

**ARKANSAS STATE TREASURER'S OFFICE
500 Woodlane, State Capitol, Suite 220
Little Rock, Arkansas 72201**

**FIRST AMENDED
REQUEST FOR QUALIFICATIONS/PROPOSALS**

FOR

CUSTODY SERVICES

RFP #2016-001

DUE DATE: September 28, 2016

Originally Issued: August 29, 2016

Amendment Issued: August 30, 2016 - addition of 3.6.1.14 and 3.6.1.15

KEY INFORMATION SUMMARY SHEET

**Arkansas State Treasurer's Office
Request for Qualifications/Proposals
For
Custody Services**

RFP # 2016-001

Procurement Officer:

Tel.:

(501) 682-5583

Fax:

(501) 628-3820

Email:

gary.underwood@artreasury.gov

Submit Proposals to:

**Arkansas State Treasurer's Office
Attn: Gary Underwood
500 Woodlane State Capitol, Suite 220
Little Rock, Arkansas 72201**

Solicitation Issue Date:

August 29, 2016

Deadline for Receipt of Questions:

September 13, 2016 by 2:00 p.m. Central

Proposal Due Date and Time:

September 28, 2016 by 2:00 p.m. Central

Tentative Contract Award:

October 28, 2016

Notice: Prospective offerors (the "Offerors") who received this document from a source other than the Issuing Office, should immediately contact the Procurement Officer and provide their name and mailing address in order that amendments to this Request for Qualifications/Proposals ("RFP" or "solicitation") or other communications can be sent to them. Any prospective Offeror who fails to notify the Issuing Office with this information assumes complete responsibility in the event that they do not receive the amendments and other communications from the Issuing Office prior to the closing date.

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SECTION I. PROCUREMENT INFORMATION

1.1 **Summary Statement**

The Arkansas Office of the Treasurer (the "Office") is responsible for the deposits, investments, and disbursements of funds into or out of the State Treasury. This Office is managed by the Treasurer of the State of Arkansas (the "Treasurer"). The purpose of this procurement is to select a financial institution to provide custody and safely keep a portfolio of approximately \$6 billion; maintain a daily market value in accordance with margin requirements for collateralized investments such as repurchase agreements; and, when required, accept physical delivery, and collateral securing the State's investments.

1.2 **Procurement Method**

The Office will conduct this solicitation in accordance with a sealed proposals process and will award a single contract arising out of this RFP (the "Contract").

1.3 **Issuing Office and Procurement Officer**

Arkansas Treasurer of State Dennis Milligan
500 Woodlane, State Capital, Suite 220
Little Rock, AR 72201

Procurement Officer: Gary Underwood
Phone: (501) 682-5583
Email: gary.underwood@artreasury.gov

The sole point of contact for purposes of this procurement is the Procurement Officer. The Treasurer may designate others to act on his behalf. This designee may be referred to as the Procurement Officer. The Treasurer may change the Procurement Officer or the limits of his or her authority at the Treasurer's discretion.

1.4 **Contract Officer**

The Contract Officer monitors the daily activities of the Contract and provides technical guidance to the Contractor. The Treasurer of State's Contract Officer for this agreement is:

Melissa Corrigan
Chief Financial Officer
Arkansas State Treasurer's Office
500 Woodlane, State Capitol, Suite 220
Little Rock, Arkansas 72201
Email: mcorrigan@artreasury.gov

1.5 Schedule of Events

<u>Event</u>	<u>Date</u>
Solicitation Issue Date	August 29, 2016
Deadline for Receipt of Questions	September 13, 2016, 2:00 p.m. Central
Proposal Due Date	September 28, 2016 2:00 p.m. Central
Tentative Date of Contract Award	October 28, 2016

1.6 Questions and Inquiries

All Offerors should direct their questions and inquiries to the Procurement Officer as identified in Section I., 1.3 above. **Questions must be submitted in writing by mail or via email and received by the Issuing Office no later than 2:00 p.m. on local time on September 13, 2016.** Oral questions will not be permitted. If the questions or inquiries pertain to a specific section of the RFP, Offerors must reference the relevant page and section number(s).

1.7 Submission Requirements and Deadline

To be considered for award, Offerors must submit to the Office a package containing one (1) written original of the Technical Proposal and one (1) written original of the Price Proposal, each in separate sealed envelopes.

