



FMS

FINTEQ MANDATE SYSTEM



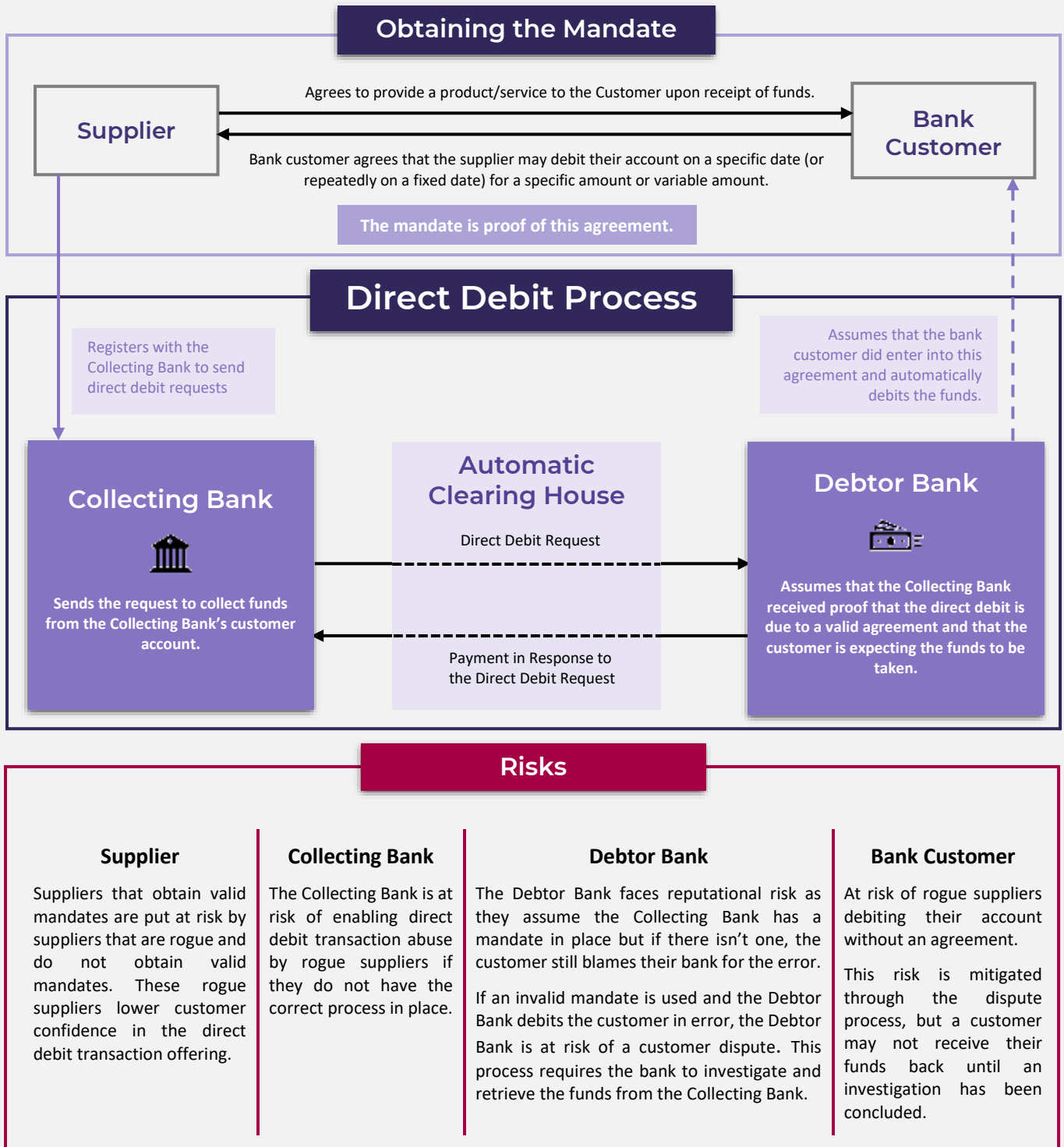
About Finteq

Finteq develops payment solutions used by banks and financial services utilities in Africa. We enable financial institutions to address the challenge of interoperability between proprietary and legacy systems as well as payment management and processing, together with tracking and auditing functionality.



