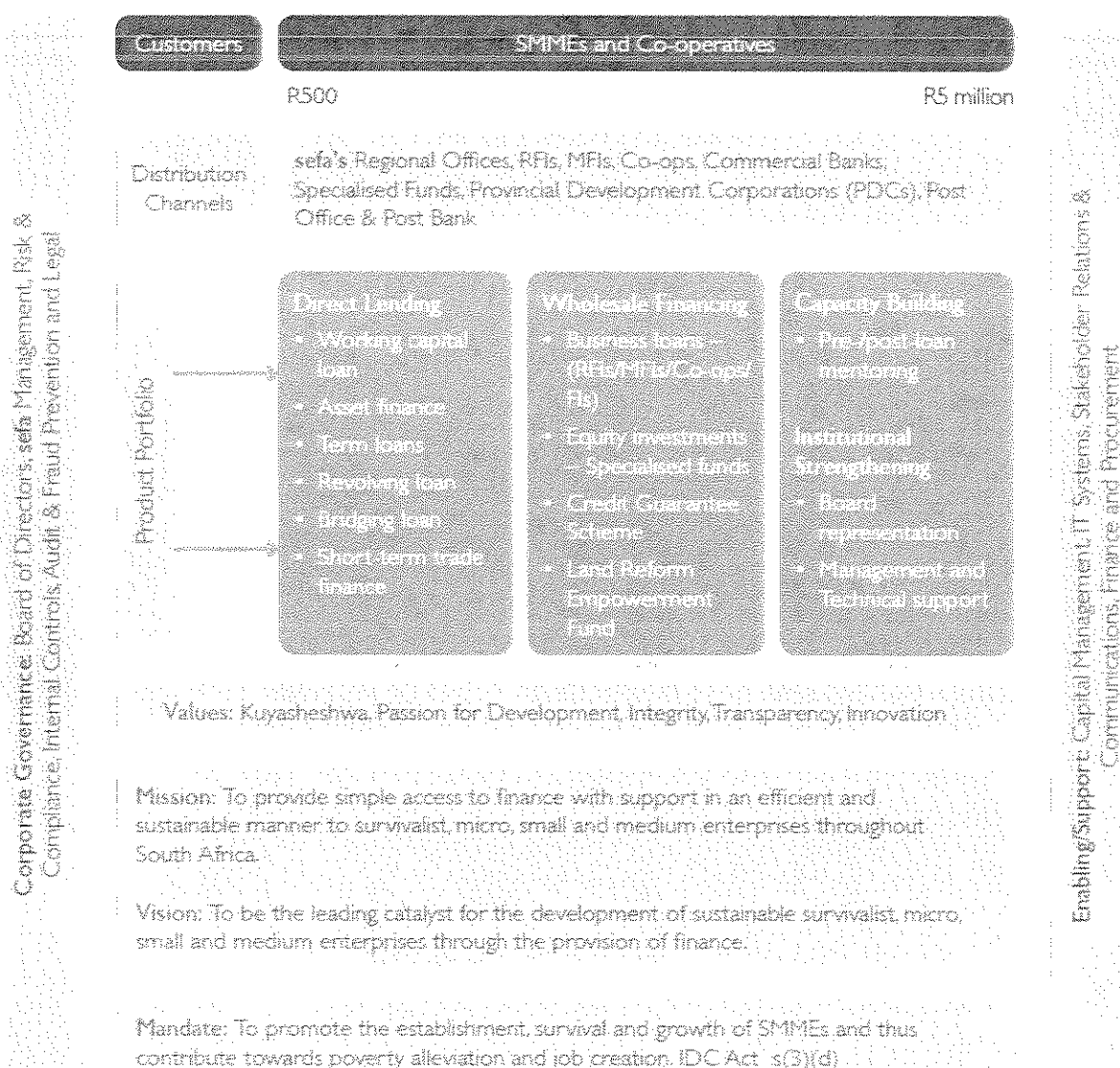
- Authorisation must be required for every parameter changed.
- A full version control of all parameter changes must be kept and any physical delete made on or to the system must not be allowed to avoid system problems.
- The system administrator may view all parameters.
- Each MFI's may view only their own parameters.

29. APPENDIX 2 – SEFA OFFICES



- Existing sefa offices
- Planned sefa branch/satellite offices (branch office is a small staffed office. Satellite office is a desk in e.g. seda/Post Office, manned at specific times)
- Cities/towns

30. APPENDIX 3 – SEFA OPERATIONAL FRAMEWORK



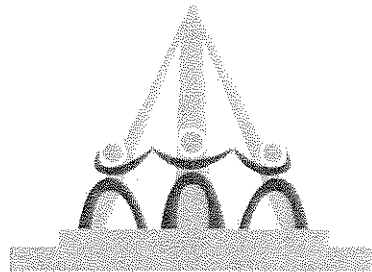
31. APPENDIX 4 - GLOSSARY OF TERMS

TERMS	DESCRIPTION
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SEFA	Small Enterprise Development Agency
SMME	Small Medium and Micro Enterprises
CBDA	Cooperatives Bank Development Agency
MFI	Micro Finance Intermediaries

32. APPENDIX 5 - DOCUMENT SIGN OFF

NAME: DATE:	SIGNATURE:
NAME: DATE:	SIGNATURE:



CO-OPERATIVE BANKS DEVELOPMENT AGENCY

CENTRAL SUPPORT SERVICES (CSS)

THE STRUCTURE, ROLE AND FUNCTIONS OF THE CSS

CFI BPP

A PUGH-JONES

6TH MARCH 2014

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HISTORY OF REVISIONS

DATE	DESCRIPTION	REVIEWED BY
20-02-2014	INITIAL DRAFT	A PUGH-JONES
21-03-2014	AMENDMENTS	R GOOSEN & T YUNNIE
21-04-2014	AMENDMENTS	A PUGH-JONES

1. INTRODUCTION

Individually each co-operative financial institution (CFI) does not have the time, money or expertise to provide itself and its members with a fully integrated banking platform.

In order to effectively implement such a banking platform for use by a number of CFIs, a Central Support Service (CSS) will be created to provide the required systems and services that the CFIs will make use of in providing their own members with the products and services that meet their own specific requirements.

The CSS will, in order to service registered CFIs, have to join and connect to the associations and services that will enable the CFIs to actively participate in the National Payments System (NPS).

The CSS will be set up by the Co-operative Bank Development Agency (CBDA) and initially managed by them, eventually handing over the CSS to registered member CFIs to independently manage. This handover will only be done once the CSS is operating at a breakeven in terms of costs vs. revenue and have the capacity to sustain the required level of service and support.

The purpose of this document is to describe the structure, role and functions undertaken by the CSS.

2. THE FORMATION AND ROLE OF A SECONDARY CO-OPERATIVE BANK (SCB)

In order to comply with the regulatory requirements of participating in the NPS, a SCB will be registered and will be the legal entity that represents the individually registered CFIs participating in the NPS.

All transactions processed within the NPS (cleared) will be done in the name of the SCB on behalf of the registered CFIs.