Additionally each Offeror must provide to the Office on compact disk or flash drive one electronic copy of the Technical and Price Proposals submitted. As with the written submission, the electronic copy submission of the Technical Proposal and the Price Proposal must be provided in separate sealed envelopes.

Refer to Section IV. Proposal Format for Two-Volume Submission requirements.

All submissions shall indicate the RFP Title and number and the Offeror's name and address. **Proposals must be received by the Office no later than 2:00 p.m. local time on September 28, 2016.**

1.8 Duration of Offer

Proposals submitted in response to this solicitation are irrevocable for 120 days following the later of the proposal due date or the date the Procurement Officer receives final best and final offers, if any. At the request of the Procurement Officer, the Offeror may agree in writing to extend this period.

SECTION II. GENERAL INFORMATION

2.1 Electronic Distribution

This RFP is posted on the websites for the National Association of State Treasurers at <http://nast.org/rfps/> and the Office at <https://www.arttreasury.gov/rfq.html> and emailed to financial institutions known to be interested in receiving RFPs. Potential Offerors wishing to receive copies of the written document should contact the Procurement Officer identified in Section I, 1.3, above.

2.2 Revisions to the RFP

The Office reserves the right to amend this RFP at any time prior to the proposal due date and time. If it becomes necessary to revise this RFP at any time prior to the proposal due date and time, the Office will provide amendments to all prospective Offerors that were sent this RFP or otherwise are known by the Procurement Officer to have obtained this RFP. Offerors will be required to acknowledge in writing the receipt of all amendments. In addition, the Office will post amendments to the RFP on the Office's Web Page at <https://www.arttreasury.gov/rfq.html> The Office will send amendments made after the due date for proposals only to those Offerors who submitted a timely proposal.

Failure to acknowledge receipt of amendments does not relieve the Offeror from complying with all terms of any such amendment.

2.3 Cancellation of the RFP; Rejection of All Proposals

The Office may cancel this RFP, in whole or in part, or may reject all proposals submitted in response whenever this action is determined to be fiscally advantageous to the State or otherwise in its best interests.

2.4 Proposal Acceptance; Discussions

The Office reserves the right to accept or reject any and all proposals, in whole or in part, received in response to this RFP, to waive or permit cure of minor irregularities, and to conduct discussions with any or all qualified Offerors in any manner necessary to serve the best interests of the State of Arkansas. The Office also reserves the right, in its sole discretion, to award the Contract based upon the written proposals received without prior discussions or negotiations.

2.5 Incurred Expenses

The State will not be responsible for any costs incurred by an Offeror in preparing and submitting a proposal in response to this RFP.

2.6 Proposal Form

Offerors should prepare proposals simply and economically, providing a straightforward, concise description of the Offeror's proposal for meeting the requirements of this procurement.

2.7 Access to Public Records Act Notice

An Offeror should give specific attention to the identification of those portions of its proposal that it considers confidential, proprietary commercial information or trade secrets, and provide justification why such materials, upon request, should not be disclosed by the State under the Arkansas Freedom of Information Act, Ark. Code Ann. § 25-19-105.

If either the Technical or Pricing proposal contains material that is considered by the Offeror to be confidential under state or federal law for any reason including because it is proprietary, copyrighted, or capable of giving an unfair advantage to competitors, the Offeror must submit one electronic copy of the proposal in PDF readable format with that material redacted. Submit separate copies for the Technical proposal and the Pricing proposal, if both have material to be redacted. Include in those submissions a document containing the basis for the claim of confidentiality or potential unfair advantage.

2.8 Contract Affidavit

All Offerors are advised that if a Contract is awarded as a result of this solicitation, the successful Offeror will be required to complete a Contract Affidavit. A copy of this Affidavit is included for informational purposes as Appendix B to this RFP. This Affidavit need not be submitted with an Offeror's proposal.

2.9 Representations

By submitting a proposal in response to this RFP, the Offeror represents that (a) it is not in arrears in the payment of any obligation due and owing the State or any department or unit thereof, including but not limited to the payment of taxes and employee benefits (the "State Obligations"), and (b) it is in compliance with all federal, State and local laws applicable to its activities and obligations under the Contract. Further, if selected for award, the Offeror agrees that these representations will continue in effect during the term of the Contract.

2.10 No Guarantee of Work

No Contractor is guaranteed any minimum amount of work or compensation.

