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PORTMAN Payment

How to get started

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Version 1.0
This document is based on the underlying system PORTMAN 7.26

Contents

1. Background

Payment is the PORTMAN module that allows you to manage payments – starting with the recurring payments relating to incoming swap transactions. To use the module, you must have access to PORTMAN's swap module.

The module allows you to keep track of swap payments (historical, current and future) and initiate actual payments – i.e. generate SWIFT messages that can be sent to your own bank and to the payee/counterparty.

Once the relevant swaps in PORTMAN have been 'registered' in Payment, you can process all the workflows in a newly-developed Payment user interface (GUI). However, various basic data items (account information, netting agreement, etc.) must be in place before the payments can be processed and sent.

We will review the module in detail in the sections below. In section 2, we describe with examples the basic data that you need to create, and in section 3 we describe through a use case the actual flow through payment administration, and the end result.

2. Basic data

As mentioned above, the Payment module requires you to have access to PORTMAN's swap module.

The following must also be in place:

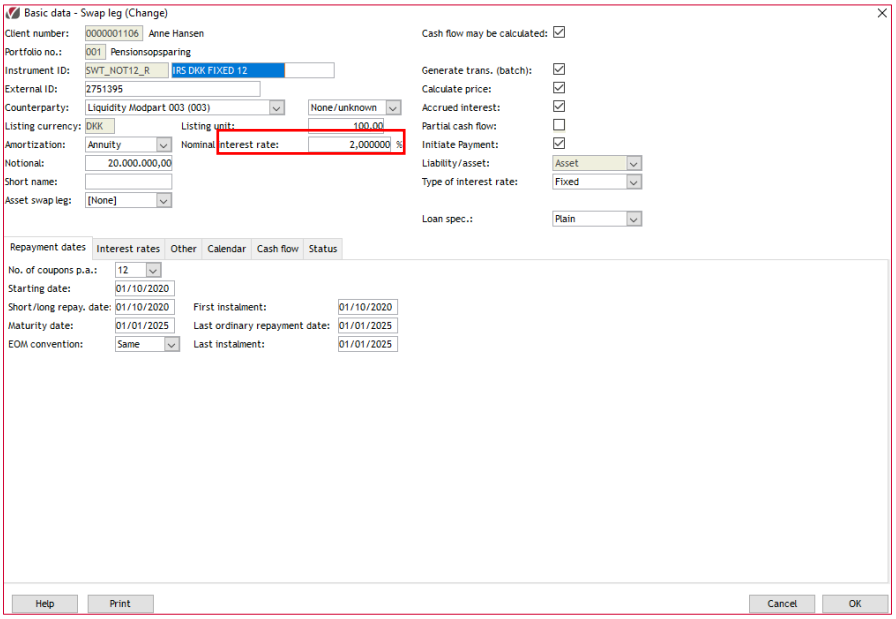
- the swaps for which payments are to be managed in Payment have been created in PORTMAN
- cash flows have been generated on the swap legs
- the interest rates have been fixed on the variable legs
- L1 transactions have been generated (see BIC code requirements in section 2.2)

In short, the overall handling of swaps in PORTMAN is under control.

Before you can use the Payment module, a number of basic data entries must also be in place. These are described below.

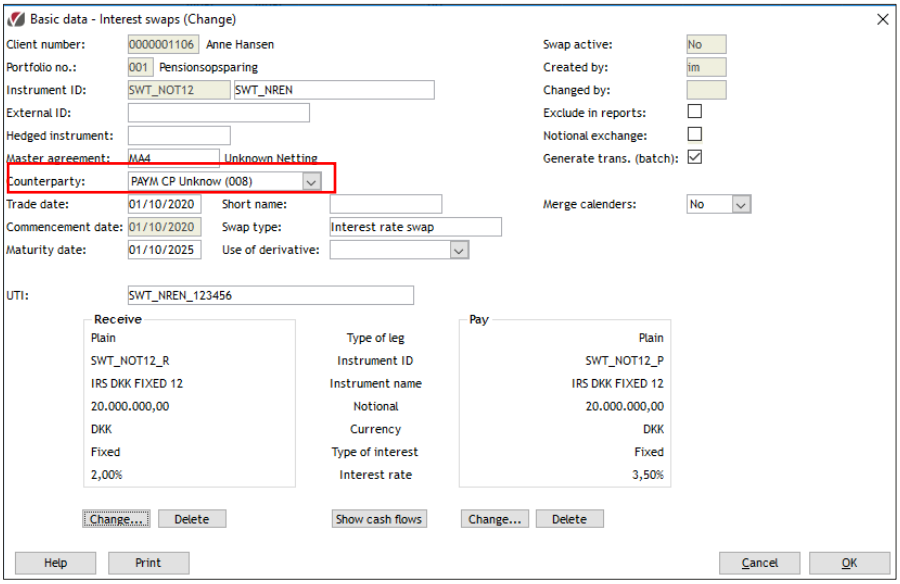
2.1. Registration for Payment

A swap is 'registered' for Payment by ticking the 'Initiate Payment' field in the basic data for both swap legs (old PORTMAN GUI).