THE FINTEQ VALUE PROPOSITION

The Finteq Mandate System (FMS) is designed to resolve inefficiencies in validation and management of the mandates required for the direct debit process. Direct debit transactions allow suppliers to collect funds directly from customer accounts through the banking system. This process requires a valid mandate as proof that the customer has agreed to this transaction, so funds are not debited by their bank in error. Currently, the validation of direct debit transactions is managed by the Collecting Bank. The FMS creates an opportunity for other stakeholders in the process to take on an active role in the validation and control of mandates and direct debit processes.



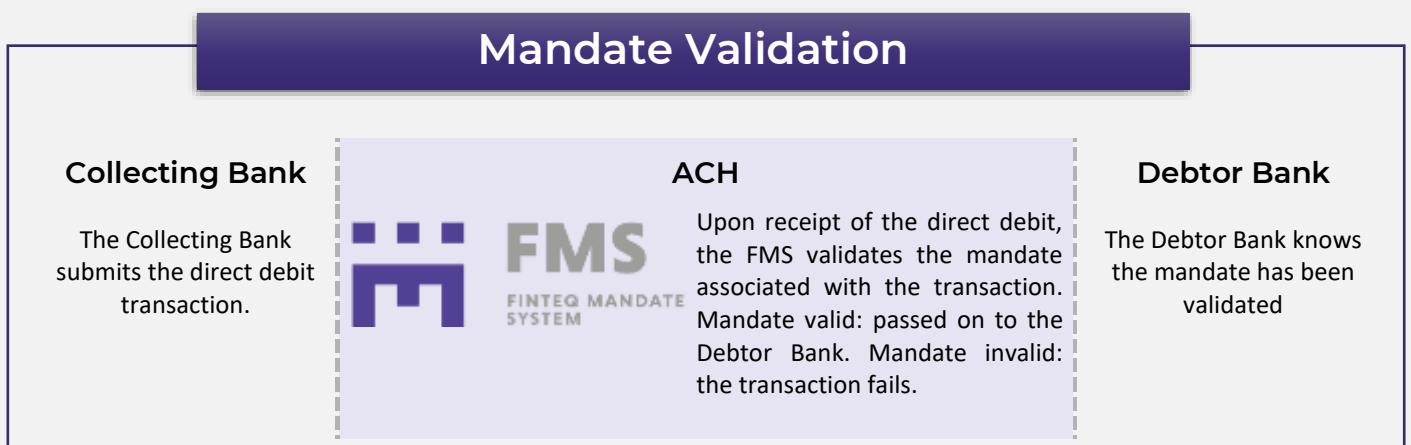
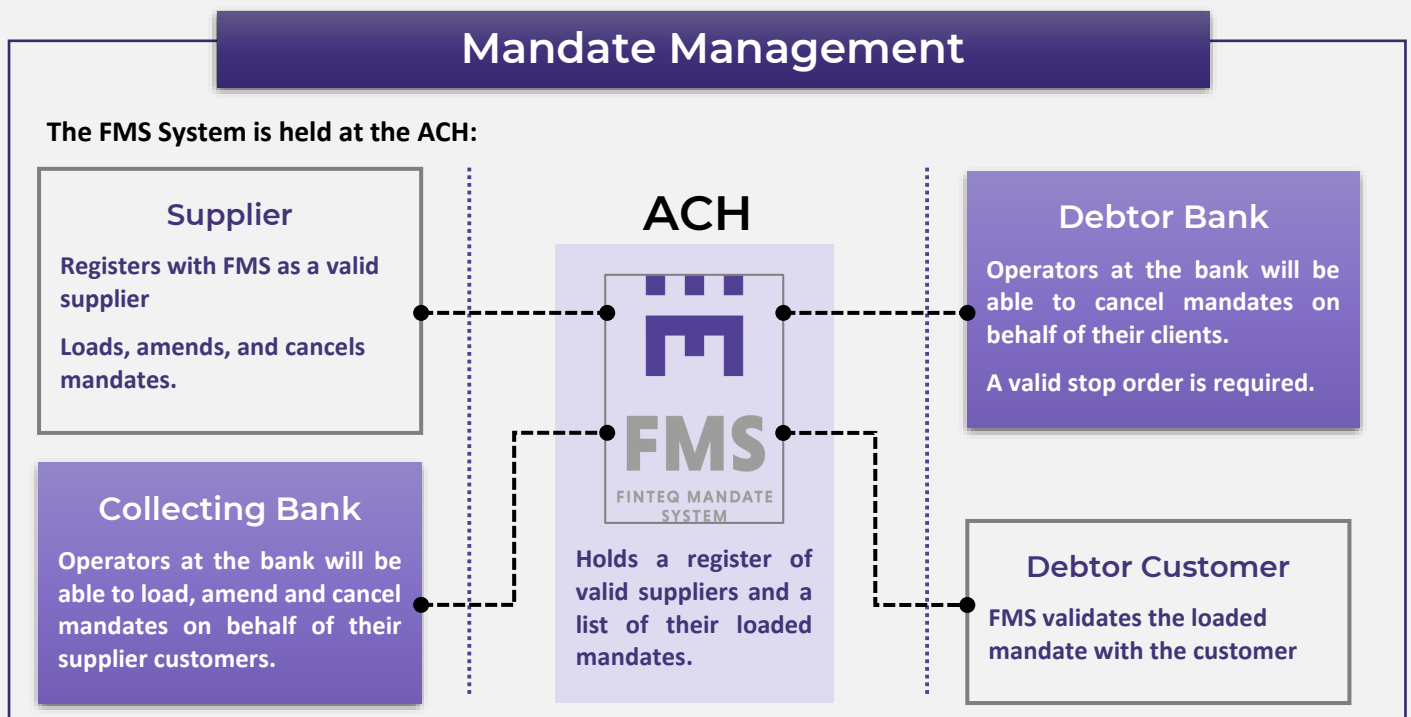
WHAT IS THE FINTEQ MANDATE SYSTEM?