SECTION III. SCOPE OF SERVICES AND REQUIREMENTS

3.1 Background

The Arkansas State Treasurer, Dennis Milligan, is an elected State Official, charged statutorily with the safekeeping and investment of State funds. The Investment Division of the Office primarily invests cash balances that are temporarily idle between the time revenue is collected and the time budgeted amounts are disbursed. The Statutorily approved investments are primarily of a fixed income type and further restricted pursuant to the Treasurer’s Investment Policy.

Brief Description of the Portfolio

Size of investment portfolio	\$3.43 Billion as of 7/31/16
Commercial Paper	51.79%
Mortgage Back Securities	48.04%
Municipal Bonds	4.50%
Money Market Funds	.15%
Repurchase Agreements	0%
Treasuries	0%
FY2016 average monthly incoming securities	\$175,000,000
FY2016 average monthly sold/maturing	\$122,000,000
MBS line items (paydowns)	\$250,000,000
Average number of securities held each month	\$300,000,000

Additional data regarding the portfolio is posted on the Office’s Web Page at: <https://www.artreasury.gov>. Follow “inside the vault” tab.

3.2 Mandatory Requirements

Each Offeror shall specifically and clearly state in its proposal that it meets the following requirements. Failure to do so may result in the rejection of the proposal by the Procurement Officer.

- 3.2.1. The Offeror must be a member of, or have the ability to clear transactions or cash through, all major book entry or electronic securities depositories, such as the DTC/ID system and the Federal Reserve System.
- 3.2.2. The Offeror must have a plan for business continuity and recovery as a result of disaster.

3.2.3. The Offeror's financial statements must be audited annually by an independent certified public accounting firm and receive an unqualified opinion of the auditor in connection with the audit.

3.3 General Requirements

3.3.1. The successful Offeror shall at all times observe and comply with federal and Arkansas state laws, local laws, ordinances, orders, and regulations existing at the time of or enacted subsequent to the execution of the Contract which in any manner affect the completion of the work. The successful Offeror shall indemnify and save harmless the Office and the State of Arkansas and all of their officers representatives, agents, and employees against any claim or liability arising from or based upon the violation of any such law, ordinance, regulation order or decree by an employee, representative, or sub contractor of the successful Offeror.

3.3.2 Respondents should note the following regarding the Office's contracting authority, and amend any documents accordingly. Failure to conform to these standards may result in rejection of a successful Offeror's response:

- A. The State of Arkansas may not contract with another party:
 - 1. To pay any penalties or charges for late payment or any penalties or charges which in fact are penalties for any reason.
 - 2. Make any payment without a legislative appropriation.
 - 3. To indemnify and defend that party for liability and damages. Under Arkansas law the Office may not enter into a covenant or agreement to hold a party harmless or to indemnify a party from prospective damages. However, with respect to loss, expense, damage, liability, claims or demands either at law or in equity for actual or alleged injuries to persons or property arising out of any negligent act or omission by the Office and its employees or agents in the performance of the Contract, the Office agrees with the successful party that: (a) it will cooperate with the successful party in the defense of any action or claim brought against the successful party seeking the foregoing damages or relief; (b) it will in good faith cooperate with the successful party should the successful party present any claims of the foregoing nature against the Office to the Claims Commission of the State of Arkansas; (c) it will not take any action to frustrate or delay the prompt hearing on claims of the foregoing nature by the said Claims Commission and will make reasonable efforts to expedite said hearing; provided, however, the State reserves its right to assert in good faith all claims and defenses available to it in any proceedings in said Claims Commission or other appropriate forum. The obligations of this paragraph shall survive the expiration or termination of this agreement.

4. Upon default, to pay all sums that become due under the final contract.
 5. To pay damages, legal expenses, or other costs and expenses of any party.
 6. To conduct litigation in a place other than Pulaski County, Arkansas.
 7. To agree to any provision of a contract that violates the laws or constitution of the State of Arkansas.
- B. A party wishing to contract with the Office should:
1. Remove any language from its contract which grants to it any remedies other than:
 - The right to possession.
 - The right to accrued payment.
 - The right to expenses of de-installation.
 2. Include in its contract that the laws of the State of Arkansas govern the contract.
 3. Acknowledge in its contract that contracts become effective when awarded by the Office's Procurement Officer.

3.4 Minimum Service Requirements

Please indicate your compliance with the following requirements in your proposal. Indicate compliance with a “**yes**” if you do meet the requirement or “**no**” if you do not meet the requirement. You may also supply brief supporting statements.