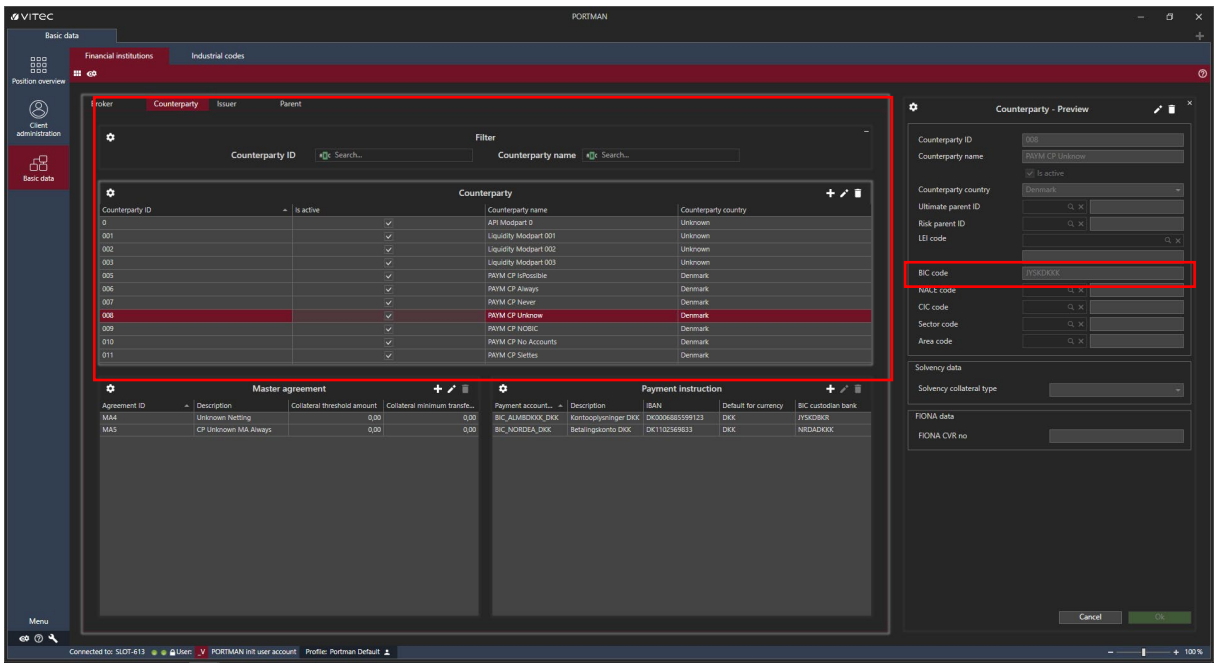


2.2. Counterparty

A counterparty must be specified – i.e. the 'Counterparty' field must be filled in – in the basic data for the swap, see below (old PORTMAN GUI). The counterparty for the swap is needed to be able to link a Master agreement (i.e. netting agreement) to the swap, and account information is taken from the counterparty on the swap.



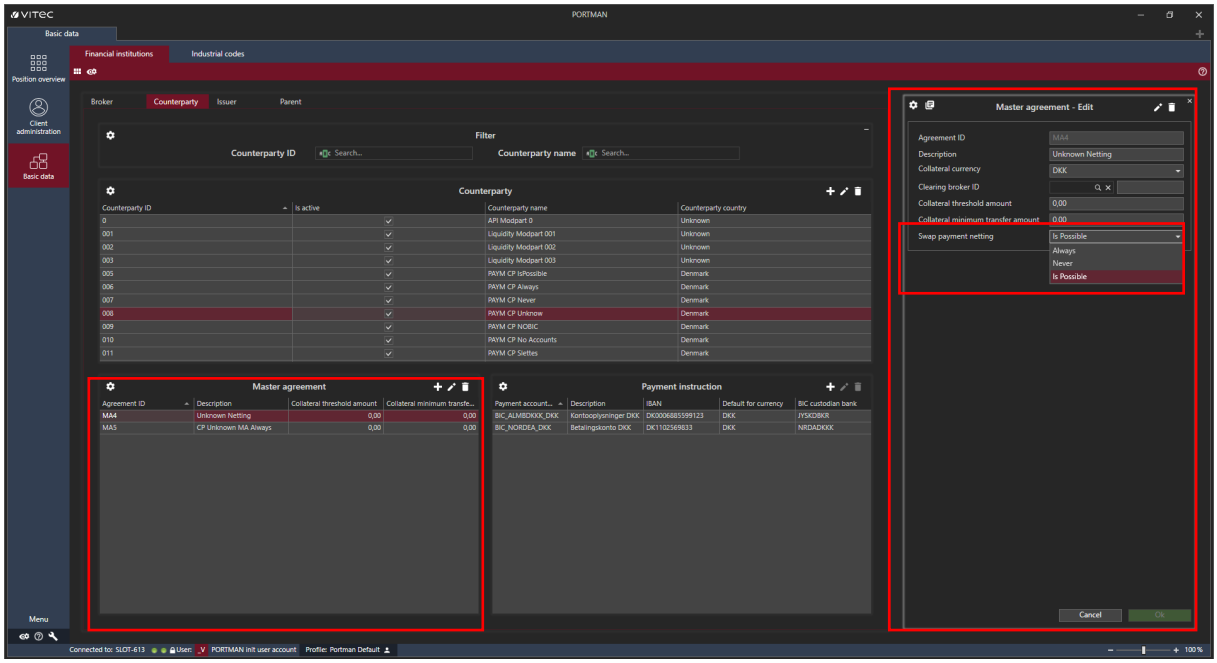
Basic data for counterparties is created in the 'Basic Data' module on the 'Counterparty' tab. Note that a BIC code must be entered (see example below), as this is a prerequisite for generating L1 transactions.



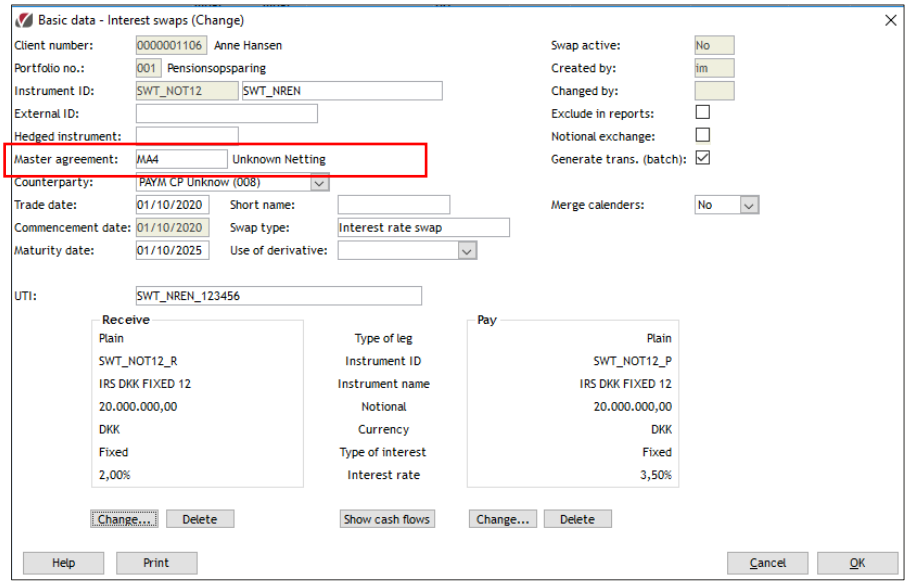
2.3. Netting agreement

If an agreement has been reached with the counterparty to net off matching swap payments, you can enter the netting agreement via a Master agreement, which is then linked to the swap.

