## BACKGROUND

UK Export Finance (UKEF) is a government department and is the UK’s Export Credit Agency (ECA). UKEF offers guarantees, insurance or loans to exporters or overseas buyers, to advance prosperity by ensuring no viable UK export fails for lack of finance and insurance, doing that sustainably and at no net cost to the taxpayer. In 2021/22 the department supported £7.4bn of business through directly supporting 545 companies.

## PURPOSE OF THIS DOCUMENT

UKEF is conducting a review of its system requirements for its loan servicing process. For UKEF, loan servicing encompasses the point that a deal is signed and reportable until the stage where UKEF is no longer exposed to any risk of claim or loss.

Our focus is on servicing only and, whilst we recognise some systems will offer loan origination and/or credit approval as part of the overall package, we will only assess these systems for their servicing capability.

## PRODUCT SUITE

UKEF offers three distinct types of business support:

**Insurance** - Provides protection to an exporter against risks such as a buyer’s inability to settle a trade contract, or the calling of a bond issued by an exporter’s bank;

**Direct Lending** - Provides an overseas buyer with the funds to procure goods and services from the UK;

**Financial Guarantees** - Provides protection to a financial institution against the failed repayment of a loan or guarantee that it has issued to support a UK exporter. Where a loan is being guaranteed this will cover both the principal and any interest accrued but not yet paid.

Whilst it would be beneficial to UKEF to have a single system that can manage all three product types, our procurement does not exclude the possibility of buying one or more systems to meet our needs.

## DOCUMENT CONTENT

This document outlines UKEF’s main functional and non-functional requirements for a loan servicing system.

The functional requirements have been rated using the MoSCoW approach:

**M**ust Have: Requirements that must be met by any system we select.

**S**hould Have: Requirements that are important for the business but the project can be implemented without them.

**C**ould Have: Requirements that are nice to have but have a low impact on the success of the project.

**W**ill Not Have**:** These are requirements that are not required by UKEF for a successful completion of the project. These high-level functions are covered in the section ‘Out of Scope’.

**Please note that we are at the scoping stage of this requirement and therefore the below requirements are not necessarily exhaustive, and could be subject to change.**

## GENERAL

| **FUNCTIONALITY** | **MoSCoW** |
| --- | --- |
| Ability to handle transactions in multiple currencies with the list of available currencies being user configurable | M |
| Provide flexibility around product characteristics and behaviours that will enable us to define product variants without the need to revert to the supplier for coding changes | M |
| Ability for system to present all input data for approval in an easy-to-read check list | S |
| Ability to add user comments on facilities/loans | S |
| Input once use many functionality (dates etc) | M |
| Ability to build templates to reduce keying | S |
| Have user configurable calendars that show non-business days in a particular market, e.g. UK public holidays for GBP | M |
| Ability to build different business day calendars and to be able to apply a combination of those calendars to a facility/loan | S |
| Multiple user-defined fields at all entity levels (e.g. facility, loan) in various formats (date, text, decimal, integer, lookup) | M |
| Provide configuration that prevents incorrect transactions or events being applied to the wrong product (e.g. cash settlement on a guarantee) | S |
| An input and approval process where UKEF can define which products/events are subject to approval, and to assign different users, or groups of users, to those processes | M |
| Ability to automatically flow down default values from higher level entities (e.g. Facility Expiry Date to Loan Maturity Date) | S |
| Ability to define and use templates for common record types | S |
| Ability to record forward date events or transactions without them impacting the current balances | M |
| Ability to amend or cancel forward dated transactions | S |
| Ability to amend the effective date of events or transactions without adversely affecting other records in the system | S |
| Have a full audit trail of user data updates | M |
| Have a diary process that notifies users of scheduled activity (e.g. interest payment due) | M |
| Ability to auto-assign scheduled work to specific work queues | S |
| Ability to designate security access by discrete user or groups of users | S |
| Ability to reverse actions/transactions processed against any record but with an audit trail of the action taken | M |

## CUSTOMER

| **FUNCTIONALITY** | **MoSCoW** |
| --- | --- |
| Allow UKEF to set a unique reference that links to our central customer database | M |
| Assign one or more user definable party roles to a customer record (e.g. exporter, buyer) | M |
| Ability to restrict a customer’s involvement in a deal, facility or loan depending on its assigned roles | S |

## PORTFOLIO/BRANCH

| **FUNCTIONALITY** | **MoSCoW** |
| --- | --- |
| Ability to group Deals and Facilities into a common portfolio or branch, based on user criteria | M |