REQUIREMENT	OFFEROR'S COMPLIANCE
Custodial Services	
3.4.1. The Offeror has the capability to settle 10,000 security transactions annually and safe keep a total portfolio of at least \$5 billion.	
3.4.2. The Offeror will settle all State of Arkansas transactions on a delivery versus payment basis facilitated through the Federal Reserve or the Depository Trust Company.	
3.4.3. The Office reserves the right to execute tri-party agreements outside the terms of this procurement.	
3.4.4. The Offeror must provide a system for all State securities that:	

(i) collects interest and principal payments on securities and either credits the Office custody account or remits as directed by the Office on the payable date;	
(ii) accepts wireable securities at the Federal Reserve in the Offeror's account;	
(iii) collects interest and principal payments for collateral securities (mostly mortgage backed) and remits to brokers entitled to such payments under repurchase agreements, on the payable date;	
(iv) accepts repurchase agreement collateral information from the broker/bank after the Office notifies the custodian of the terms of the investment;	
(v) Returns repurchase agreement collateral on the closing date without additional Office instruction.	
3.4.5. Offeror maintains a daily market value of the collateral for repurchase agreements according to margin requirements established by the State.	
3.4.6. Offeror will verify and maintain Repo collateral valued at an agreed amount, value the collateral daily, and make margin calls on behalf of the State when the collateral is under value.	
3.4.7. Offeror will coordinate collateral substitutions and margin calls as requested by brokers/banks and ensure that the market value of the collateral is sufficient.	
3.4.8. Offeror must provide daily online reports that compare the market value of the collateral to the related investment, aggregated on a broker by broker basis. In addition, the custodian shall provide a daily online report detailing all substitution and margin calls.	
3.4.9. The Offeror provides a daily online securities pricing system.	
3.4.10. The Offeror accepts physical deliveries (at the Office's discretion).	

<p>3.4.11. The Offeror has an overnight investment vehicle for all funds remaining in or received by the Office account(s) after 3 p.m. central time each day. Also, any investment program utilizing repurchase agreements must provide that collateral is held at the Federal Reserve in the Offeror's account or, at the option of the Office, by a third party.</p>	
<p>3.4.12. The Offeror provides secure internet access to an online accounting system that will provide comprehensive real time reporting including, but not limited to all income and security transactions and accruals.</p>	
<p>3.4.13. Monthly reports will be provided detailing the activity for the month, the balances in the custodial account, and the market value of each security held in the account. The Offeror will also provide a report detailing all securities transactions for the month and an inventory of all securities held by maturity of the investment and by broker. 24/7 online access.</p>	
<p>3.4.14. Reports shall be available online. The online reports should be presented in a manner allowing the Office to easily download and manipulate the data into a format suitable for its own analytical purposes.</p>	
<p>3.4.15. The Offeror will invoice the Office for all fees and services. The Office Account(s) shall at no time be debited for service fees.</p>	
<p>3.4.16. The Offeror shall deliver to the Office's disbursing bank all funds from investment activity by 1:00 p.m. central time each business day.</p>	

3.5 Proposal Questionnaire

3.5.1. Bank Background

Financial Strength and Stability

3.5.1.1. Comment on your organization's credit quality and overall financial strength. Provide your most recent Dun & Bradstreet, Standard & Poor's, Moody's and Thomson Bank Watch ratings. Provide your Tier 1 capital ratio levels for the past three years. Include a copy of your current annual report. Does your firm have in excess of \$500 million in assets? Provide the primary capital to assets and return on assets for the past five (5) years for periods ending December 31. Please list all rating changes for the past five (5) years.

3.5.1.2. Has your firm ever had a termination? If yes, what were the reasons?

3.5.2. Experience

3.5.2.1. Provide a history of your organization and the custody department.

3.5.2.2. Identify all sub-custodians used to safe keep securities on both a domestic and global basis. Indicate the nature of the relationship, the security types involved and any restrictions which may apply.

3.5.3. Custody Services

Safekeeping

3.5.3.1. Describe your depository memberships (e.g., DTC, FRB, PTC, Cedel and Euroclear) and the services you use at these depositories.

3.5.3.2. Describe your system for the registration and custody of assets.

3.5.3.3. Are there any restrictions on the types of securities that may be held for safekeeping? If so, what are they?

3.5.3.4. List all insurance coverage relevant to the custody department and all sub-custodians. Indicate the type and amount. Does the insurance include:

a. Mysterious disappearance? Computer related crimes?

b. Loss of securities in transit?