You can create basic data for Master agreements here:
Basic data -> Counterparty -> Master agreements.



A Master agreement is related to the basic data for the swap via the 'Master agreement' field – see example below (old PORTMAN GUI).

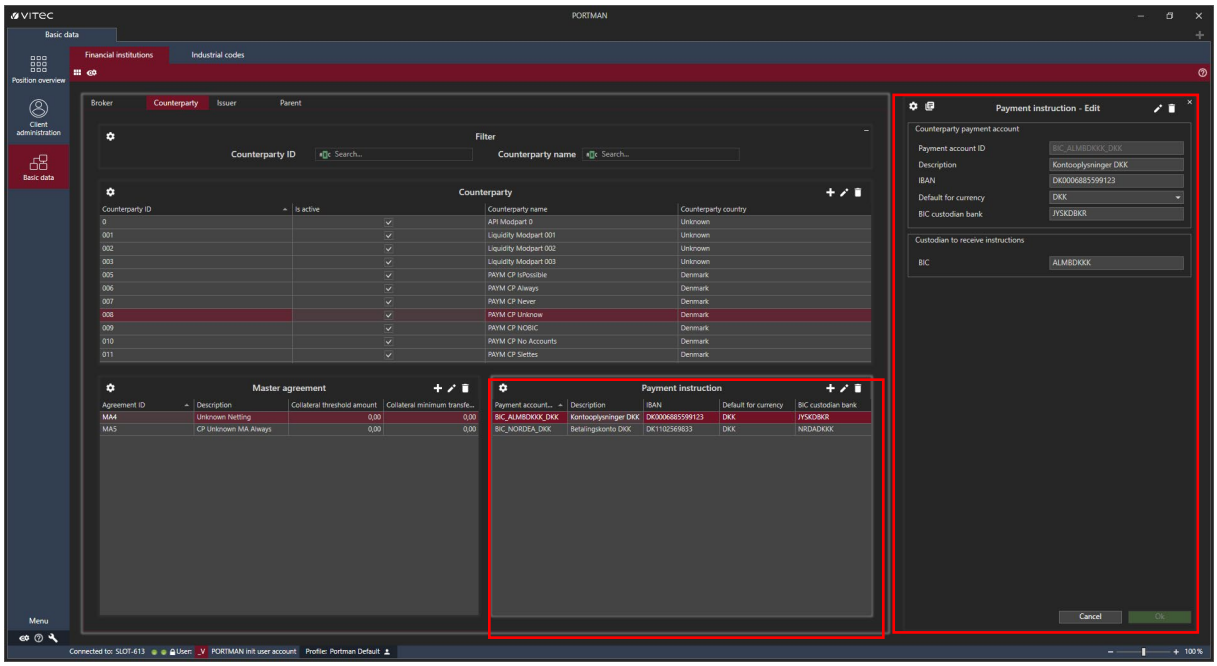


The netting agreement may be one of the following:

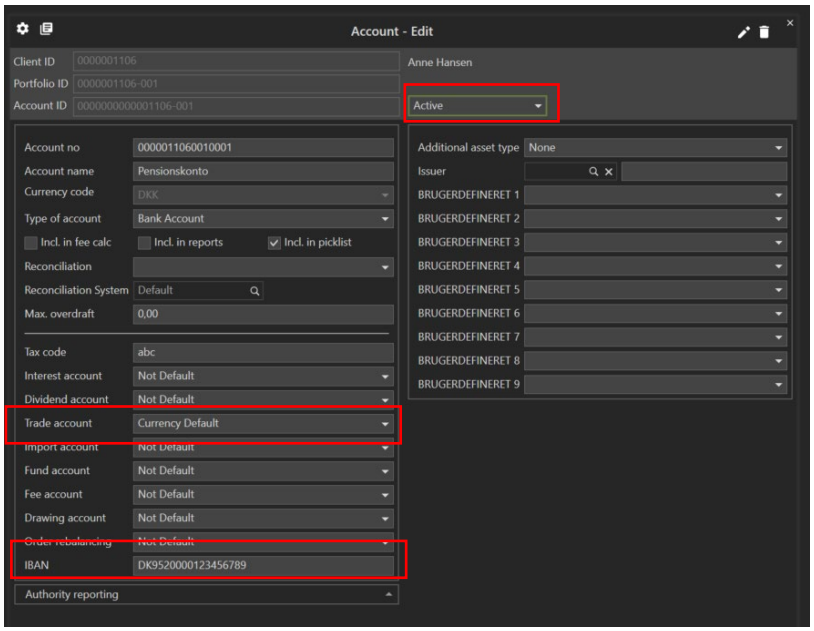
Always	Payment should always be netted off if possible
Never	Payment must not be netted off, even if it is possible
IsPossible	A decision must be taken each time a payment is made

2.4. Account information

Account information for the counterparty's accounts (incl. IBAN) must be entered under:
Basic data -> Counterparty -> Payment instruction.



You enter the IBAN for the 'from' account (i.e. the account to be paid out of, corresponding to the selected account on the L1 transaction), in the basic data for the account. The account must also be listed as 'Active', and 'Trade Account' must be equal to 'Currency Default'.