The SCB will be sponsored into the NPS by one of the major banks, who will settle at SAMOS (SARB) all cleared transactions on behalf of the SCB with other SAMOS participants.

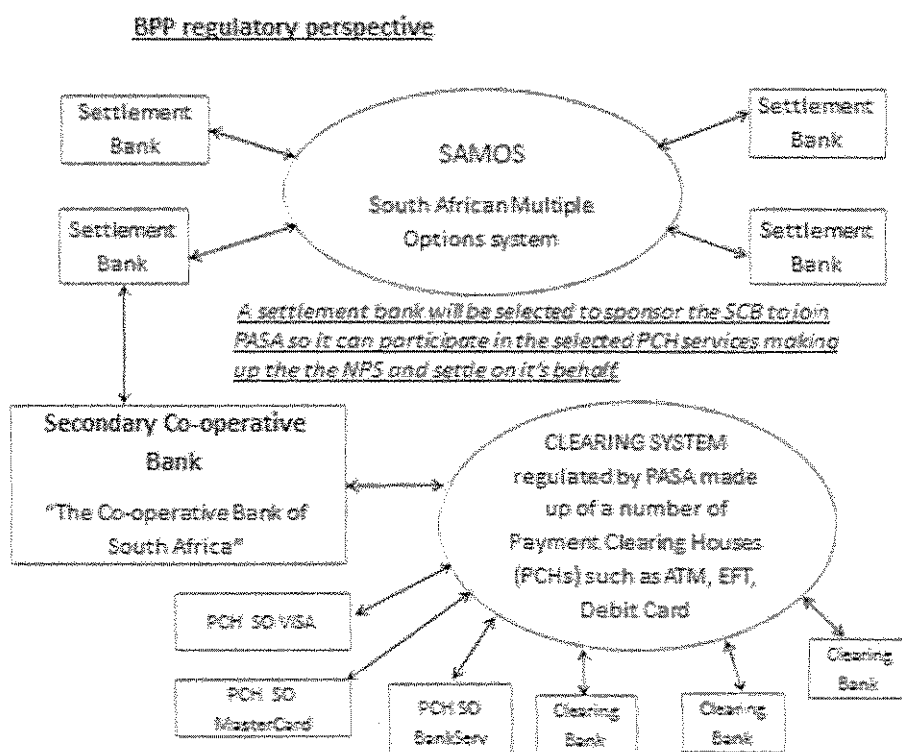
Participating CFIs will have to:

- 2.1 Agree to the issue of a single CFI debit card which will be “branded” by the SCB on their behalf;
- 2.2 Incorporate the legal cessionary requirements into their transactional (card) account application, authorising the SCB to act on their behalf within the NPS.

It is envisaged that, in due course, CFIs will have the opportunity to brand their own debit cards.

The SCB will be responsible for meeting and providing all the regulatory requirements of a clearing bank participating in the NPS. It will also be responsible for all contractual obligations in terms of the provision of services of the banking platform on behalf of the participating CFIs.

The inter-relationships from a REGULATORY perspective.



3. PARTICIPATION & SETTLEMENT IN THE NPS

The SCB will be required to join the following associations and contract services that will be managed by the CSS on their behalf:

3.1 The Payments Association of South Africa (PASA) and the required Payment Clearing Houses (PCHs) including:

- 3.1.1 ATM required for SCB issued cards to access other banks ATMs;
- 3.1.2 Debit Card required to access merchant point of sale (POS) services, cash withdrawals and the purchase of pre-paid services such as airtime and electricity.
- 3.1.3 EFT Credit required for deposits into CFI accounts, for example, salaries and SASSA grants. Also required to facilitate the payment of accounts (Bill Payments) via various channels (e.g. Branch, Internet and Mobile).
- 3.1.4 EFT Debit required for the processing of debit orders.

3.2 The IT banking system service provider.

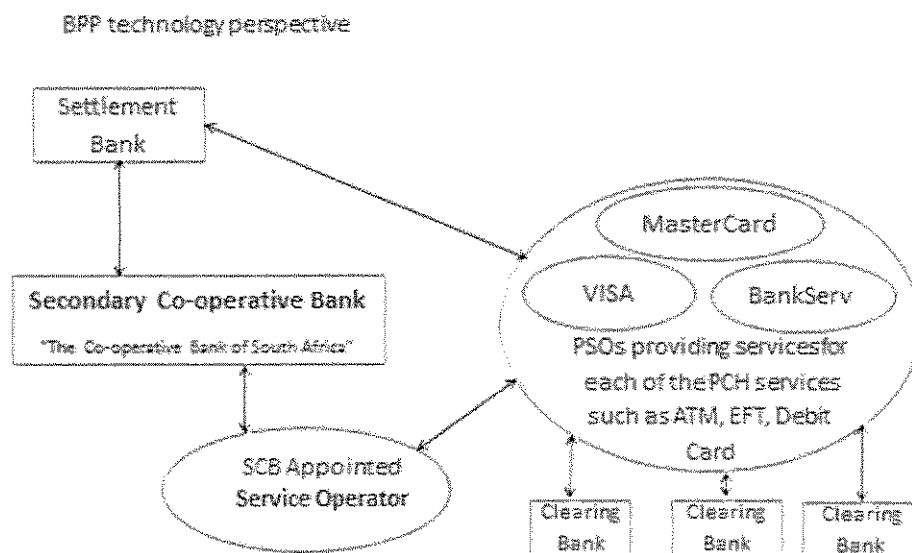
3.3 BankServ Africa for PCH services.

3.4 A card association (either VISA or MasterCard) required to issue debit and credit cards.

3.5 A card manufacturer certified by VISA/MasterCard.

3.6 Bank sponsorship. Settlement within the NPS will be undertaken by the SCB's sponsor bank. The CSS, on behalf of the SCB, will be required to daily reconcile the SCB's account at the sponsor bank and also ensure that each CFIs account at the SCB is adequately funded. The costs of settlement will be accounted and charged back to participating CFIs on a pro rata transactional basis.

The inter-relationships from a TECHNOLOGY perspective.



The service operator (SO) appointed MUST BE approved by PASA if providing services to more than one PASA participant.

4. ROLE OF THE CSS

The role of the CSS is set out below from three perspectives, namely the CBDA/SCB, participating CFIs and other stakeholders including third party service providers.

4.1 From a CBDA/SCB perspective, the roles undertaken by the CSS will be to manage the contractual obligations entered into by either the CBDA or the CSS on behalf of the CFIs in order to provide:

- 4.1.1 The IT banking service;
- 4.1.2 A full financial system including an integrated general ledger;
- 4.1.3 A card management service fully integrated with the IT banking service;
- 4.1.4 An oversight role to ensure the integrity of the IT banking service through:
 - 4.1.4.1 daily reconciliation of the general ledger and related reports;
 - 4.1.4.2 daily reconciliation of settlement;
- 4.1.5 Management of the settlement accounts for each CFI;
- 4.1.6 Training of CFI staff both initial (take-on) and ongoing;
- 4.1.7 Development of CFIs management skills, e.g. management of delinquent loans;
- 4.1.8 A support structure to CFIs via a Help Desk during normal business hours;
- 4.1.9 The required regulatory reporting on behalf of participating CFIs;
- 4.1.10 A focal contact point for all member card (transactional account) related queries including after hours;
- 4.1.11 A centre of excellence as regards the management and operation of a CFI.
- 4.1.12 A central security management function (SYSMAN) in order to control access to the various systems and services and set levels of authority within each.