3.5.3.5 Describe the physical security systems of your vault and custody areas.

3.5.3.6. What, if any, securities have been misplaced or lost during the past three years? If any, describe the circumstance(s) and what was done to correct the problem.

- 3.5.3.7. Briefly describe the procedures used to ensure that physical securities are properly registered, transferred and in general, held, delivered and/or received in good deliverable form.
- 3.5.3.8. Describe where and how the receipt and delivery of physical securities occurs and how they are secured. Describe any involvement of second-party banks in the clearing of such transactions.
- 3.5.3.9. What is the standard for timeliness in registration transfers?
- 3.5.3.10. How are vault inquiries handled? Indicate the benchmark time for a response.
- 3.5.3.11. Describe your plan for providing clients with initial training and ongoing training for your online accounting and reporting systems and other tools. How often do you typically conduct training sessions with clients like the State Treasurer's Office? Describe what type of educational sessions, user conferences, publications or other means for keeping clients fully educated and for providing a forum for new ideas you provide to clients.
- 3.5.3.12. Describe your approach to client servicing and product familiarization.

3.5.4. Trade Instruction and Settlement

- 3.5.4.1. Provide for the most recent 12 month period the following volumes and values:
- a. Wireable security transactions settled;
 - b. Total investments under safekeeping (volume and par value); and
 - c. Error ratio.
- 3.5.4.2. Briefly describe how your bank handles securities processing on behalf of its clients for each of the items listed below. Where automated processing is available, indicate the nature of the automation and level of availability (e.g., overnight batch, real-time).
- a. Receipt of trade instructions including same-day (cash) trades;
 - b. Affirmation processing (DTC). Indicate what provisions have been made for interactive ID;
 - c. Securities movement and control (SMAC) systems update;
 - d. Notification of settled trades, failed trades, available balances, etc.;
 - e. Securities position reporting and reconciliation;
 - f. Reporting of income on securities held; and
 - g. Trade discrepancies (e.g., bad money, bad factors, DK's).
- 3.5.4.3. Does your system have built-in edit features to ensure accuracy in trade input (e.g., security description/security identifier cross check features,

calculations of remaining par on factor-based securities, computation of accrued interest)?

- 3.5.4.4. Do you support the Industry Standardization for International Trade Communication and/or the Society for Worldwide Interbank Financial Telecommunication (ISITC/SWIFT) format for trade instruction entry?
- 3.5.4.5. Do you currently use electronic transmissions to communicate trades, holdings and other information to and from clients? Describe the level of automation, standby procedures and customization options.
- 3.5.4.6. Does your system allow “block” trading by providing the ability to allocate a single trade over multiple accounts or aggregating a position sold from multiple accounts?
- 3.5.4.7. Are purchase and sale settlements posted on an actual or contractual basis? If you utilize a contractual settlement approach, are there any stipulations or exceptions to this method?
- 3.5.4.8. How do you handle corrections/reversals (i.e., as adjustments or as offsetting purchases and sales)? Does your custody/trade entry system allow clients to process their own trade corrections?
- 3.5.4.9. What are your requirements for handling same-day turn around transactions for actively traded accounts?
- 3.5.4.10. Does your system show clearing house and Federal funds postings and/or summaries?

3.5.5. Income Collection/Maturities

- 3.5.5.1. What are your sources of, and how do you account for pay down information on all factor-based securities (e.g., MBS, ABS, and SBA)? Do you maintain a record of the original face amount purchased?
- 3.5.5.2. What is your policy for posting income (i.e., contractual vs. actual)?
- 3.5.5.3. Do you provide pre-notification for income reversals?
- 3.5.5.4. What income forecast reporting is available (e.g., cash balance projection reporting)?

3.5.6. Audit and Control

- 3.5.6.1. What cycle applies for internal audits of the following?
 - a. Safekeeping/operations (trade processing);
 - b. Income collection;
 - c. Vault (physical assets);
 - d. Asset reconciliation;
 - e. Security operations; and

- f. Systems data processing controls (e.g., systems access, program change controls).

3.5.6.2. Describe internal audit staff including:

- a. Normal staffing levels;
- b. Professional qualifications of staff (e.g., CIA, CPA, CBA); and
- c. Training in securities markets and operations.