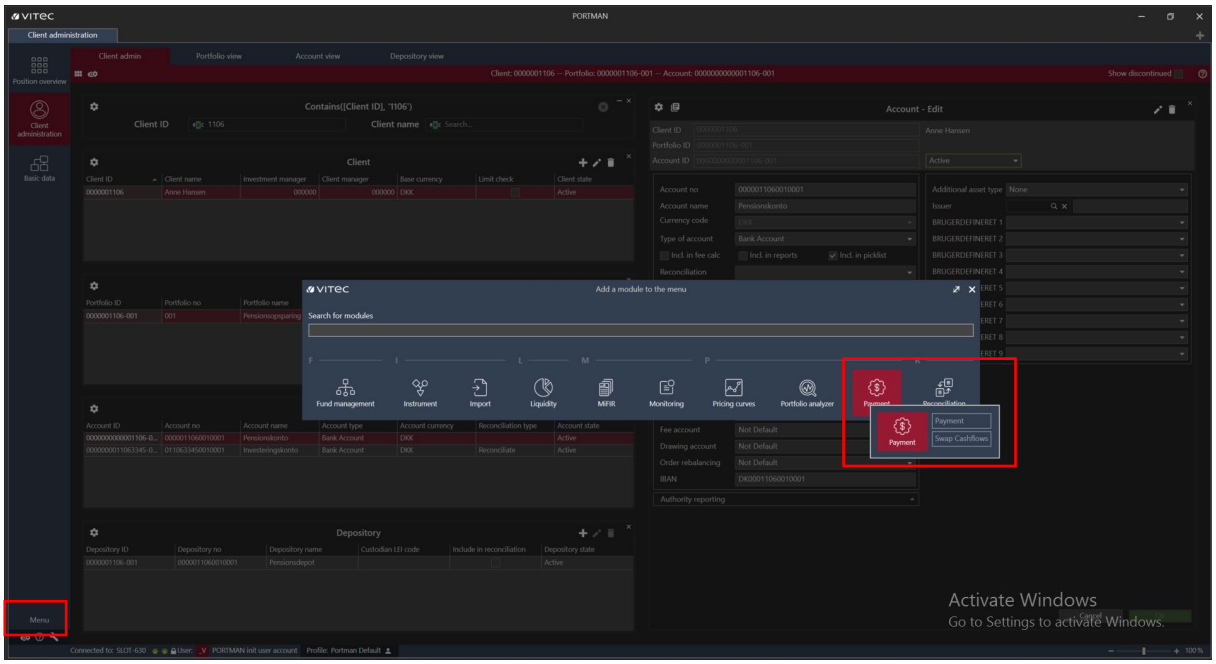


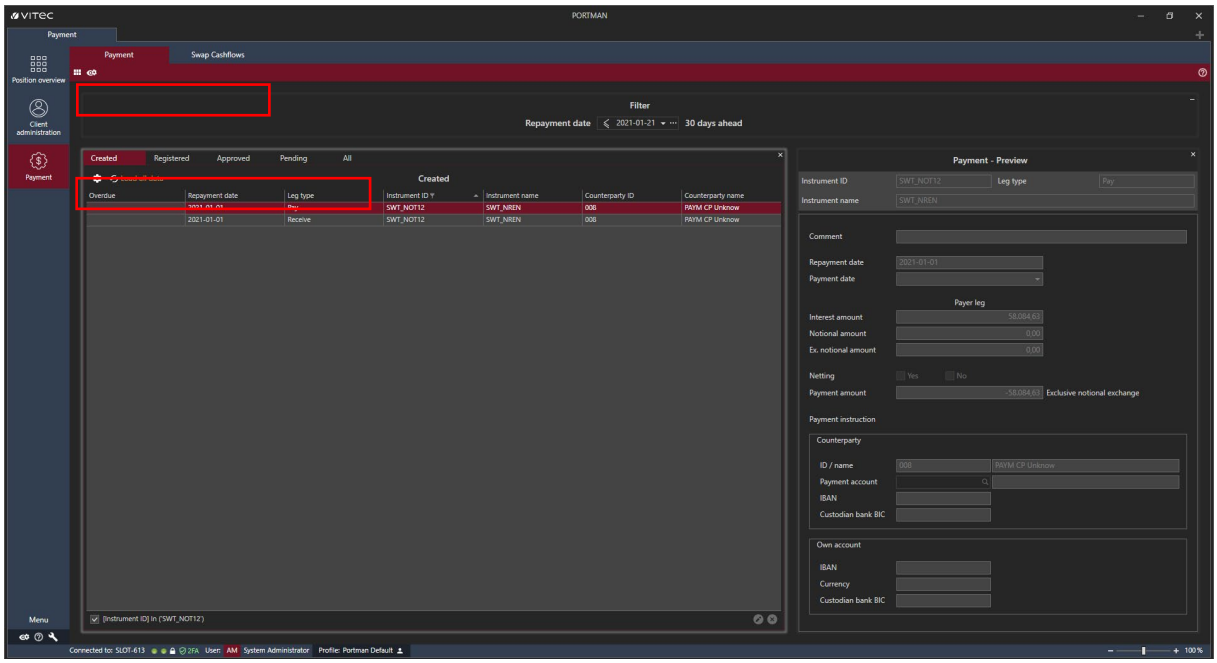
(IBAN example borrowed from http://iban.dk/eksempler.html)

3. Payment GUI

You can find the Payment user interface here:

Menu -> Payment





The module consists of two top-level tabs:

- **Payment:** approval and execution of payments
- **Swap Cashflows**: overview of all registered cash flows

Payment consists of five different sub-tabs (with different statuses for registered swaps):

- **Created:** cash flow recorded, but L1 transaction not generated
- **Registered**: L1 transaction generated, but no payment has yet been made
- **Approved:** payment approved but not executed

- **Pending**: payment executed and SWIFT file has been created. Payment pending final confirmation from the user
- **All:** contains all four major statuses

The 'Payment' tab contains registered swaps (see section 2.1), i.e. the payments for which L1 transactions have been generated on the one hand, and all other cash flows from the basic data for the two swap legs on the other (where one part may be payments and the other not).

Payments are defined as: positive 'Aggregated payment' on the Pay swap leg and negative 'Aggregated payment' on the Receive swap leg (both result in an L1 transaction with a negative effect on the account). However, netting may lead to a payment, as defined above, being netted against a negative payment, i.e. against an amount received.

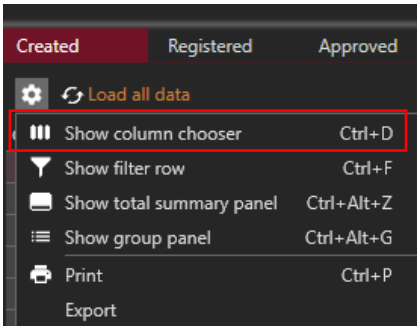
Of course, when a payment has been sent, failed or rejected, this will also be shown in the module.

