Creating integrated asset and liability management solutions

BBD has a long history with a treasury service, appointed in 2007 to develop and implement an integrated asset and liability management system for managing government cash, domestic and foreign public debt.

Objectives

- Provide a secure and integrated asset and liability management solution
- Manage government's debt
- Administer government's daily expenditure and revenue
- Manage daily cash liquidity of government's investment portfolio

Benefits

- Integration and automation between financial institutions
- Multi-level authorisation for financial transactions
- Automated bank reconciliation
- Correspondence generation for investors
- Automated banking details verification with banks
- Automated RICA and FICA verification
- Management of the Government Employee Housing Scheme (GEHS)

Overview of the solution

South Africa's economic and fiscal policy development is driven by the Ministry of Finance. Within this, the client handles the co-ordination of intergovernmental financial relations, manages the budget preparation process and exercises control over the implementation of the annual national budget, including any adjustment budgets.

The Asset and Liability Management (ALM) division is a unit within this government agency. Their strategic objective is to manage government's financial asset and liability portfolio in a way that ensures prudent cash management, asset restructuring, financial management and optimal management of the state's domestic and foreign debt.

To ensure the above objective is met, a strategic project was established in 2007, with the primary goal being to provide a fully secure and integrated ALM solution. This solution would manage government's debt, administer government's daily expenditure and revenue, while managing the daily cash liquidity of government's investment portfolio. The management of the Government Employee Housing Scheme (GEHS), a benefit that offers housing access support services to government employees, also falls within this solution.

BBD was brought onboard to roll out this project over a decade ago and has become a long-standing partner of this client since the initial implementation.

Features and capabilities

The debt management solution developed by BBD offers the treasury service an integrated solution that links with other external systems.
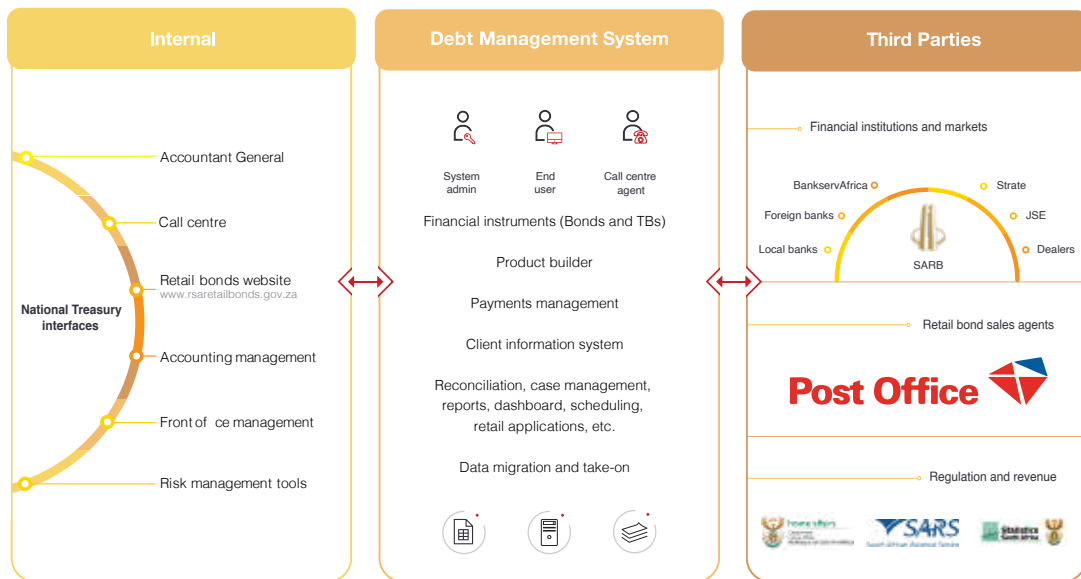
The system includes the following dynamic features:
- Seamless integration for accounting and debt management
- Bank reconciliations, general ledger and reporting
- Exchequer management of daily revenue and expenditure operations
- Integration to SWIFT and BankservAfrica
- Integration with the South African Post Office point-of-sale systems
- Profiling, identity verification and client management including verification of FICA and RICA (banking and residential) details

Key business capabilities derived from BBD's solution include:
- The core database and integrated application components required to manage and process all aspects of domestic and retail bonds, together with foreign loans:
  - Debt instrument register management
  - Investor and counter-party management
  - Investment management
  - Transaction management
  - Accounting

- The interfaces to and from the ALM back office, including interfacing to the management system:
  - Internal interfaces to other functions within the ALM division
  - External interfaces to functions and organisations external to the ALM division

- The subsystems required to manage and support the core business application:
  - Access control and segregation and/ or authorisation of functions
  - Audit control
  - Validation and verification
  - Management reporting and information dissemination
  - Liquidity management of the foreign and domestic reserve accounts

- Integrated cash management:
  - Management of public foreign and domestic reserves held at both commercial banks and national banks
  - Management of the Corporation for Public Deposit accounts
  - Management of government's daily expenditure and automation of straight-through processing of cash and liquidity
  - Automation of roll-up of government cash balances held at commercial banks

- Integrated debt management
  - Management and servicing of both long-term and short-term debt based on an integrated asset and liability management framework (both foreign and domestic debt)
  - Management of a retail and savings bond
  - Automation of the dematerialisation of RSA bonds with the central depository at STRATE, using SWIFT
  - Automation of liquidity enhancements with primary dealers
  - Automation of the payment process to settlement banks (SARB and BankservAfrica) using SWIFT
  - Automation of bank reconciliation processes of the debt issuance, debt servicing and debt settlement
  - Automation of real-time verification processes with the different agencies (banks, Department of Home Affairs, SARS for the IT3B submissions)

Core module and interface

Internal	Debt Management System	Third Parties

Internal
- Accountant General
- Call centre
- Retail bonds website www.rsaretailbonds.gov.za
- National Treasury interfaces
- Accounting management
- Front office management
- Risk management tools

Debt Management System
- System admin
- End user
- Call centre agent
- Financial instruments (Bonds and TBs)
- Product builder
- Payments management
- Client information system
- Reconciliation, case management, reports, dashboard, scheduling, retail applications, etc.
- Data migration and take-on

Third Parties
- Financial institutions and markets
  - BankservAfrica
  - Foreign banks
  - Local banks
  - SARB
  - Strate
  - JSE
  - Dealers
- Retail bond sales agents
  - Post Office
- Regulation and revenue
  - SARS

Challenges

The previous static environment of the treasury service meant that processes were manual and uncoordinated, resulting in siloed operations within the department and across stakeholders. The department expressed a need to have a financial instrument manager for the scheduling of future government obligations such as loan repayments, redemptions of debt, interest payments and fees, and to reduce time spent on manual processes. BBD's expert skills and knowledge were brought to bear to ensure the ALM system was implemented and could perform tasks such as:

- Authorisation of financial transactions by multiple resources
- Manual bank reconciliation
- Generating reports and sending correspondence to investors
- RICA, FICA and bank detail verifications

Impact of BBD's partnership

We have been able to assist the client realise their vision and mission, underpinned by these four important pillars, which impact each and every citizen:

- Promote economic growth and employment
- Reduce poverty
- Ensure good governance and accountability
- Promote optimal allocation and utilisation of state financial resources

Get in touch

If you'd like to engage with us, we'd love to hear from you.

✉ info@bbdsoftware.com

bbd
bbdsoftware.com