3.5.6.3 Identify your bank's external auditor and indicate what cycle applies to auditor examinations of:

- a. Safekeeping, custody control;
- b. Asset reconciliation ;
- c. Vault (physical assets);
- d. Security operations;
- e. Systems data processing controls (e.g., systems access, program change controls); and
- f. General systems control review.

3.5.6.4. Briefly describe how the internal and external audit functions are coordinated in the above areas. Are the audits performed using:

- a. External staff only?
- b. External oversight of internal staff?
- c. Internal staff only with SAS-70 verification by external auditors?

3.5.6.5. Briefly describe the extent of audit testing in each of the above areas. Do they consist of the following:

- a. Control questionnaire only?
- b. Control review including test work?
- c. Statistical sampling only?
- d. Statistical sampling of small accounts/transactions with testing done on all accounts/transactions exceeding a specified threshold?
- e. Full testing (i.e., all assets in vault counted)?

3.5.6.6. Provide Statement of Auditing Standards-70 (SAS-70) if available.

3.5.6.7. Does your company have a report on internal control policies and procedures? Who completes this report?

3.5.6.8. What levels of management review audit reports? Who has the authority and responsibility to implement changes to correct audit deficiencies?

3.5.7. Pricing of Securities

3.5.7.1. How many accounts do you price? How frequently are prices updated?

- 3.5.7.2. Which vendors are used for pricing each type of security?
- 3.5.7.3. What procedures and control points do you have in place to ensure that securities are priced accurately?
- 3.5.7.4. How are pricing discrepancies identified and communicated?
- 3.5.7.5. Do you have secondary or back up pricing methods?
- 3.5.7.6. Can clients request alternate pricing sources?

3.5.8. Performance Analytics

- 3.5.8.1. Provide a comprehensive review of your performance measurement services available to clients, including portfolio analysis, asset allocation and brokerage analysis for the Office. Is there a dedicated team that would provide this service to us? Provide examples of performance reports. Indicate report(s) frequency and delivery dates.
- 3.5.8.2. Briefly describe any portfolio analytical tools available to clients online to prepare what-if analyses. What variables can the client manipulate?
- 3.5.8.3. Describe the universe comparison services you offer, including sources of the data.
- 3.5.8.4. List the indices available and dates of availability.
- 3.5.8.5. Do you offer clients custom benchmarks?
- 3.5.8.6. Describe any analytic capabilities available to clients.
- 3.5.8.7. Can you backload data?
- 3.5.8.8. Can your system generate individual portfolios and/or consolidation of individual portfolios? Can different accounts be combined online for performance reporting and analysis?
- 3.5.8.9. What product enhancements have you recently made or planned to make to your performance measurement and analytical services?

3.5.9. Risk Reporting

- 3.5.9.1. Can your system identify prohibited transactions per a given set of investment guidelines prior to settlement? Describe the process for notifying the client of investment guideline violations.
- 3.5.9.2. What types of reports do you offer to assist clients in monitoring certain investments?
- 3.5.9.3. Can we set up a tickler on the system to notify us of investment violations?
- 3.5.9.4. Do you provide compliance monitoring? Can clients specify test criteria?

3.5.10. Accounting

- 3.5.10.1. Describe your accounting service product.
- 3.5.10.2. What are the trade deadlines for daily and month-end close?
- 3.5.10.3. What procedures are used to reconcile client and custodian records?
- 3.5.10.4. What reports are available and are they online? Include copies of all reports.
- 3.5.10.5. When are month-end accounting reports delivered?

3.6 Technical Capabilities

3.6.1 System Infrastructure

- 3.6.1.1. Describe the hardware and software systems used in custody operations.
- 3.6.1.2. Do your systems update in a batch or a real-time mode? Describe major functions and timing.
- 3.6.1.3. How are client system requests prioritized? By whom?
- 3.6.1.4. Will the client have the ability to interact with the bank's systems to retrieve information in a real-time environment?
- 3.6.1.5. Is technical support for safekeeping systems provided by a dedicated staff?
- 3.6.1.6. Identify and briefly describe your safekeeping system including the following:
 - a. Age of the system;
 - b. Platform(s) on which the system runs;
 - c. Type of system (e.g., Customer Information Control System, DB2);
 - d. Whether system is batch or online;
 - e. Whether system provides access to an extract file from the main system (i.e., prior night's update) or access to the main system directly; and
 - f. Whether the system is for transaction processing, inquiry and reporting only, or whether it performs multiple functions.
- 3.6.1.7. Indicate the hours available for client access to online systems, the method of access and the rate of data transfer.
- 3.6.1.8. Indicate the number of users that can simultaneously access the online system. What percentage of the current system capacity is being utilized?
- 3.6.1.9. Describe the hardware and operating software recommended for a client to access and utilize your bank's safekeeping system.