Many of the same fields recur across the different tabs. In section 3.1 below, we describe the most important fields.

In section 3.2 we illustrate the use of the module via a use case.

3.1. Field descriptions

The Payment module consists of a large number of fields/columns. You can select and deselect columns in the view via 'Show column chooser'.



Below are the most important fields in the Payment window (and their possible effects):

Field	Value
Overdue	Specifies whether payment date has passed
Repayment date	Payment date
Leg type	Pay The Paid leg of the swap (sale of credit protection), i.e. what is being paid. Receive The Received leg of the swap (purchase of credit protection), i.e. what is being received.
Instrument ID	Swap leg instrument ID
Instrument name	Swap leg instrument ID name
Counterparty ID	Counterparty
Counterparty name	Counterparty name
Total netted amount	Payment amount after netting (i.e. the payment amount sent via SWIFT message)
Total amount	Calculated payment amount before netting
Interest amount	Interest amount
Is netted	No tick Payment is not netted Tick Payment is netted
State changed by	User who changed the status
Comment	Comments that can be entered against the swap leg/payment for the 'Unapprove' or 'Reject' actions.

3.2. Use case

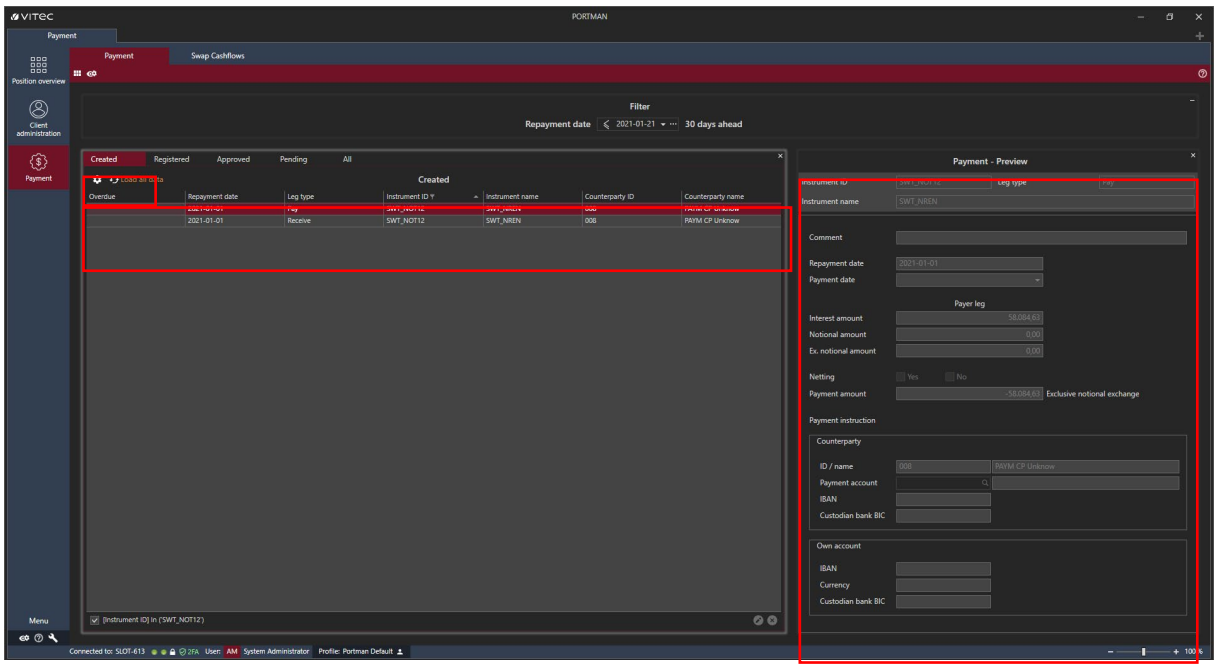
It is assumed below that the basic data described in section 2 has been created.

This particular use case is based on the following interest rate swap:

- Instrument ID SWT_NOT12, swap legs in DKK

3.2.1. 'Created' tab

The first tab in the Payment module is 'Created', which shows all the cash flows for which no L1 transactions have yet been generated. You cannot change anything in this tab – or in the preview/dialogue on the right.

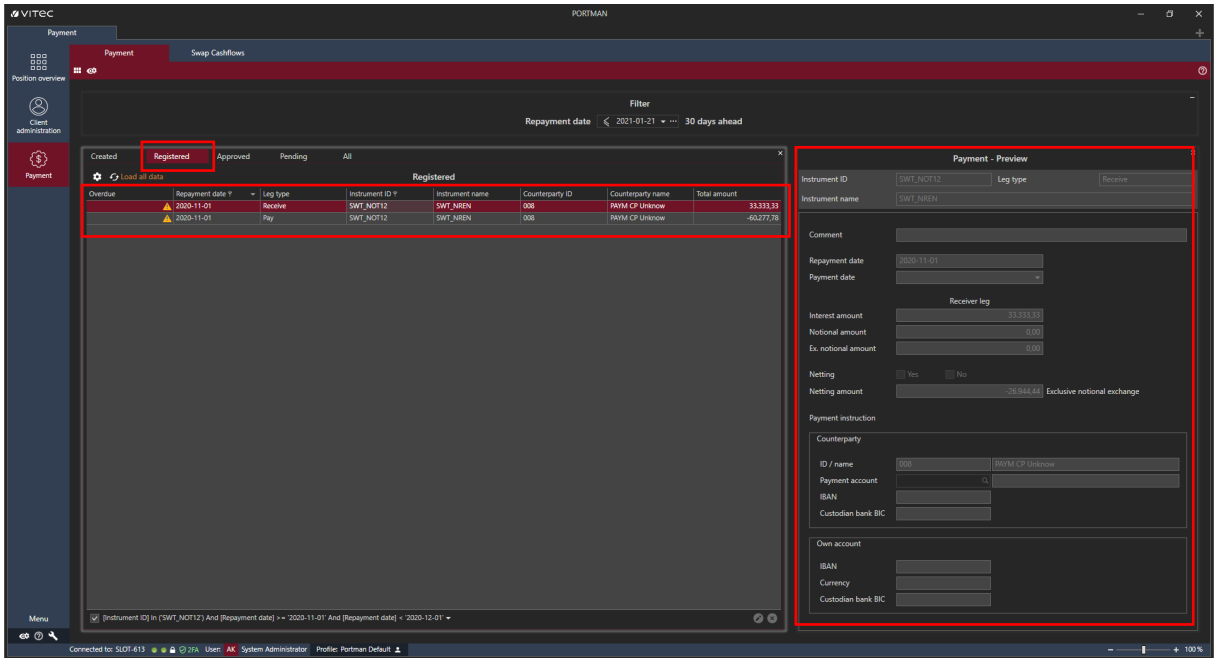


The use case is based on the swap SWT_NOT12, where the 'Created' tab is used to enter future cash flows for January 2021.