## DEAL

| **FUNCTIONALITY** | **MoSCoW** |
| --- | --- |
| Optional ability to link facilities together in a deal structure | M |

## FACILITY

| **FUNCTIONALITY** | **MoSCoW** |
| --- | --- |
| Ability to record bi-lateral deals and facilities between UKEF and another party | M |
| Ability to create, configure and update different facility types with different terms and conditions | M |
| Ability to record one or more participants who assume part of UKEF’s risk | M |
| Ability to record repayment profile as fixed amounts or a percentage of the outstanding balance | M |
| Ability to pro-rata a repayment profile based on the percentage of the facility that has been drawn | M |
| Ability to record estimated future drawings against a facility | C |
| Ability to project future cashflows based on the current utilisation plus the effect of repayment profiles and drawdown schedules | S |
| Ability to sub-categorise facility type to allow lower level of granularity | S |
| Handle the different behaviour of term and revolving facilities | M |
| Provide a date field that records the date from which the facility is reportable | M |
| Provide a date field that records when a borrower’s availability to draw ends, with the ability to extend that availability if required | M |
| Provide a date field that records when a facility expires | M |
| Provide a date field that records when a UKEF’s risk exposure expires (can be later than the facility expiry date) | S |
| Ability to change the obligor on the facility record | S |
| Ability to change the currency of the facility | S |
| Ability to record Covenants that must be met by the obligor or other parties involved with the facility. | C |
| Ability to record and update any Conditions Precedent associated with the facility | M |
| Ability to record Guarantees that form part of a facility’s terms and conditions | M |
| Ability to restrict which currencies can be recorded under a specific facility | S |
| Ability to restrict which product types can be booked under a facility | S |
| Ability to link a new facility to a closed to reflect that the new one is a continuation of the old one | S |

## FACILITY-LEVEL FEES

| **FUNCTIONALITY** | **MoSCoW** |
| --- | --- |
| Ability to create, configure and update different fee types | M |
| Ability to record fixed fees as a set amount | M |
| Ability to record fixed fees as a percentage of a system balance | M |
| Ability to record fees as receivable or payable | M |
| Ability to record accruing fees using different days basis | M |
| Ability to accrue fees on the limit amount | M |
| Ability to accrue fees on the used amount | M |
| Ability to accrue fees on the unused amount | M |
| Ability to amortise upfront fees on a straight-line basis | M |
| Ability to mark fees as held in suspense | M |
| Ability to record a payment or receipt on the fee record | M |
| Ability to record a fee end date for accruing fees | M |
| Ability to set a cap on the accruing balance after which accruing will stop | M |
| Ability to record tiered accruals that accrue at a different rate depending on the magnitude of the accruing balance | S |

## DRAWINGS

| **FUNCTIONALITY** | **MoSCoW** |
| --- | --- |
| Ability to create, configure and update different product types with different terms and conditions | M |
| Ability to define cash products (e.g. Loan) | M |
| Ability to define non-cash products (e.g. Guarantee) | M |
| Ability to record principal payments and receipts against the drawing record | M |
| Ability to record the drawing in a currency other than the facility currency | M |
| Ability to record multiple drawings under the same facility | M |
| Provide a date field that records the date from which the drawing is reportable | M |
| Provide a date field that records the date the drawing matures and should be repaid | M |
| Ability to record multiple income or expense streams against the same loan | M |
| Ability to record an FX Rate against a drawing that’s in a different currency to the facility | M |
| Ability to record a repayment profile with system notification of when amounts fall due | M |
| Where a facility has an overall repayment profile, link the drawing to that record | S |

## DRAWING-LEVEL ACCRUALS

| **FUNCTIONALITY** | **MoSCoW** |
| --- | --- |
| Ability to calculate interest accruals using different days basis | M |
| Ability to handle different business day conventions (e.g. Modified Following / Following / Preceding / Same Day) | M |
| Ability to link interest accruals to centrally-held market rates including Risk Free Rates | M |
| Ability to calculate daily accruals | M |
| Ability to record accruals as receivable or payable | M |
| Ability to view the current payoff amount (i.e. accrued but not yet received) | M |
| Provide a date field that records when the current accruing rate was set | M |
| Ability to start the accrual from a date that is later than the drawdown date | M |
| Provide a date field that records when the current accruing rate will be reset | M |
| Ability to record future rate changes | M |
| Automatically calculate and apply penalties for late payment or other violations, based on rates set by system or user | M |
| Ability to define payment due date on accrual record | M |
| Ability to book flat fees against the drawing record | M |
| Ability to set a cap on the underlying balance on which accrued interest or fees are calculated | M |
| Ability to record tiered accruals that accrue at a different rate depending on the magnitude of the underlying balance | S |
| Ability to record payments and receipts on the accrual record | M |