The FMS provides the means to validate direct debit transactions against authorised mandates through a unique mandate reference number. Suppliers, or operators at the stakeholder, will register and authenticate suppliers allowing them to perform mandate actions. Once suppliers are registered and/or mandates are loaded, validation is possible.

FMS held at the ACH

FMS provides access to suppliers to load, amend and delete direct debit transaction mandates. During the process of loading and amending mandates, the FMS sends a notification via SMS to the debtor customer and will require a response for these mandate additions or changes to be executed successfully. The Debtor Bank will also be provided with access to cancel a mandate if required by the debtor customer. Through these processes the FMS provides the participant banks with a level of control over the process in which their customers are involved.

Once the mandate has been loaded, the FMS provides the means to validate direct debit transactions against authorised mandates through the unique mandate reference number. This unique reference number is generated once a mandate is successfully loaded on the FMS and is matched with an incoming direct debit transaction that contains the same unique reference in the message structure.



A mandate system at the clearing house offers several benefits:

- It distributes the responsibility of managing mandates beyond the Collecting Bank.
- It provides the Debtor Bank with a greater degree of control in the direct debit process.
- It enables mandate validation by the supplier and debtor customer via Finteq Mandate System (FMS).

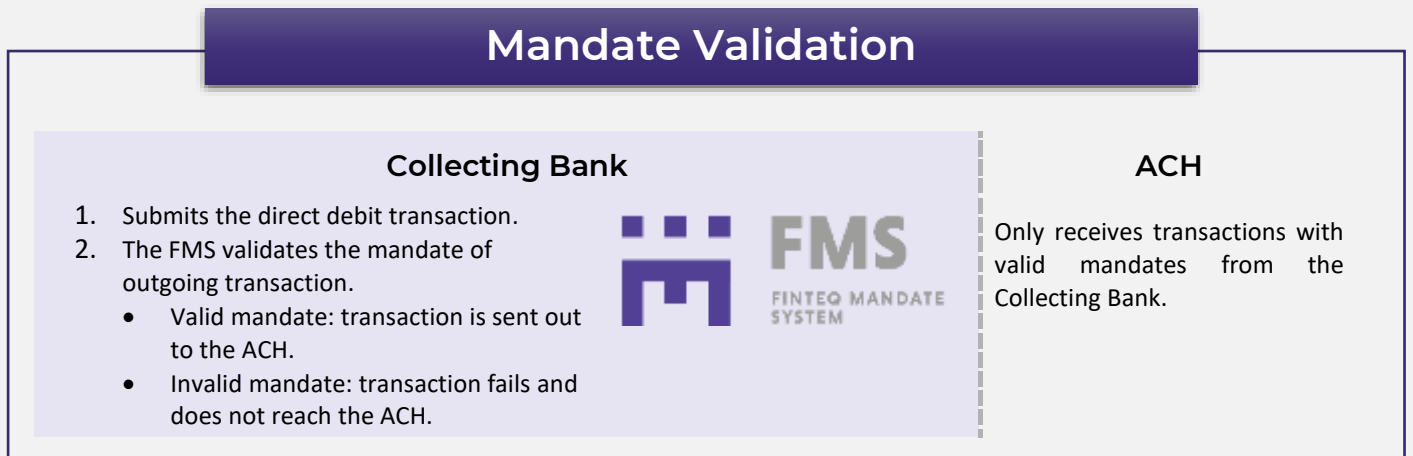
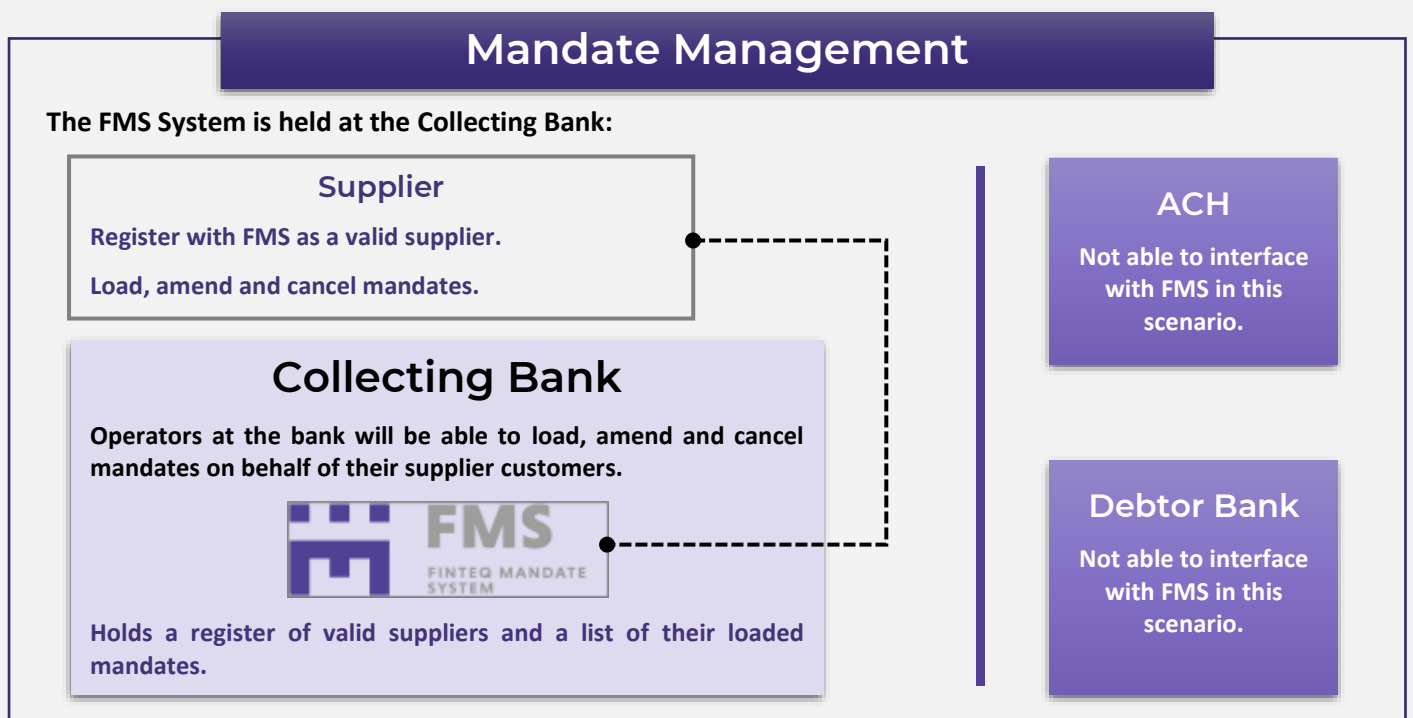
A mandate system at the clearing house helps to mitigate several risks, including:

- Reduced risk of direct debit transaction abuse by rogue suppliers, as they are unable to submit transactions easily.
- Reduced risk of customer disputes as mandates are validated upfront by customers.