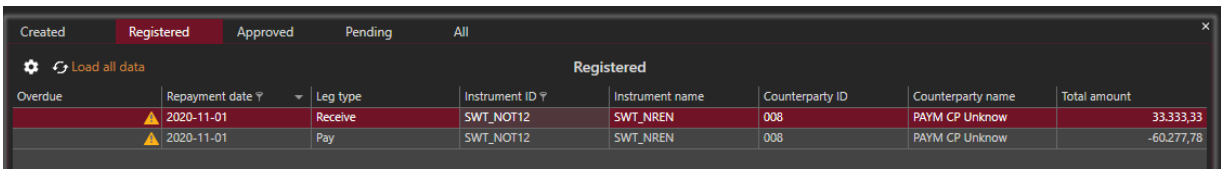
3.2.2. 'Registered' tab

The 'Registered' tab contains a record of all registered L1 transactions, but no payment has yet been made.

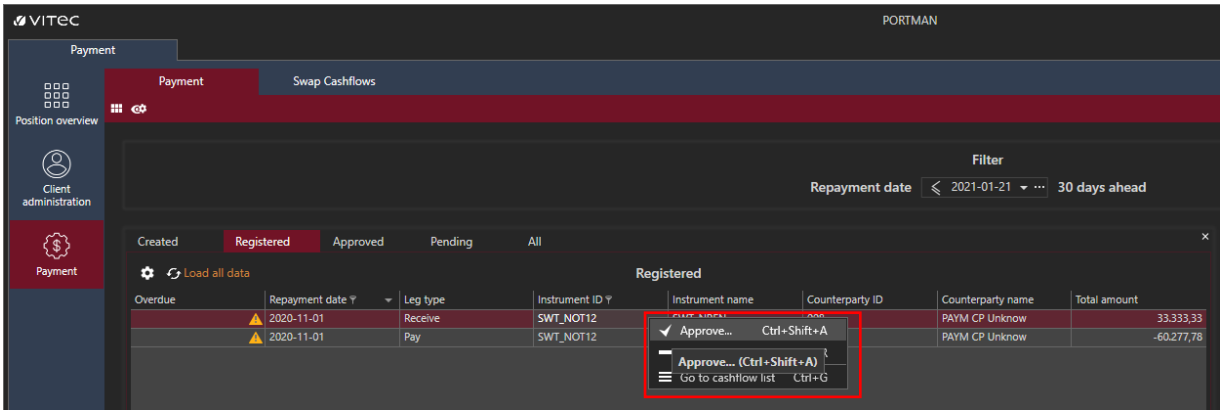
Instrument ID 'SWT_NOT12' and the 'Pay' legs as of 2020/11/01 are therefore now visible in this tab.



The amount for the 'Pay' leg is DKK -60,277.78, and DKK 33,333.33 for the 'Receive' leg.

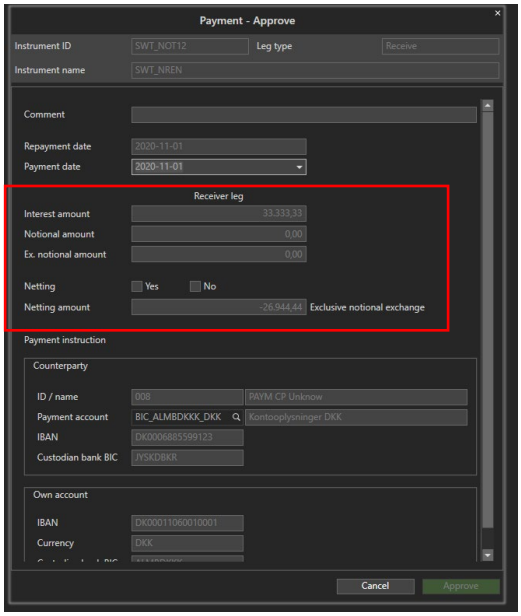


To approve payment, right-click on the record and click 'Approve'.

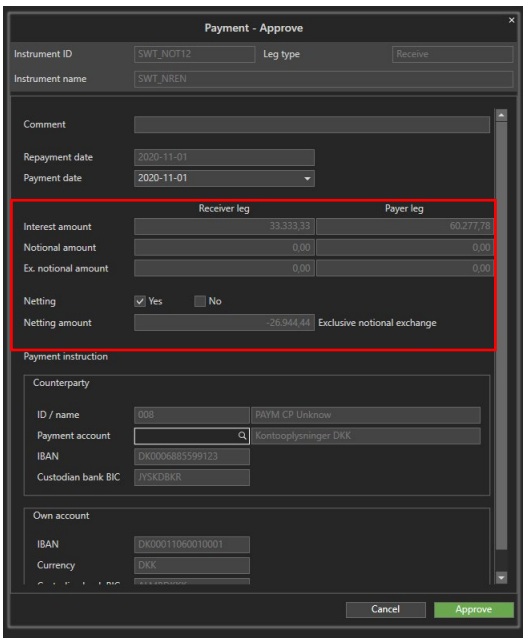


The dialogue on the right now changes the status to 'Payment - Approve'.