## CASH

| **FUNCTIONALITY** | **MoSCoW** |
| --- | --- |
| Attach payment instructions or references that link to centrally held instructions | M |

## CLAIMS AND RECOVERIES

| **FUNCTIONALITY** | **MoSCoW** |
| --- | --- |
| Ability to record when a claim has been made against a UKEF facility | C |
| Ability to record when a claim has been paid | C |
| Ability to generate payment entries for a claim | C |
| Ability to record a reinsurer’s share of a claim paid by UKEF | C |
| Ability to record the receipt of a reinsurer’s share of a claim paid by UKEF | C |
| Ability to record delay interest due from UKEF to a claimant when a claim is paid | C |
| Ability to accrue default/penalty interest on a claim | C |
| Ability to record a recovery against a specific claim | C |
| Ability to pay a reinsurer its share of a recovery | C |
| Ability to record receipt of default interest | C |
| Ability to pay a reinsurer its share of a default interest | C |
| Ability to write of an outstanding claim if no further funds are expected to be received | C |

## OUT OF SCOPE

The following functionality does not currently form part of UKEF’s business model and will not, therefore, be assessed as part of our procurement process:

| **FUNCTIONALITY NOT REQUIRED** |
| --- |
| Primary loan syndication |
| Secondary loan trading |
| Agency management |
| Loan origination |
| Credit approval workflow |

## NON FUNCTIONAL REQUIREMENTS

| **REQUIREMENT** | **MoSCoW** |
| --- | --- |
| All solutions will be operated as a “Cloud Native” Software as a Service (SAAS) model | M |
| The system(s) and any supplier managed integrations shall meet or exceed 99.99% uptime | M |
| Support: Telephone and email support during UK working hours (8am-6pm Mon-Fri). Immediate response to log calls with a graded resolution dependent on complexity | M |
| User interfaces should be browser based and should meet WCAG 2.1 AA rating. Where the software has not met this level, a roadmap of when it will become accessible must be available. | M |
| Support for Edge as primary browser and Chrome as secondary | M |
| The software supplier shall ensure staff are appropriately assigned to undertake IT Service Continuity Management [ITSCM] with clearly defined and documented roles & responsibilities. | M |
| The software supplier shall have an ITSCM Policy and regularly test their organisation’s IT Service Continuity Plan. | M |
| The software supplier will have procedures for the technical recovery of networks, appliances, systems and applications which support your products and / or services. | M |
| Recovery Time Objective: In the event of an unplanned outage the service must be recovered within 8 hours (RTO). | M |
| Recovery Point Objective: When returning the service, no more than 8 hours of data can be lost (RPO). | M |
| Multi-site redundancy: The solution must be resilient across ‘multi-sites’ and should one site become inaccessible the application should be become available from the secondary site | M |
| Where the software supplier provides the backup method for the solution(s)  Daily backups will be retained for 35 days.  Weekly backups of production data retained for 1 year.  Monthly backups will be retained for 2 years,  Annual backups will be retained for 10 years.  Backup files must be stored in UK/EEA location | M |
| The software suppliers solution(s) should be able to facilitate the securing of data by a third party backup solution of the customers choosing | M |
| Environments – The buyer will require 3 environments (Dev, Test/Pre-Prod, Live; with option to split Test/Pre-prod within the terms of the contract) for each software solution. | M |
| The solution(s) must be performant so that changes in data are reflected in screens and reports in near-real time | M |
| The software must have a library of APIs that allow external systems to read, create new, or amend existing records | M |
| Data should be held in a database accessible via ODBC | M |