- 3.6.1.10. Does your system have varying levels of client access authority through the use of passwords? Describe your password policy.
- 3.6.1.11. Describe your training and systems support functions that are available to clients.
- 3.6.1.12. What types of safeguards exist to guarantee client confidentiality and guard against unauthorized access to custody systems?
- 3.6.1.13. Describe the data security controls and audit checks built into your system.
- 3.6.1.14. Does your institution use the Society for Worldwide Interbank Financial Telecommunication (S.W.I.F.T.) for communications and transactions?
- 3.6.1.15. Is your institution connected to Bloomberg's Asset Investment Management (AIM) System?

3.6.2 Reporting/Inquiry

- 3.6.2.1. Indicate whether the inquiry functions are "view only" or if they can be printed by the client at its location. Is the view only capability available to authorized external users?
- 3.6.2.2. Indicate if an inquiry is through preset formats (i.e., canned) or whether the client has the ability to design and execute free-form inquiries based on its selection of available data elements and screening criteria (i.e., ad hoc).
- 3.6.2.3. How soon after month end, quarter, and year-end can audited reports be expected on-line and in hard copy? What are your accuracy standards? How are re-runs handled?
- 3.6.2.4. Describe your system of quality control to ensure reporting accuracy. Are accounting statements audited before they are delivered to clients? If so, who performs the audits? Are the hard copies of the month and quarter-end statements preliminary or fully audited?
- 3.6.2.5. Describe your process of revising and re-publishing incorrect accounting statements.
- 3.6.2.6. Indicate whether inquiry functions access an extract file based on the previous night's update, an interim shadow of the primary database, or the live database.
- 3.6.2.7. Provide copies of all standard report formats and data field menus for which *ad hoc* query capability exists.
- 3.6.2.8. Indicate whether reports can be sent to a client's remote site via remote job entry (RJE) or another remote job facility. If so, is this available for reports produced during a nightly cycle, online, or both?

3.6.2.9. Are you willing and able to integrate assets at other locations into your custody system and reports?

3.6.3 Disaster Recovery & Business Continuity

3.6.3.1. Briefly describe your bank's disaster recovery plans to provide continuing service in the event of a localized disaster for time frames of up to 30 days. Include current estimates of time frames required to resume service in all functional areas, including systems, operations and client administration.

3.6.3.2. How often are contingency plans reviewed and tested? Briefly describe the testing methodology (e.g., simulated disaster with actual offsite system regeneration and recovery). When was the plan last tested?

3.6.3.3. Have you ever had to implement your disaster recovery plan in an actual disaster? If so, describe the circumstances and the effectiveness of the plan.

3.6.3.4 Describe your business continuity plans.

3.6.3.5 Describe your system failover capabilities, including hot site and/or warm site.

3.6.3.6 What is your primary system location? What is your business continuity and disaster recovery location?

3.6.4 Implementation

3.6.4.1. What dedicated resources (personnel, equipment, training, consultants, etc.), procedures and controls will you provide in the transition/conversion process prior to and after the transition date?

3.6.4.2. What support will be provided to automate the conversion process?

3.6.4.3. Do you have a special team and/or department assigned to handle the conversion of new clients?

3.6.4.4. Who is the primary contact person regarding conversion and what is that person's contact information?

3.6.4.5. How long will the conversion team continue to service our account after implementation?

3.6.4.6. What are the typical problems a client should expect to encounter during a conversion and how might they be minimized?

3.6.4.7. Describe how unsettled transactions are handled in the conversion process.

3.6.4.8. Provide a sample, step-by-step process, including timeline, for converting a new client.

3.6.4.9. Describe and provide a copy of your practices, policies and procedures manual. Is the manual available online?

3.6.4.10 What are the expectations on our Office regarding implementation/conversion?

3.7 Customer Service & Quality

3.7.1. Describe your customer service protocols for this type of relationship.

3.7.2. Describe the workflow in the customer service group.

3.7.3. What hours are personnel available for:

- a. Client administration (questions/problems)?
- b. Operations (trade instructions, etc.)?
- c. Custody contact (questions/problems)?

3.7.4. How do you ensure satisfactory coverage during vacations, illnesses, etc

3.7.5. How are service quality and client satisfaction measured? Are there formal customer service reviews? How frequently are they performed?