4.2 From participating CFIs perspective, the role will include providing:

- 4.2.1 The IT banking and card services. Ensuring that the service is available and that responses are within the agreed times;
- 4.2.2 Staff training and support;
- 4.2.3 New and enhanced products (e.g. mortgage loans, insurance) and services (e.g. workflow and document management);
- 4.2.4 Improved MIS and reporting;
- 4.2.5 Systems security by ensuring that all aspects of security are in place and comply with the International Standard on Assurance Engagements 3402 (ISAE 3042).
- 4.2.6 Communications. Ensure that the selected service has as wide coverage as possible and incorporates back-up services as well as providing for future developments in technology.
- 4.2.7 Standardisation. To review and propose opportunities where rationalising/standardisation could yield operational savings. For example, a certain amount of standardisation in respect of product and service features, rates, fees (frequency & amounts), and to some extent product rules (e.g. minimum deposits, frequency of interest capitalisation) and a standard set of user interfaces (UI) in both content and design.
- 4.2.8 Branding. CFIs will have a choice of either a *generic* branded cards, for example, **TCB – The Co-operative Bank of South Africa**, and screens or at an additional cost to themselves, having cards and/or screens customised to their own specific requirements.

4.3 From other stakeholders perspective:

4.3.1 A focal point for all CFI IT related matters;

5. SERVICES PROVIDED BY THE CSS

The CSS will implement the selected system and provide the services, on a managed service basis, to registered CFIs, on the basis that CFIs will be billed monthly for making use of only those services that they have chosen to offer to their members.

However, until the minimum monthly number of transactions being processed and accounts hosted have reached the required threshold a minimum monthly fee may have to be applied.

The services provided by the CSS will in terms of an agreed Service Level Agreement (SLA) which will consist of:

5.1 The banking IT System. This will include the hosting of all product accounts and transactions thereon;

5.2 A fully integrated financial and accounting service (e.g. PASTEL);

5.3 An integrated Card Management service. A full set of card management services for the production, control, distribution and issue of cards complying with the relevant card association's rules;

5.4 Identified payment streams in the NPS to provide CFI members with access to:

5.4.1 Merchant point of sale (POS) services;

5.4.2 The ATM network;

5.4.3 Electronic funds transfer including direct credits, debit orders and credit transfers (bill payments).

5.5 Reconciliation and management of not-on-us transactions. The requirement to manage including reconciliation, balancing and managing disputes and queries of all transactions processed within the NPS and any other relevant payment system operator will be undertaken by the CSS, for example, EasyPay. The NPS reconciliation of individual transactions processed through the different PCHs must balance to that business day's settlement figure.

5.6 Centralised administration. There may be instances where it would be more appropriate to provide a centralised service rather than a CFI-based service due to a number of factors, for example, the management of secured assets such as mortgage bonds which require a high level of security. Other activities that could be undertaken more efficiently on a shared basis will also be undertaken, like the provision of operational guides and the production of interest rate guides.

5.7 Management Information and reporting. Provide access the banking platform in order for the CSS to extract management information and reports on behalf of CFIs.

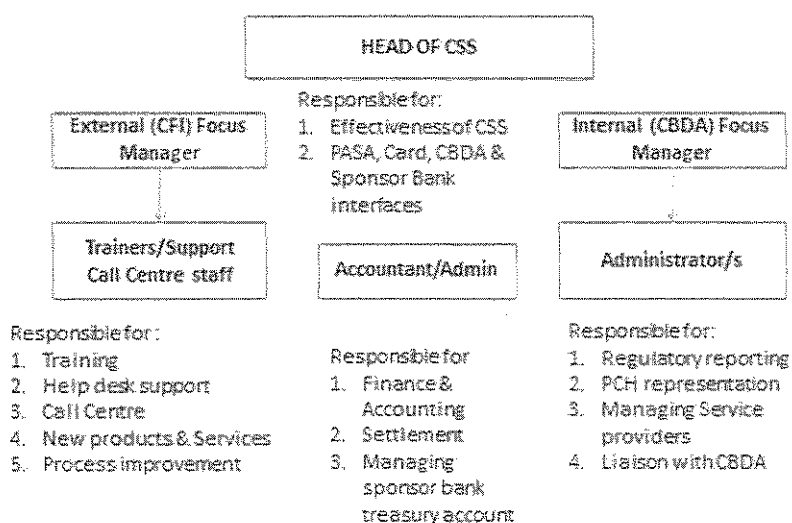
- 5.8 Value added services. For example, provide access to prepaid service providers (for example, Blue Label) to enable the purchase of airtime and electricity as well as providing access to a service for the transfer and payment of funds to recipients that do not have bank accounts.
- 5.9 Third party services. Provide connectivity to independent third payment service providers, for example, EasyPay and RealPay for payments and collections.
- 5.10 Regulatory reporting on behalf of member CFIs.
- 5.11 Representation at bodies providing services to the SCB/CSS such as BASA, PASA, and relevant PCHs.
- 5.12 Support at take-on. Assessment of “state of readiness”. Prior to take-on an assessment of the state of readiness of each CFI will be undertaken and the appropriate training done, this will include:
- 5.12.1 A review of the last audit to assess whether to take on or not;
 - 5.12.2 An audit of the CFI’s present financials and state of accounts by an approved or nominated auditor;
 - 5.12.3 Configuration of the CFI’s business details, rules, products, rates, fees and limits;
 - 5.12.4 Data cleansing, ensuring that the present members account records are ready for “take-on”;
 - 5.12.5 Data migration, migrating cleansed data from the existing (old) system to the new.
 - 5.12.6 Training on the functionality and roles required to operate and provide a service on the banking system.
- 5.13 Training.
- 5.13.1 New and replacement staff.
 - 5.13.2 New products, services and requirements.
- 5.14 Skills Development. Assessments of the skills of staff and management of CFIs will be undertaken and skills development programs designed to uplift both the individual staff member and ensure that the CFIs are more professionally managed (mentorship programs).
- 5.15 Industry developments. Keeping CFIs abreast of developments taking place within the co-operative financial services industry, including trends, new products, services and channels.
- 5.16 Help Desk.
- 5.16.1 A central Help Desk to interface with all external service providers on a 7 X 24 basis.
 - 5.16.2 Provide CFIs with a central point to deal with CFI (internal) operational issues.
- 5.17 Call Centre. A central call centre function accessible by individual members of the CFIs.

- 5.18 Business process management. Systems and process improvement in order to reduce operational costs and improve effectiveness.
- 5.19 Direct support for CFI staff. Provide a centralised CFI assistance function for:
- 5.19.1 Manuals. Procedural and policy.
- 5.19.2 Printing of brochures and forms.
- 5.20 Channel management. Centrally manage the introduction of new and additional channels for those CFIs electing to provide their members with the use of these channels as an option.
- 5.21 Business Continuity.
- 5.21.1 Banking IT service. Ensure that the service provided is tested periodically.
- 5.21.2 CFI. In the event that a CFI can no longer provide a service from its present location (e.g. flood damage) that alternative arrangements may be made for that CFIs members to access their accounts from an alternative site, for example, a mobile self-contained caravan.