## SECURITY AND DATA

| **REQUIREMENT** | **MoSCoW** |
| --- | --- |
| ISO27001: The totality of the scope of service for the buyer must be covered by ISO27001 certification or equivalent | M |
| The solution(s) must remain resilient in the face of attacks. The behaviour of the solution(s) must be correct, predictable and behave reliably even under DOS attacks. | M |
| The solutions(s) must not return a restricted web page to any browser that it cannot authenticate or any user that is not authorised to access it. | M |
| UK/EEA Hosting: The solution must be hosted in the UK/EEA. No buyer data shall leave the UK/EEA or be accessed from outside the UK/EEA (including sub-processors) | M |
| GDPR Compliance and Process: The solution must comply with GDPR. This includes providing a list of Personally Identifiable Information (PII) stored in the systems and having processes to support with the various type of GDPR requests (e.g. ‘Subject Access Request’, ‘Right to be Forgotten’). | M |
| Data at rest will have as minimum AES-256 encryption and follow National Cyber Security Centre (NCSC) credentials | M |
| Data encryption at transit - Transport Layer Security of 1.2 or higher is required | M |
| Any file transfer will be through an encrypted SSL/TLS session | M |
| All solutions that require managed user access will have the option to integrate UKEF Azure Active Directory | M |
| VPN Tunnels will require an [IPSec compatible tunnel](https://eur03.safelinks.protection.outlook.com/?url=https%3A%2F%2Fwww.ncsc.gov.uk%2Fguidance%2Fusing-ipsec-protect-data&data=05%7C01%7CIan.James%40ukexportfinance.gov.uk%7C54e7249b4e704f3b5f5b08db7bacfabc%7C8084138e9400409ea6da46b5281e0b0a%7C0%7C0%7C638239755092923529%7CUnknown%7CTWFpbGZsb3d8eyJWIjoiMC4wLjAwMDAiLCJQIjoiV2luMzIiLCJBTiI6Ik1haWwiLCJXVCI6Mn0%3D%7C3000%7C%7C%7C&sdata=f3%2Bfj1gxn2JPOkE0GaVT3tBHUR9Z3jdLbiymSoqcyS4%3D&reserved=0) | M |
| Before go-live, the Implementation Partner will allow the buyer to run a full penetration test, with any Critical, High or Medium risk vulnerabilities within the Implementation Partner or Vendors control being repaired at no additional cost to the buyer | M |
| Configuration Audit: The solution will keep an audit of all changes to system configuration | M |
| Data Change Audit: The solution will keep an audit of all data changes within the system, whether automated or manual, include the actor that made the change. | M |
| Breach Notification: In the event the supplier suffers a service failure, data breach or physical security breach the supplier will notify the buyer within 5 hours of confirmation of the issue. | M |

## GLOSSARY OF TERMS

| **TERM** | **DEFINITION** |
| --- | --- |
| **Accruing Fee** | Fees that are earned over a set period of time and settled periodically. Expressed as a percentage of an underlying balance |
| **Customer** | means any party that plays a role in a UKEF deal: |
|  | * Obligor: the party to whom UKEF is exposed * Guarantor: (aka Ultimate Obligor) a party that assumes the risk of the obligor * Bank: a financial institution that has a role in a deal, e.g. agent, syndicate member, sole lender * Reinsurer: a party that takes a share of UKEF’s risk on an insurance deal * Participant: a party that takes a share of UKEF’s risk on a financial deal * Exporter: the party (normally UK based) who’s business UKEF is supporting * Buyer: the party that is purchasing goods or services from the exporter. In most cases this will be the same as the Obligor * Broker: a party that has introduced business to UKEF |
| **Deal** | The overall agreement with the borrower that may consist of one or more facilities. The majority of UKEF’s deals consist of a single facility. Currently UKEF books every facility under a Deal but we would like this aspect to be optional |
| **Drawing** | A transaction that utilises part or all of a facility. Drawings can take the form of:   * Cash e.g. loan * Non-Cash e.g. guarantee |
| **Facility** | A record that reflects a distinct set of terms and conditions, e.g. Term vs Revolver (Note: UKEF makes no distinction between a facility and a Tranche |
| **Facility Type** | A categorisation of facilities that have common characteristics and/or need to be reported as a group |
| **Fixed Fee** | A one-off fee recorded under a facility record. Can be expressed as a discrete amount or a percentage of an underlying balance |
| **Interest** | The cost to the obligor of borrowing cash from a lender. Generally expressed as a market rate (e.g. SONIA) plus a margin rate.  Where UKEF is the lender, the interest is owed to us  Where UKEF is the guarantor the interest is owed to the party that has lent the money, but forms part of UKEF’s exposure if the obligor does not pay. |
| **Limit Amount** | The maximum amount that can be drawn under a facility |
| **Loan Fee** | Fees that are recorded under a drawing record. Can be one-off or recurring fees |
| **Product Group** | A categorisation of drawings that have common characteristics and/or need to be reported as a group |
| **Product Type** | A further sub-categorisation of Product Type that allows for greater granularity in reporting |
| **Revolver** | A facility whose terms allow the obligor to repay and redraw at a later date |
| **Term** | A Facility whose Limit Amount reduces when the obligor makes a repayment, i.e. may not be drawn again |
| **Unused Amount** | The portion of the Limit Amount that has not yet been drawn |
| **Used Amount** | The portion of the Limit Amount that has been drawn |

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