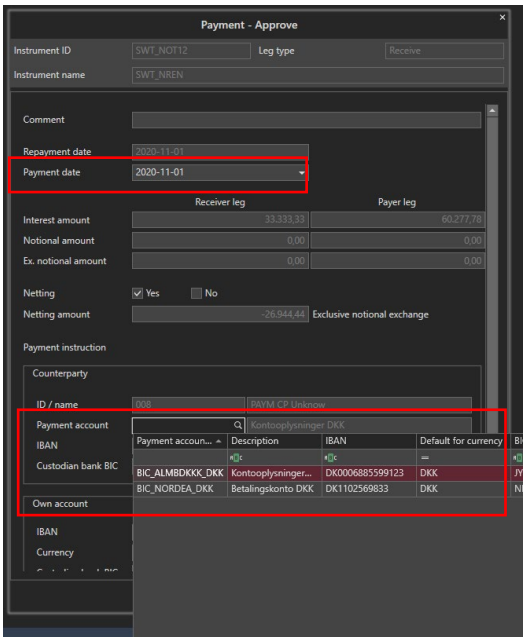
Netting is set to 'IsPossible', so you have the flexibility to choose the method for each payment.



Click Yes next to 'Netting'. You can now see the amounts for both legs and the netted amount, which is DKK -26,944.44. Because it is negative, the process will eventually result in a SWIFT file.



The only other things you can change in the dialogue are 'Payment date' and 'Payment account'. Under 'Payment account', you can choose from the accounts related to that 'Counterparty'.



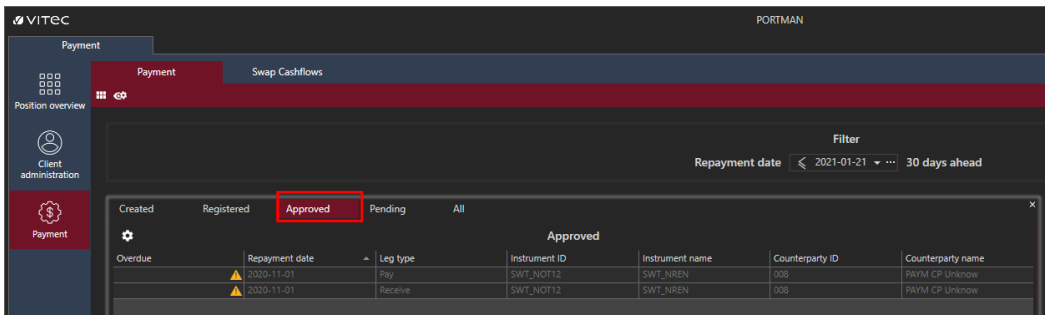
To exit, click 'Approve' at the bottom right of the dialogue. Because the swap has been netted off, both legs/cash flows disappear from the 'Registered' tab.

3.2.3. 'Approved' tab

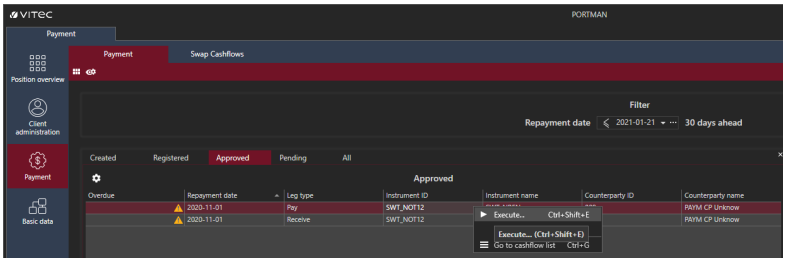
The 'Approved' tab contains all approved but not yet executed payments.

The execution of approved payments requires two things:

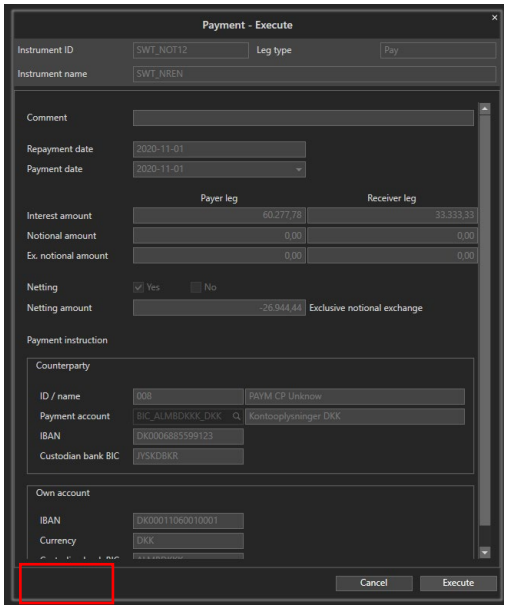
- A 'second pair of eyes', i.e. the payment must be executed by a different user than the person who approved the payment
- Two-factor authentication, which is a new and more secure PORTMAN logon method



When a user other than the person who approved the payment is logged on with two-factor authentication, they can now right-click on the approved payment and click 'Execute'.



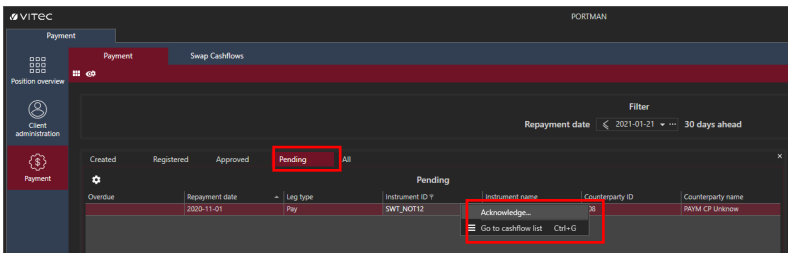
The dialogue on the right changes to 'Payment Execute'. This applies to both legs.
Click 'Execute' at the bottom right to execute the payment. It will then disappear from the 'Approved' tab/status.