6. ORGANISATIONAL STRUCTURE

In order to effectively manage the CSS the following management structure is proposed.

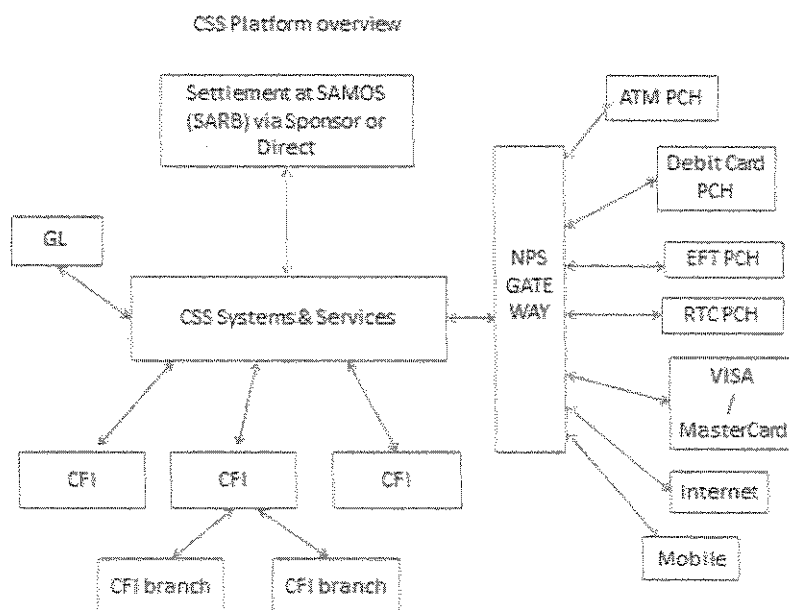
When considering the staffing and cost of creating the CSS, cognisance should be taken of the role and personnel presently working in the CBDA and NACFISA, as it would seem to make sense that key personnel from both these organisations have the relevant skill set required to create and manage an effective CSS.

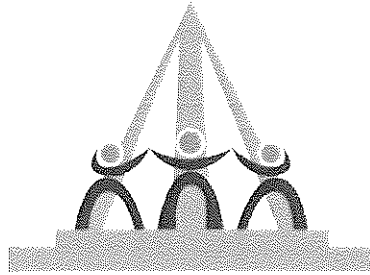


7. GLOSSARY OF TERMS

TERMS	DESCRIPTION
ATM	Automatic Teller Machine
CBDA	Co-operative Banks Development Agency
CFI	Co-operative Financial Institution
CSS	Central Support Service
EFT	Electronic Funds Transfer
FICA	Financial Intelligence Centre Act
IMMS	Immediate Settlement
ISO	International Standards Organisation
NCA	National Credit Act
NPS	National Payments System
PASA	Payments Association of South Africa
PCH	Payment Clearing House
PCI DSS	Payment Cards International Data Security Standard
POCA	Prevention of Organised Criminal Activity
POS	Point of Sale
RTC	Real Time clearing
SAMOS	South African Multiple Options System
SARB	South African Reserve Bank
SWIFT	Society for Worldwide Interbank Financial Telecommunication

8. BANKING PLATFORM OVERVIEW





CO-OPERATIVE BANKS DEVELOPMENT AGENCY

BUSINESS SYSTEM SPECIFICATIONS

This document outlines the environmental and general system requirements to be supported by the system

Tonny Yunnie

DOCUMENT HISTORY

Version	Date	Author	Reason
0.1	31 August 2013	Tony Yunnie	Initial Release
0.2	6 September 2013	Tony Yunnie	Re-structured
0.3	10 September 2013	Tony Yunnie	Fix typos
0.4	14 September 2013	Tony Yunnie	Add transaction processing, etc.
0.5	22 September 2013	Tony Yunnie	Apply R. Goosen feedback
0.6	06 October 2013	Tony Yunnie	Apply E. Leach feedback
1.0	21 October 2013	Tony Yunnie	Fix typos

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1 - INTRODUCTION

This document outlines the technical and environmental requirements of the new Banking Platform for the Co-operative Financial Institutions.

The document applies to both the CSS (Central Support Services) and the CFI (Cooperative Financial Institutions) aspects of the solution. There are a number of potential approaches that could be followed in terms of delivering the CSS functionality. Depending on the particular approach adopted by a respondent it is possible that some questions in this document related to the CSS requirements are not applicable. If a respondent feels that this applies the respondent should raise this with the CBDA and get written agreement to this.

If there are multiple systems involved in addressing this tender please respond in terms of each system.

2 - GENERAL PRINCIPLES

This section outlines various general principles that the solution should support.

2.1 ARCHITECTURAL PRINCIPLES

Financial Constraints - The system must operate effectively within the capital and operational costs constraints that apply to this industry.

Operational Constraints - The system must operate effectively and timeously and provided a suitable level of robustness to be effective in the CFI / CSS arena. It must be designed to meet the required operational requirements in which the CFIs and CSS will operate which include 24/7 uptime, fast recoverability, response time measured in a few seconds, high levels of security and ease of use.

Cost effective – The system should be designed to allow a CFI to implement and run the system with minimal effort, minimal cost and extremely limited resources.

Simplicity – The CFIs should not need any technical skills to run the system. The CSS should require minimal technical skills to run the system.

Ease of use – The system should be useable by users who have very limited computer proficiency.

Sophisticated – While the system should be simple and easy to use not requiring the CFI to have any technical skills and been easy for the CFI staff to operate with minimal training the functionality provided must be sophisticated. In addition the system should look to directly support and do as much of the work required to run the CFI as is possible thus freeing up CFI staff to perform other tasks and also allowing the CFI's to offer a broad range of products with a very small staff complement.

Value-add – The system must address the business requirements of the CFIs and CSS and add value to their business processes.

Quality – The system must facilitate the collect of accurate, timely, complete, reliable, and consistent information.

Secure – The system must protect confidential data, must only allow a CFI access to its own data, ensure that CFI and CSS staff only have access to functionality allowed by the CSS / CFI and enforce segregation of duties and authorisation processes. In addition the system

must have consistent internal processing controls that are applied to the entire system. The system must also protect data 'at rest' and 'in motion'.

Consistency – The system must use common processes for processing similar kinds of transactions, standardise user interface navigation, screen layouts, report layouts, field labelling and content.

Controls – The system must have internal controls over data entry, transaction processing, and reporting that are applied consistently across the entire system.

Efficient data entry – The system must eliminate unnecessary duplication of data capture.

Operational efficiency – The system must uplift the operational efficiency of the CSS and CFIs.

Language - The system should be able to support multiple languages. Multiple languages in terms of both the User Interface plus the production of documents. This means the CFI staff must be able to elect the language they wish to use when working with the system and members (clients) can elect the language used to produce any communication they received from the CFI.