FMS held at the Collecting Bank

The FMS provides access to suppliers to load, amend and delete direct debit transaction mandates. The Debtor Bank is not able to interface with the FMS and will not be provided with access to cancel a mandate if required by the debtor customer.

The FMS provides the means to validate direct debit transactions against authorised mandates through a unique mandate reference number. This validation step aims to stop transactions with invalid mandates from reaching the ACH and the Debtor Bank. This validation step will also highlight which suppliers to manage if they continuously send direct debit transactions with invalid mandates.



A mandate system at the Collecting Bank offers several benefits, including:

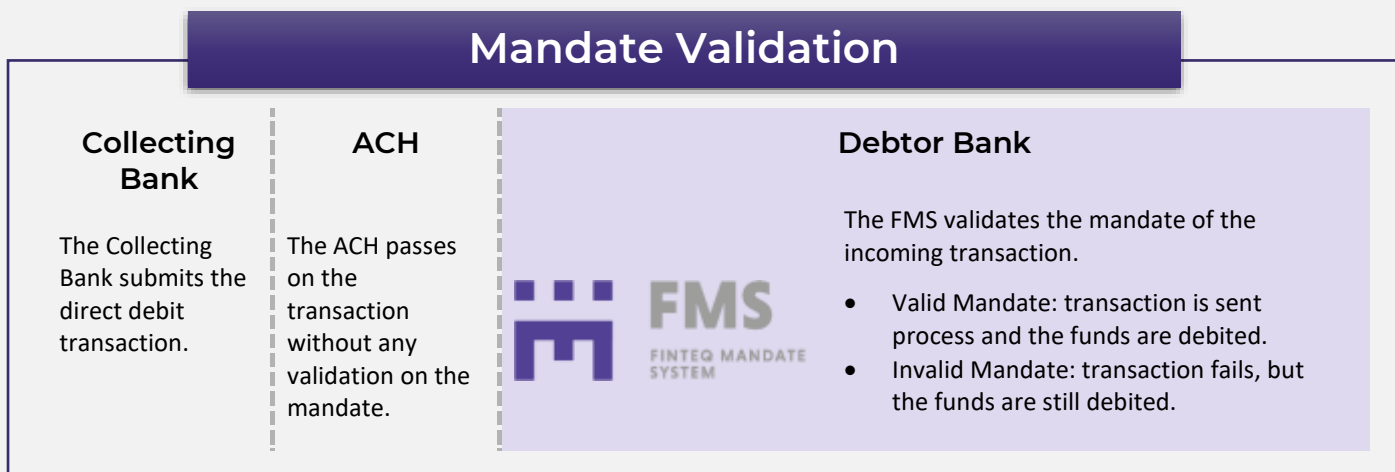
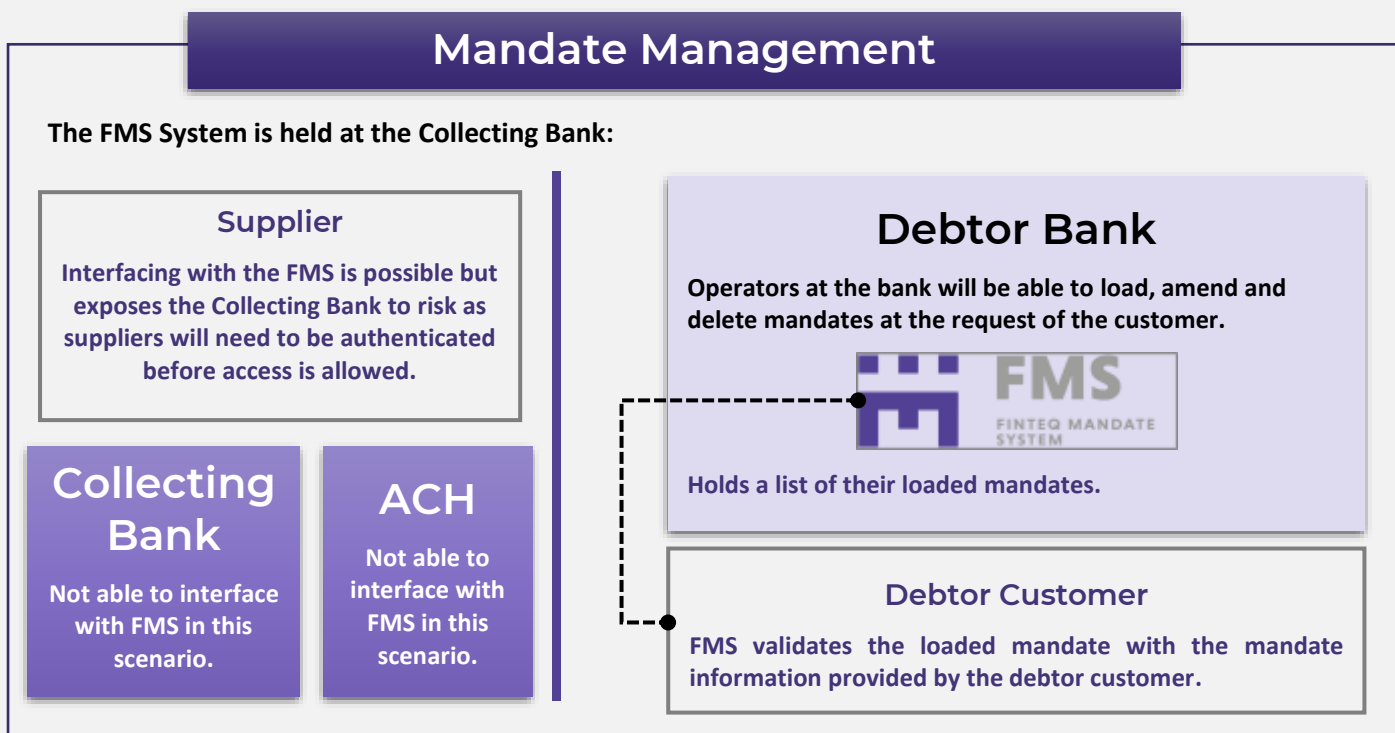
- Validation of the mandate before the transaction is sent to the ACH.
- Dual validation of the mandate, both during loading and when the transaction is being sent, ensuring that invalid mandates are identified and eliminated before they reach the ACH.
- Identification of suppliers that consistently submit transactions with invalid mandates.