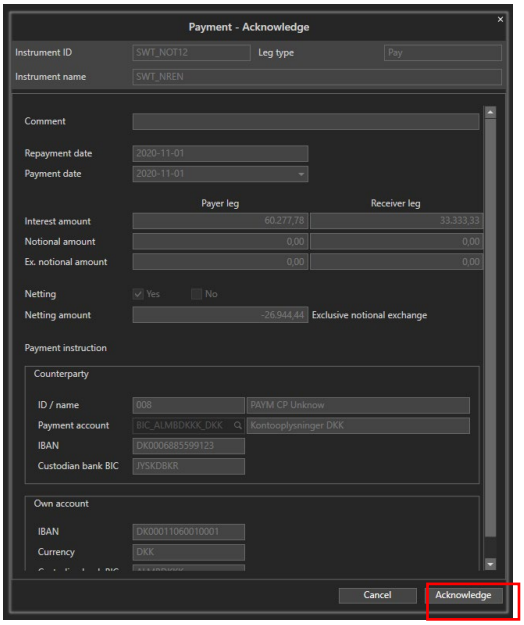


3.2.4. 'Pending' tab

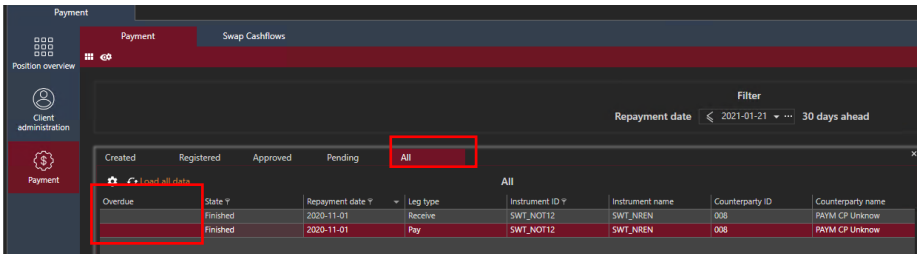
The 'Pending' tab contains executed payments, which also means that SWIFT files have been created. See section 3.3 for SWIFT formats.

Payment execution requires a final confirmation from the user, which can be done by right-clicking on 'Acknowledge'.





After that, it will only appear in the 'All' tab. Note that the status is now 'Finished'.



3.2.5. Other options in the process

We will now run through other functionalities in the module, including the options for:

- cancelling approved payments
- cancelling registered payments
- netting

3.2.5.1. Cancelling approved payments

You can cancel approved payments by right-clicking on each payment on the 'Approved' tab.

This is where you can enter a comment.

3.2.5.2. Cancelling registered payments

You can cancel registered payments by right-clicking on the 'Registered' tab.

This is where you can enter a comment.

3.2.5.3. Netting

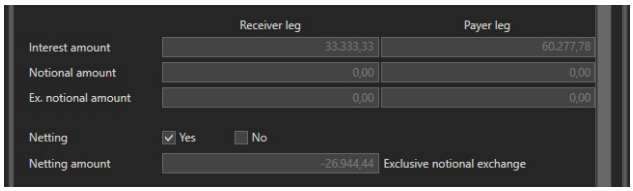
Payments can be netted against negative payments (i.e. amounts to be received from counterparties) if the following criteria are met:

- an agreement on netting has been reached with the counterparty
- the payment and negative payment have the same 'Repayment date'
- the payment and negative payment are in the same currency

Netting means that only the difference between the payment to the counterparty and the negative payment (i.e. the payment from the counterparty) is paid.

The 'Payment preview/approve' dialogue now contains the 'Netting' field (Yes/No). If the payments are always netted off (Netting agreement = Always), this field is set to 'Yes' and locked. If payments are never netted off (Netting Agreement = Never), the field is set to 'No'. If the agreement is flexible (Netting agreement = IsPossible), the user is free to choose and a decision is taken each time a payment is made.

The system also shows which amounts can/should be netted (Payment amount) – see example below:



In the Payment window, you can get an overview of payments that have been netted off by including the 'Is netted' column in the display and possibly setting a filter.

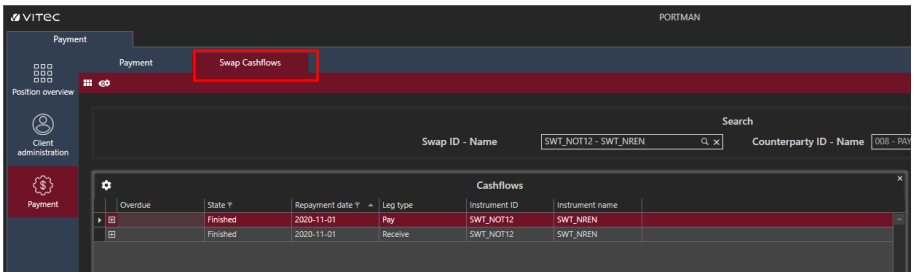
3.2.6. 'Swap Cashflows' tab

In the top 'Swap Cashflows' tab (on the same level as 'Payment'), you can get a complete overview of the status of all registered cash flows.

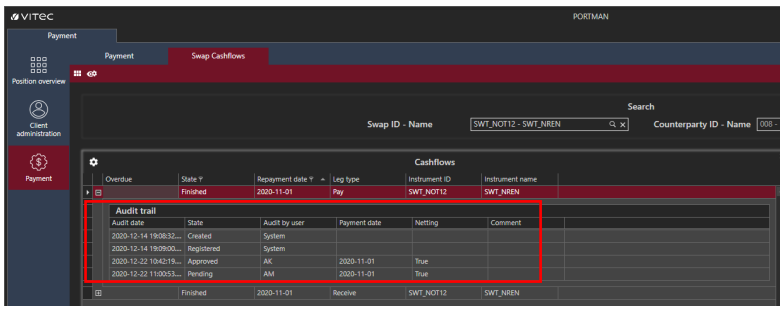
You can start by searching for a specific 'Swap ID – Name', or 'Counterparty ID – Name'.

This will return all existing cash flows within those parameters. As well as viewing the status of the individual cash flows, you can open an 'Audit trail', i.e. a log of when the cash flow was 'created', 'registered', 'approved' etc., and by whom. This dialogue shows details of the user, payment date, netting and any added comments.

The case below has been filtered according to the swap legs used in the use case.



Audit trail showing when the payment was created, registered and approved.



3.3. SWIFT file

When a payment is executed/sent, a SWIFT message is created which goes to this location: ...\ALOC\PORTMAN\PM\export_swift.

PORTMAN supports two formats, MT202-ISO15022 and pain.001-ISO20022.