Systemic View - As new components and features are added to the system a holistic view of the interaction and dependencies between the initial and new components must be taken, i.e., the new components should mirror the existing components in the way they look and work

Planned evolution – The system architecture must have a planned evolution that is governed and consistent across all areas and aspects of the system.

Interoperability – The system should conform to standards that promote interoperability.
Connectivity – The system should be able to operate normally and cost effectively in a very low bandwidth environment.

Connectivity – The system should be able to operate normally and cost effectively in a very low bandwidth environment.

Service Oriented Architecture – The preferred architecture is a service-oriented architecture (SOA). All architectural initiatives should be aligned to a consistent service-oriented architecture.

n-Tier Architecture – The system should be built on a multiple tier architecture with each tier focused on delivering one aspect of the solution, for example, the user interface tier, the data base tier, etc.

Topology – The system should be multi-tenanted with central control.

2.2 PARAMETERISED

The system should be highly parameterised. No values, such as rates, limits, number of tiers, etc should be hard coded. It must be possible to vary these values via parameter settings.

2.3 RULE BASED

Taking parameterisation one step further the system should also be rules based, i.e., allow the System Administrator to specify rules that define products and processes. This will provide an extra level of user control over the system and allow the System Administrator to configure the system for the particular CFI's needs to meet changing business needs without IT involvement

2.4 VALID VALUES

Where there are a finite set of values applicable to an input field the system must make use of drop down lists. These lists must be definable and maintainable by the CSS or CFI as applicable without the involvement of people with IT / technical skills.

2.5 SECURITY AND AUDITING

Access to all functionality in the system must be controlled via a 'Security Manager' function. The 'Security Manager' will control the access a user has to the various functions in the system. It will control what tasks the user can perform, what data a user can view / update / insert, whether the user can print or export, set financial limits on the user, etc.

In addition all actions performed by any user must be recorded in the Audit Log and be accessible by authorised users. *'All actions performed by any user'* includes creating, updating or viewing of any data.

3 - REQUIREMENTS

This section defines the specific technical requirements for the solution.

3.1 GENERAL

1. Does the system have a flexible deployment approach? If yes please describe.
2. Does the system provide a scheduled task management system? If yes can each CFI elect what tasks to run and when to run them, i.e., can each CFI setup its own schedule?
3. Does the scheduled task management system allow the operator to initiate, monitor, and stop scheduled processes?
4. Scheduled tasks must be segmented to facilitate their recovery in the event of a system failure.
5. Does the system provide online status messages indicating task or transaction type and name, when processing starts, completes, or errors?
6. Can reports to be produced in the background while other system processing takes place?
7. What methods does the system support to integrate with other systems?
8. If the system consists of multiple modules are there modules which are not included in this proposal? If yes what functionality do these modules provide?
9. Please indicate what areas of the system are run in online / real time mode and what runs in batch mode.
10. Are all account balances updated in real time, i.e., immediately when a deposit, withdrawal or charge is made against the account.
11. Does the system support multi-tenanting.
12. The system must include internal transaction processing controls, including the capability in the event of a system or hardware failure to automatically:
 - 12.1. Back out incompletely processed transactions,
 - 12.2. Restore the system to its last consistent state before the failure occurred, and
 - 12.3. Re-apply all incomplete transactions previously submitted by the user.
13. The system must enforce internal database consistency during all on-line and batch update operations, including distributed databases, if applicable.
14. The system must have fully documented restart capabilities for the application's on-line and scheduled task processing components.
15. The system must include complete installation, operating, and system maintenance documentation which includes:
 - 15.1 Product installation and configuration steps

- 15.2. Application access procedures
 - 15.3. Scheduled task set-up, processing and recovery and re-start procedures,
 - 15.4. Front end (user UI) and scheduled tasks error codes with full descriptions and recovery steps
 - 15.5. Application security 5 21 October, 2013 TDMBusinessTechnology.com
 - 15.5. Application security
 - 15.6. Operating specifications and system flowcharts
 - 15.7. Database entity relationships, table formats and data element descriptions
 - 15.8. Programme module descriptions.
- 16. The vendor must provide revised documentation concurrent with the distribution of new software releases.
 - 17. The system must employ common and consistent error-handling routines across functional modules and present error messages that allow the user or system operator to respond to reported problems.
 - 18. Can the CSS / CFIs configure what days are the week the system must operate?
 - 19. Can the CSS / CFIs configure public holidays which will cause the system to treat these days as non-working days?
 - 20. In what way does the system treat non-working days differently to working days?

3.2 SYSTEM MANAGEMENT

- 1. Does the system monitor its own performance proactively?
- 2. Does the system include instrumentation to anticipate and help identify issues?
- 3. Does the software provide any online monitoring alert capabilities, for example, sending out alerts when specific thresholds are breached? If yes, please describe.
- 4. Does the system include its own diagnostic tools? If yes, please describe.
- 5. Does the system include a software distribution system? If yes, please describe.

3.3 STANDARDS

- 1. Does the system support standards for data exchange such as ISO 8583, ISO 20022, IFX.
- 2. Does the system provide for support domestic standards (propriety standard as used in the NPS, e.g. current 180 character standard as used for EFT)?
- 3. Is the system EMV compliant?

4. Does the system support the ISO 20022 standard?
5. Does the system support the ISO 8385 standard?
6. Please indicate what, if any, other standards are adhered to or supported.

3.4 ENVIRONMENT

1. How many environments would be recommended? For example, a Production environment, a Disaster Recovery (DR) environment, a Quality Assurance (QA) environment, a Development environment, multiple Development environments.
2. If the proposed solution is not a Cloud Based solutions please supply the recommend configuration for each of the recommended environments. This should include the number of servers required, the size of the servers, the required disk space and any other hardware required to run the system plus environmental, operational, data base, communications and any other software required to run the system. If the system can run on more than one operating system or data base or any other software please indicate what options are supported.
3. How are deployments done?
4. Please indicate:
 - 4.1 Which deployments tools are supported?
 - 4.2 Which data bases are supported?
 - 4.3. If middleware is used what middleware platforms are supported.
 - 4.4. Which development platform is used?
 - 4.5. If message queuing software is used? If yes, for what purpose?
5. How is transaction processing handled?
6. Is it a thin client application?
7. Please indicate what network architecture would be required.
8. What is the minimum bandwidth requirement to run a CFI branch?
9. Are user defined parameters downloaded to workstations? If so, what is the performance impact of this?
10. Please indicate the minimum and recommended hardware, software and infrastructure required for a CFI branch.
11. Does the branch environment support card readers for card driven transactions for both mag stripe and smart card based credit and debit cards?

12. Can the system operate on a 24*7 basis? If not what are the constraints and what level of uptime can be reasonably expect? Please answer in terms of the CSS and the CFI systems.
13. If the system does not operate on a 24*7 basis how will ATM, debit and credit card and other similar transactions be handled when the system is not available.
14. Can the CFIs operate normally during any start of day, end of day, month end, year-end or any other similar event? If not please explain the restrictions.
15. Please describe how functions such as annual interest capitalisation, ACB debits and credits, etc are handled.
16. To build on the previous question, if a CFI has 10,000 savings accounts where interest is credited monthly. If the interest is due at midnight on the last day of the month and a client does a balance inquiry at one minute past midnight will he / she see the interest in their account? If not when will it appear?