FMS at the Collecting Bank helps to mitigate several risks, including:

- Reduced risk of direct debit transaction abuse.
- Reduced risk of customer disputes

FMS held at the Debtor Bank

In this model, the FMS cannot easily provide access to suppliers to load, amend and delete direct debit transaction mandates. Instead, the FMS provides access to the debtor customer or an operator at the Debtor Bank to load, amend and delete direct debit transaction mandates. The FMS provides the means to validate direct debit transactions against authorised mandates through a unique mandate reference number. Transactions are then validated when received from the ACH. If a mandate has not been loaded by a customer, the direct debit transaction is processed as a transaction with an invalid mandate. The Debtor Bank then has sight of which transactions may hold a higher risk of customer dispute. This process within the FMS provides the participant banks with a level of control over the process in which their customers are involved.



A mandate system at the Debtor Bank offers several benefits, including:

- Providing the Debtor Bank with a higher level of control in the direct debit process.
- Validating the mandate through Finteq Mandate System (FMS) by the debtor customer.
- Enabling the monitoring of direct debit transactions that have not been confirmed as valid by the customer monitored.

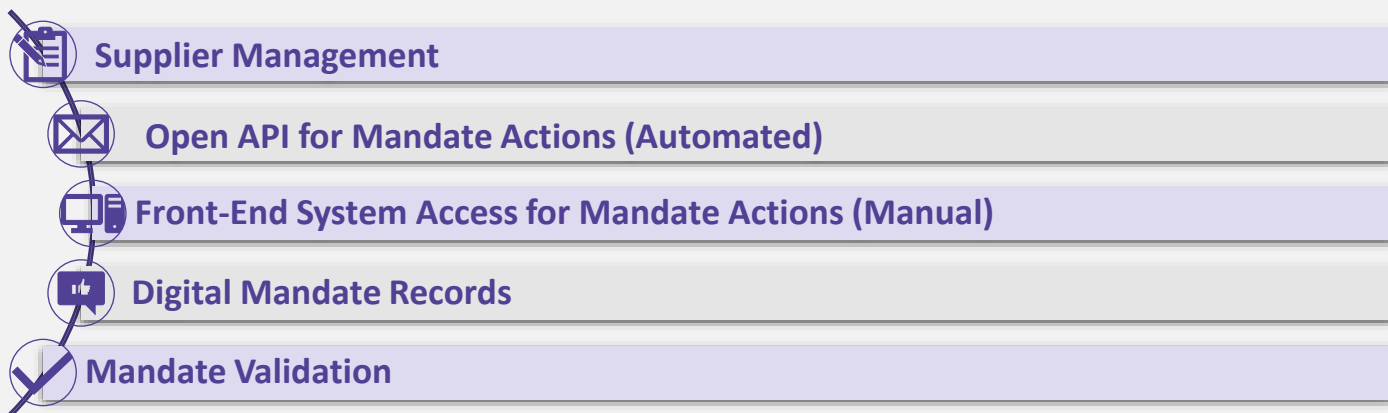
FMS at the Debtor Bank helps to mitigate several risks, including:

- Reduced risk of direct debit transaction abuse.
- Reduced risk of customer disputes.
- Reduced reputational risk for the Debtor Bank.

With the FMS in place, the Debtor Bank in the direct debit process will have lowered the risk of us-on-us disputes to near zero and will have oversight of mandates loaded by customers for other Collecting Banks, allowing them to monitor their risk of disputes proactively.

In the direct debit process, the Collecting Bank and the Debtor Bank can be one single participant. In this case the bank sends and receives the direct debit transaction and debits the debtor customer. If the FMS is held by that bank, the benefits of the Collecting Bank and the Debtor Bank will apply to us-on-us transactions and the customers involved. The FMS at the bank will be able to manage suppliers and their mandates whilst validating the mandates with their customers. This ensures that the risk of us-on-us direct debits with invalid mandates and the correlating disputes is lowered to near zero.

KEY FEATURES



PRODUCT FUNCTIONS AND FEATURES

Supplier Registration and Management

If the FMS is operated at the ACH, the supplier list drawn up or maintained by the ACH is to be uploaded to the FMS as a record of valid suppliers. Only suppliers included on the list will be able to load, amend or cancel mandates.

If the FMS is operated by the Collecting Bank, then suppliers that are registered with the bank simply register with the FMS. Only suppliers included on the list will be able to load, amend or cancel mandates.

Interfacing directly to the FMS

If suppliers have a system in place that can interface directly with the FMS, they will have the option of using an Open API to load, amend and cancel mandates. This will allow them to submit mandate information automatically using the web service. This is applicable to the FMS being held at the ACH or the Collecting Bank.

Front-end access to the FMS

Suppliers and operators at the ACH, the Collecting Bank and the Debtor Bank will be provided with usernames and passwords to log onto the web-based FMS front-end, where they will have the facility to load, amend or cancel mandates. If the FMS is held at the Debtor Bank, customers may be provided with this access as well.

Access Control

The authorisation provided to the user at each supplier will restrict their access to only those mandates linked to their supplier id, while that provided to users at the Collecting or Debtor Banks will restrict their access to only those mandates linked to customers at their bank. If applicable and authorised, ACH users will have access to all mandates, to manage these on behalf of the suppliers or Debtor Banks.

ISO 20022 messages for Mandate Actions

The use of ISO 20022 messages ensures that all messages sent to and from the FMS are in line with the global standard of payment information exchange.