3.5 RESILIENCE

1. Is there a single point of failure in the system?
2. Does the system support hot failover?
3. Can the system be upgraded 'on the fly'? If not what length of down time is required to perform an upgrade?
4. Describe the backup process for the host system.
5. Describe the backup process for the CFIs.
6. Please describe the types of Disaster Recovery environments supported by the system and give an indication of how long it would take to switch over to the various Disaster Recovery environments. Please respond in terms of the CSS and the CFIs.

3.6 RELEASES

1. What is the release policy for the system? Please describe the system's release strategy covering the types of releases, the frequency, the reason for each type of release, what dictates the content of a release, the CSS / CFI's ability to influence a release, the time taken to install each type of release. If there are different types of release, i.e., major release, enhancement release, hot fix, etc please explain the purpose of each type of release and how often they occur.
2. When were the last two releases released? Please indicate the release number for each release. If the system has more than one type of release, i.e., major release, enhancement

release, hot fix, etc please specify when the last 2 releases were made for each type of release.

3. Is there a cost related to any new release? If there is please indicate what that cost would be and how it is calculated.

4. Will the CSS / CFIs be responsible for any testing when new releases are installed? If yes please give an indication of the total number of person hours or days that will be required.

5. Please supply the system road map for the next 3 years indicating what new features will become available and showing when each feature will be available.

3.7 VENDOR RESOURCING

1. Please outline the level of vendor resources worldwide (people working for the vendor) that have experience in the system. Please indicate the level of experience and the areas of experience. For example, migration, configuration, training, etc.
2. Please answer the previous question in terms of vendor resources in South Africa.
3. Are there other organisations in South Africa that support the system? If yes please provide details.

3.8 CLIENT BASE

1. Please state the number of organisations worldwide using the system.
2. Please state the number of organisations in South Africa using the system.
3. Please indicate when the most recent new client implemented the system and in which country this implementation occurred.
4. How many organisations have implemented the system and then replaced it with another system?

3.9 SUPPORT

1. For the purpose of this section the term 'support' includes bug fixing and addressing questions about the system or the environment in which the system runs.
2. What is the system support policy?
3. Specify what is NOT covered in the support agreement.
4. Specify any limits on support.
5. How many releases are supported?

6. What does support for the system cost?
7. Does the support cover the cost of fixing any and all bugs and responding to any and all queries and questions? Please provide details of the situations under which any or all costs related to bug fixing and or responding to questions and queries is not covered by the support cost.
8. If the CSS and or CFIs need assistance from the system supplier are there any situations under which the CSS and or CFIs will have to pay for assistance? If there are please indicate under what conditions the CSS and or CFIs will need to pay and how this cost is determined.
9. For how many years will the system continue to be supported and enhanced?
10. The vendor must accommodate any changes in South African laws or regulations that impact on the CSS or CFIs in a timeframe that allows the CSS or CFIs a reasonable time to implement the required changes.
11. Is the work outlined in the previous point, Point 9, undertaken by the vendor at the vendor's cost?
12. If the CSS and or CFI require specific enhancements to the system how will this be addressed? Please indicate the process, the timeframes and the costs involved.
13. If the CSS and or CFI request specific enhancements will this functionality only be available to the entity who requested the new functionality or also to other clients using the system?
14. If the CBDA were to ask existing clients to rate the support they receive related to the proposed solution from 1 to 10 with 1 been very bad, 5 been average and 10 been excellent how would they respond?

3.10 WARRANTY

1. For the purposes of this section warranty refers to the vendor fixing bugs at no additional cost to the CSS / CFI.
2. Please specify what aspects of the proposed system are NOT covered by warranty.
3. Is there any area of the system not covered by the warranty?
4. Is there any aspect of the bug fixing process when fixing a warranty bug that still attracts a cost for the CSS / CFI? If yes please explain.
5. How long is the warranty?
6. What actions are required from the CSS / CFI to invoke the warranty?
7. Are there any conditions under which the warranty is waived or invalidated?
8. Are there any actions or lack of action by the CSS or CFIs that can invalidate the warrant?

3.11 USER SECURITY

1. The system must provide a user security facility that allows the CFIs and the CSS to control what functions each user has access to in the system.
2. Users, irrespective of type including system and user administrators, should only have access to data and information pertaining to their CFI or the CSS in the case of the CSS staff. To this end the system must support multi-tenanting.
3. User passwords must only be known to the particular user.
4. It must be possible to specify minimum requirements for a password, such as length, types of characters used, etc.
5. It must be possible to force the users to change their passwords on a predetermined basis, such as monthly.
6. It must be possible to stop a user reusing a password for a predetermined period, such as 6 months.
7. It must be possible to limit the days in the week and the time of the day per day that a user can logon.
8. The system must disable a user after 'x' consecutive invalid passwords entered.
9. The system must automatically logoff of a user after a specific period of no action.
10. The system must disable a user if the user has not accessed (logged on) to the system for a specified period, for example, 30 days.
11. It must be possible to give users read only as well as read and write access.
12. It must be possible to further restrict user access based on financial limits.
13. Does the system support the concept of roles used to define user access for one or more users who perform the same or similar tasks? It must be possible to define 'Roles' and then attach a 'user' to one or more Roles. The user will then inherit all rights assigned to the 'Role' or 'Roles' that the user is assigned to.
14. Can a user be linked to multiple roles?
15. It must be possible to assign additional rights to a user directly.
16. It must be possible to specifically over-ride a right that a user has inherited from a role.
17. A user should only require a single sign-on to access any area of the system they are authorised to access.
18. For the purpose of the user security system users include both humans interacting with the system and scheduled jobs or other electronic 'users' such as other systems.
19. The system must support the concept of a system administrator who has access to functionality used to manage the system such as setting up Products, etc.

20. The system must support the concept of a user administrator who has access to functionality used to manage the system such as setting up users, roles, re-activating disable users, etc.
21. The system must support the concept of authorisers who authorise transactions such as approving loans, etc.
22. The system must allow the requirement of multiple authorisers to authorise a single transaction based on value and / or type.
23. The system must allow financial limits on the value of a transaction an authoriser can authorise by type of transaction.
24. The system must not allow an authoriser to authorise a transaction that the authoriser captured.
25. The system must support the 'segregation of responsibilities' concept.

3.12 SYSTEM SECURITY

1. Outline the approach taken to security around the system, the operating system, the database and the network.
2. Outline the approach taken to security when software patches are required for the environmental software.
3. Describe the security provided with the system. Security in terms of stopping hackers or other unauthorised access to the system from within the CSS and or CFIs or from external sources.
4. Describe the mechanisms in place for ensuring the confidentiality of the data in the database. Please answer this question in general terms and specifically in terms of multi-tenanting, i.e., how does the system prevent a user in one CFI seeing data belonging to a second CFI.
5. Is the data in the data base protected? If yes please advise how?
6. Is the data 'in motion' protected? If yes please advise how?
7. What measures are used by the system for securing data feeds to and from other systems.
8. Outline the extent to which referential integrity of the data is enforced in the database.

3.13 PHYSICAL SECURITY

1. Describe the physical security around the system.

3.14 MIGRATION

1. What is the recommended approach to migrate CFIs that are currently computerised?
2. What, if any, are the assumptions made in terms of the source environment before migration?
3. What, if any, limitations are placed on migration?
4. What if any, product, client or other information cannot be migrated?
5. Will all data, including historical data and closed accounts be migrated? If not please clarify.
6. Please describe the tools supplied with the system to support migration. Is an automated tool provided to support migration or will specific programmes have to be developed or modified to support the migration?
7. Is there any data that has to be manually setup? If yes please explain.
8. How does the recommended approach ensure that all members (clients), accounts and their related data are successful migrated.
9. How does the recommended approach ensure that any data that needs to be 'translated' between the old and the new environment, such as account statuses, is correctly translated?
10. What types and levels of testing is recommended?
11. Does the system provide any data cleansing tools that can be used in the migration process? If yes please supply details.
12. Who is responsible for each activity / task / function involved in getting the data from the source system to the new system? Please include all aspects of the migration including testing when responding to this question.
13. Please reflect any costs associated with migration and or data cleansing in the set up costing below.

3.15 SET UP

1. When answering the following questions please make allowance for all tasks that need to be performed including, but not limited to, product setup, parameter setup, customisation,

migration (if applicable) and testing. If there is any task or function that cannot be size please mention this.

2. Please indicate the extent (number of days) and types of support required to rollout / deploy the CSS from the vendor and from the CSS. Please include costs for the vendor resources.
3. Please indicate the extent (number of days) and types of support required to rollout / deploy a new CFI, i.e., a CFI that is opening its doors for the first time from the vendor and from the CSS. Please include costs for the vendor resources.
4. Please indicate the extent (number of days) and types of support required to rollout / deploy (including migration) an existing CFI, i.e., a CFI that is already operational but migrating to this system from the vendor, the CFI and from the CSS. Please include costs for the vendor resources.

3.16 TRAINING

1. This section addresses the training requirements. Please provide two set of answers to this section, the first should address the training requirements of the CSS and the second should address the training requirements of the CFIs. Please cover all training requirements for operational, supervisor and management level users and technical staff (IT related training) if technical staff is required.

Please indicate any assumed skills. For example, proficient in the use of Microsoft Windows, or familiar with programming concepts.

Please include all training, whether provided by the vendor or a third party.

2. Please indicate the duration of each course, the topics to be addressed, the target audience, the cost, minimum and maximum numbers of delegates if applicable, any pre-requisites, how the training is delivered (classroom, CBT, manuals, Online, WebEx, etc), the location and any specific needs related to presenting the course.
3. Is there a student manual with examples and exercises with answers available for every course? If not please clarify.
4. Is the training material updated with each release?
5. In what languages is the training presented?
6. In what languages is the training material available?
7. Are the training courses available in an electronic format, i.e., CBT or Web based? If yes please give details and costs.
8. Is there a training facility available on the system? For example, a 'training branch' on the production system per CFI where users in the CFI can work with the system, create clients, open accounts, process transactions, etc without impacting on the production system?

9. Initial (commissioning phase) training. Please indicate the recommended training to be provided when first implementing the proposed system.
10. On-going training. What training is recommended on an on-going basis, i.e., training for new staff or upgrade / on-going training for existing staff?
11. Is a 'train the trainer' approach available?
12. If a 'train the trainer' approach is adopted is there a cost related to using the training material.
13. If the CBDA were to ask existing clients to rate the training they receive related to the proposed solution from 1 to 10 with 1 been very bad, 5 been average and 10 been excellent how would they respond?

3.17 UAT (USER ACCEPTANCE TESTING)

1. What process is recommended to ensure that the system has been setup correctly?
2. Who is responsible for this action?
3. What level of involvement, in person hours or days, is required from the CSS or CFI?

3.18 AUDITING

1. All inserts (new records) and updates to be time date stamped in the data base.
2. All user interactions with the system must be recorded in an audit trail.
3. 'User interactions' must include read only as well as insert and update interactions.
4. It must not be possible to 'switch off' the audit trail.
5. Outline the auditing processes for the front and back end components.
6. Can an authorised non-technical user easily access audit data.
7. Can an authorised non-technical user easily export audit data.
8. List any events that are not audited. It is assumed that every other action / task / event that occurs on the system is audited.
9. How is this data secured? How is it accessed?

3.19 OUTPUTS

1. Please describe the report generation facilities available in the system.

2. All reports should be available on the screen and exportable in excel or PDF format.
3. Are all reports produced by the system as regular or ad hoc or user defined reports stored on the system so that they can be accessed in the future should they be required.
4. Does the system support any form of 'passbooks' to be used to reflect the transactions and balance on an account.
5. Does the system support e-mail?
6. Can a user e-mail reports from the system?
7. How does the system produce member (client) documents, such as statements, terms and conditions, etc?
8. What languages are supported by the system in terms of client (member) communications, documents and SMSs?
9. Does the system allow the member to elect whether she / he receives their communication via traditional mail or e-mail.
10. Does the system have the ability to send SMSs – ad hoc and configured SMSs (for example, when a card purchase is made)?
11. If the system can initiate SMSs can the CFI configure the system to send SMSs to members on selected events such as withdrawals, deposits, approvals, payments due in x days, missed payments, etc? If yes please specify the events that can trigger SMSs.
12. Can the CFI specify certain times of the day when to hold SMSs until a later time by type of SMS? For example, don't send 'happy birthday' SMSs at midnight but do send card purchase SMSs at midnight if the purchase occurred at midnight.
13. Can the CFI limit the number of 'issue' type SMS per day? So, for example, only send out 50 'call about your loan account that is in arrears' per day to control the load on the call centre?
14. Do the CSS and or CFIs have access to all areas of the system including SQL / direct access to the database?
15. Does the system provide a management information facility such as a data warehouse, i.e., a facility where end users can create their own reports and analyse data. If yes please describe the environment and outline how it can be used.
16. Does the system include a report writer that an end user could use to develop regular and ad hoc operational reports?
17. If yes can the reports be saved?
18. Can the report 'templates' be saved so that the user can run the same report as and when required.
19. Can the report 'templates' be updated and or used as a basis to create new reports.
20. Can these reports be scheduled to run on a regular basis?

21. Does the system provide any 'dashboard' functionality where a dashboard is a tool that collates information about a business and gives an overview of the key information that shows the CFI's status and allows a non-technical user to 'drill down' (get more information) about any area of the information reflected on the dashboard that the user wishes to explore in more detail. If yes please provide details.
22. If the system supports dashboards can the CFI define its own dashboards?