Digital Mandate Records

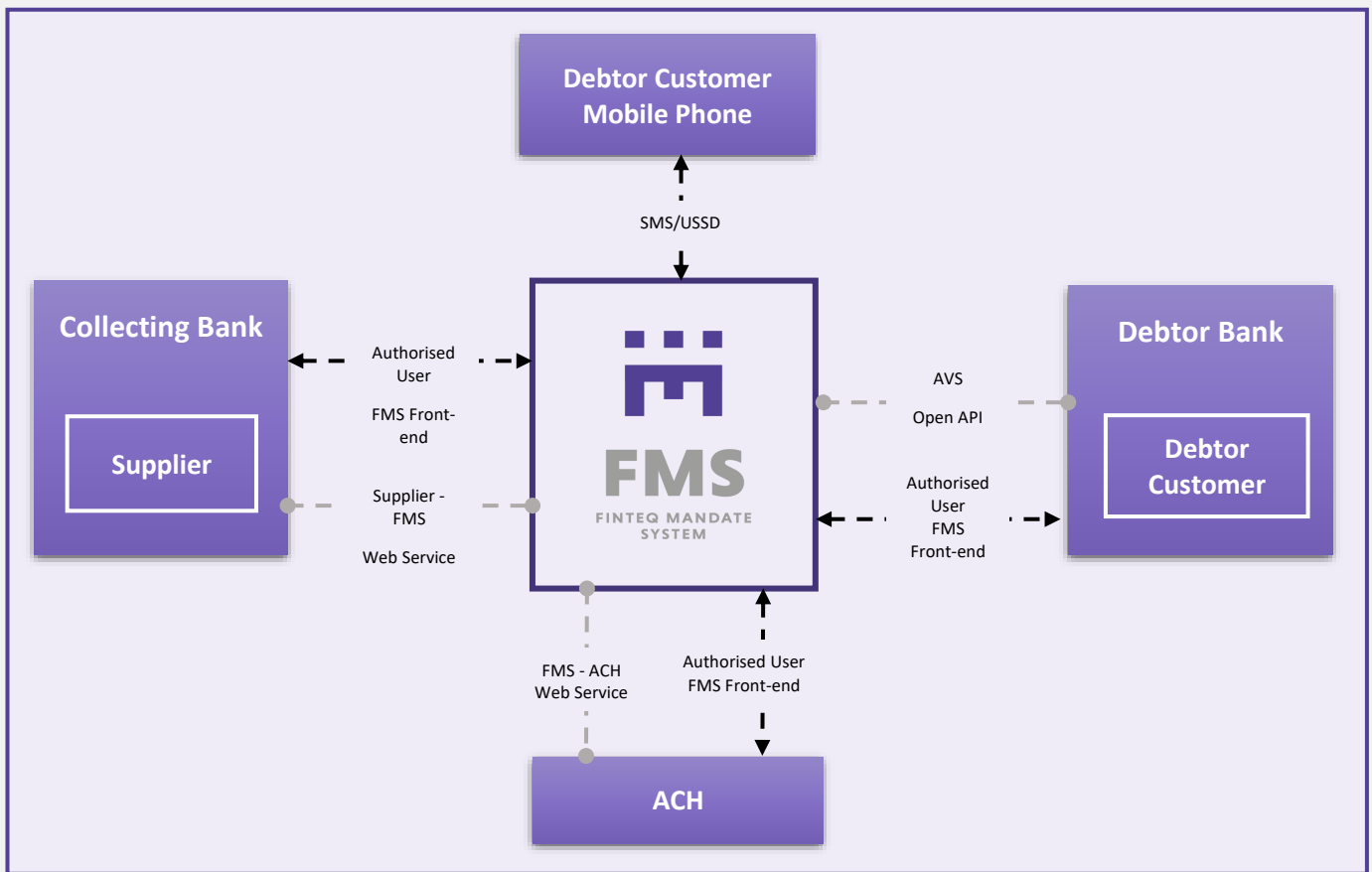
Digital records of all debit order mandates are held in the FMS. If the FMS is held by the ACH, these records are collected on confirmation of the mandate by the debtor customer. If the FMS is held by the Collecting or the Debtor Bank these records are collected at the loading process of either suppliers or bank customers.

PRODUCT CONTEXT AND ARCHITECTURE

The FMS is accessed by a web-based front end and systems that can interface directly via an API. Depending on who operates the FMS, the FMS can be integrated with the following systems:

- Account Verification Services (AVS) or a similar solution at the Debtor Bank
- System at the supplier responsible for supplying the mandate information during a mandate action and a user on a FMS front-end to supply the mandate information
- The debtor customer's mobile phone for mandate validation.

FMS provides system flexibility for both the Debtor Bank and supplier. While it's assumed that systems interface with Finteq Mandate System (FMS) via APIs, authorized users can interact with FMS front-end directly, if needed.



FMS IMPLEMENTATION AND SECURITY

The FMS solution is designed to offer near-seamless implementation since it's a standalone system accessed via API's. Being a standalone system means no impact on the current infrastructure. Additionally, FMS can be deployed on-premises or in the cloud.

To ensure the security of the system, FMS incorporates various measures, such as secure access for operators, transport layer security, and data encryption for data at rest and in transit. We use current industry-standard transport layer security protocols and secure HTTP to ensure the highest level of security for FMS



Tel: +27 (0) 11 786 1400

Email: info@finteq.co.za