3.20 USER INTERFACE

1. Does the system follow any user interface (UI) design standards? If yes please provide information about the standards followed.
2. Can the CFI add custom fields to a screen?
3. All grids / tables on the UI should be user configurable, i.e., the user should be able to re-organise the sequence that the columns appear in and should be able to remove and add back one or more columns.
4. If the UI is user configurable does the system remember each users preferences across user sessions and if the user moves from one device to another.
5. The user should be able to sort the data on a screen by any of the columns.
6. The user should be able to do basic arithmetic functions on numeric columns on the screen such as total, average, minimum, maximum, etc.
7. Where feasible does the system use enumerations rather than free format text. For example, is title a free format field where the user can enter any title including Mr, Mrs and Ms or is it a drop down list?
8. If drop down lists are used are all drop downs configurable? If not please specify which dropdowns are not configurable.
9. If drop downs are configurable are they configurable on the individual CFI level.
10. Does the UI support Type-ahead field completion.
11. Does the system show / explain to a user how charges, fees, penalties, interest, etc are calculated?
12. Are the system menus user security aware, i.e., will menu and sub-menu items a user does not have access to be greyed out?
13. If a series of screens is required for a user to complete a single task what happens if the user does not complete the sequence?
14. Does the system validate each field as the user enters the field or is validation only done after the user presses 'enter'?
15. Is the language used on the UI configurable? If yes, which of the official South African languages are supported?
16. The system should:

- 16.1. Use resizable windows
- 16.2. Pass common data from screen to screen
- 16.3. Highlight required fields
- 16.4. Support both a menu mode and an expert mode of screen navigation
- 16.5. Have the ability to retrieve suspended transactions
- 16.6. Support transaction entry undo and redo functionality
- 16.7. Be disable people friendly.

3.21 SYSTEM DOCUMENTATION

- 1. Does the system include user manuals?
- 2. Do the user manuals explain the use and purpose behind each screen, report and field?
- 3. Do the user manuals explain all the terms used?
- 4. Do the user manuals explain all the error messages?
- 5. Does the user documentation include information and process flowcharts?
- 6. Does the user documentation include information on required forms such as deposit slips, loan application forms, etc?
- 7. Does the documentation explain how charges, fees, penalties, interest, etc are calculated?
- 8. Are the user manuals updated with each release?
- 9. Are the user manuals available in hardcopy and electronic versions?
- 10. Can the CSS and or CFIs add their own in-house information to the system documentation to customise the documentation to their specific organisation?
- 11. Does the system provide on-line, context-sensitive help, i.e., if the user is in the capture a new member screen will it show the help for that particular screen?
- 12. What languages is the user documentation available in?

3.22 USER AND MEMBER ACCESS

- 1. Does the system support Internet access for members (clients)? If yes please describe the functionality provided and advise what functionality that is available in the branch environment is not available to the member via the internet.

2. If internet access for members is supported please describe the payments capability that is available.
3. If internet access for members is supported can the member place limits on the values of transactions he / she can do via the internet.
4. Please describe the security implemented around internet access.
5. Can a member (client) access the system on a cell phone (mobile phone)? If yes please indicate what functionality is available via a cell phone.
6. Please specify the security implemented around mobile phone access.
7. Please specify the minimum configuration for the mobile phone.
8. Could a CFI run a branch over a mobile phone network?
9. Can CFI staff operate remotely using a smart phone and or tablet and or laptop? If yes please advise what functionality the CFI staff member has access to when operating on a smart phone and or tablet and or laptop.
10. If a form has to be completed will the system make the form available online and facilitate the online completion of the form?
11. If ATM access for members is supported can the member place limits on the values of transactions he / she can do via an ATM?

3.23 SUPPORTING FUNCTIONALITY

1. Does the system include a DMS (document management system)? If yes please provide details and indicate if there are any additional costs associated with acquiring, installing, implementing, training or operating this functionality.
2. Does the system include workflow functionality? If yes please provide details and indicate if there are additional costs associated with acquiring, installing, implementing, training or operating this functionality.
3. Does the system include CRM (customer relationship management) functionality? If yes please provide details and indicate if there are any additional costs associated with acquiring, installing, implementing, training or operating this functionality.
4. Does the system include any form of loan assessment capability? If yes please provide details.
5. Does the system support any marketing related activities? If yes please provide details.
6. Does the system provide the ability to rate members based on factors such as number of accounts, balance, etc and then treat the members differently in terms of limits, charges, etc. If yes please provide details.

7. Does the system provide any support for mailshot (email or SMS) management? If yes please provide details. Does the system provide any support for signature verification / validation? If yes please provide details.
8. Does the system provide any support for fingerprint verification / validation? If yes please provide details.
9. Is there a module dealing with fixed asset management? If yes please provide details.
10. Does the system provide any support for HR functionality? If yes please provide details.
11. Does the system provide any support for Payroll Management? If yes please provide details.
12. Does the system provide support for images (photos)? If yes please provide details.
13. Does the system provide support for MICR (Magnetic Ink Character Recognition)? If yes please provide details.
14. Does the system provide support for any other business functionality not covered elsewhere? If yes please provide details.
15. Does the system architecture allow the easy integration of other third party modules? If yes please describe the integration options available.

3.24 PERFORMANCE

Please indicate the response time that can be expected on the following types of transactions. The times provided should be based on a CFI user working in the CFI's environment and be counted from the time the user presses 'enter' to the time that the full response is displayed on the user's screen. If any assumptions need to be made to answer any of these questions please specify the assumptions.

- 1.1. Capture a new member (client).
- 1.2. Enquire on a member's details.
- 1.3. Open a savings account.
- 1.4. Open a loan account.
- 1.5. Make a savings deposit.
- 1.6. Make a savings withdrawal.
- 1.7. List the accounts belonging to a member.
- 1.8. Start and end of day processing – if appropriate.
- 1.9. Month end processing.

3.25 PARAMETERISATION / RULES DRIVEN

1. The system should be parameter and rules driven in order to avoid hard-coding the business logic in the code. The parameters and rules would enable the business to add, configure and change services offered with no change to the code.
2. An authorised CFI system administrator must be able to add, edit, delete or change parameters and rules that define a particular CFI in the system.
3. The system must keep a full record of all parameter changes, including the old value, who made the change, when the change was made, on which device it was made, etc.
4. No physical deletes should be allowed to any parameter.
5. The system administrator may view all parameters and rules applicable to his / her CFI's.
6. Over and above the parameterisation and rules required to configure a particular CFI the system must support the creation of a new CFI via parameterisation and rules setting. Clearly these tasks reside in different organisations. The CSS will create a new CFI. This indicates the need for a CSS system administrator. The CFI system administrator, no doubt with help initially from the CSS, will be responsible for configuring and maintaining the CFI parameters and rules on an on-going basis.
7. It must be possible to create a new CFI by 'copying' an existing CFI.

3.26 BRANDING

1. Does the system allow the CFI to support its own branding? If yes which aspects can be branded?

3.27 VOLUMES

The following table gives the current volumes and projected annual growth. These figures are the estimated total number of members, accounts and transactions across the South African CFI industry.

The normal industry growth is 10% per annum. It is believe that the introduction of the new system will significantly accelerate the growth of the industry.

Period	Estimated total number of members	Estimated total number of accounts	Estimated total number of transactions per month including system generated transactions
Current	35,000	105,000	227,500
Year 1	55,000	130,000	457,500
Year 2	100,000	200,000	1,000,000