3.7.6. How are complaints and requests for changes handled?

3.7.7. Describe the process by which management ensures that procedures are followed and controls are monitored.

3.7.8. Describe how client inquiries are tracked and monitored.

3.7.9. What standards have you established for responding to client inquiries?

3.7.10. What type of on-going training is provided to clients?

3.7.11. Briefly describe your bank's personnel training programs for:

- a. Custody services;
- b. Income collection;
- c. Client administration; and
- d. Securities markets.

3.8 Transition

The Contractor shall:

3.8.1. Perform all procedures necessary to convert from the system of the current contractor to the new Contractor's system of record should this RFP result in the selection of a new Contractor, including the following:

- a. The Contractor shall present a detailed plan for, as well as schedule of, the transition from the current contractor to the new Contractor. The plan and schedule must include the timing of each phase of the transition as well as the proposed involvement of the Contractor's employees in the process, the level of involvement anticipated from State employees and the proposed involvement of the current contractor in the transition process;
- b. The Contractor will reconcile custody positions to the prior contractor's records, research all reconciling items, and correct all position discrepancies; and
- c. All interfaces, including, but not limited to, those with outside investment managers, pricing services and others must be ready and adequately tested prior to conversion or an acceptable alternative provided as mutually agreed; and

3.8.2. Upon termination of the Contract awarded under this RFP, the Contractor shall cooperate fully with the successor contractor to facilitate the transition from the Contractor's system to the successor's system.

3.9 Other Services for Consideration

Describe any other services beyond those requested in this RFP that the Offeror believes could offer additional benefits to the Office.

3.10 Term

The initial term of the Contract(s) is expected to begin on or about November 21, 2016 and run for a period of two (2) years. The Contract will also contain an option to renew, upon the same terms and conditions, for two additional one-year periods. Exercise of the renewal options will be solely at the discretion of the Treasurer.

3.11 Compensation

By submitting a response to this solicitation, the Offeror will invoice the Office for all fees and services. The Office account(s) shall at no time be debited for service fees.

3.12 Equal Employment Policy

Please submit a copy of your equal employment policy for review by the Office.

SECTION IV. PROPOSAL FORMAT

4.1 Transmittal Letter

The Offeror must include a brief transmittal letter prepared on the Offeror's business stationery to accompany the original of the two-volume proposal. The transmittal letter must be signed by an individual authorized to bind the Offeror to all statements, including services and prices, contained within the proposal.

4.2 Two-Volume Submission

The selection procedure for this procurement requires that the initial technical evaluation of the proposal be completed before consideration of an Offeror's price proposal. Consequently, each proposal must be submitted in two volumes as indicated below.

4.3 Volume I - Technical Proposal

The volume containing the technical proposal shall be labeled "Volume I – RFP for Custody Services , RFP #2016-001"

The technical proposal should be prepared in a clear and concise manner. The ideal response would reiterate each subsection and then list the Offeror's response, item by item so that an evaluator can read the requirement followed by the response.

The technical proposal shall provide all required information in the following subsections:

4.3.1. Request for General Information

- 4.3.1.1 Name of Offeror;
- 4.3.1.2. Mailing address of office from which the proposal is being submitted;
- 4.3.1.3. Name of individual who will represent the Offeror as the primary contact person on matters relating to the proposal; and
- 4.3.1.4. Telephone number and e-mail address of the individual identified in item c above.

4.3.2. Offeror's Qualifications

- 4.3.2.1. Each Offeror shall specifically and clearly provide brief supporting statements how it meets the Mandatory Requirements in Section 3.2.
- 4.3.2.2. The Offeror shall include one and only one copy of the Offeror's most recent audited financial statements with all attachments, including the unqualified audit opinion, in the original volume of its Technical Proposal.
- 4.3.2.3. Each Offeror shall specifically and clearly provide acknowledgements to comply with the requirements described in Section 3.3 General Requirements.

4.3.3. Offeror's Capabilities

- 4.3.3.1. Each Offeror shall specifically and clearly provide acknowledgements to comply with the requirements described in Section 3.4 Minimum Service Requirements.
- 4.3.3.2. Each Offeror shall provide in its proposal detailed responses to the Questions in Sections 3.5 Proposal Questionnaire; 3.6 Technical Capabilities; and 3.7 Customer Services & Quality.
- 4.3.3.3. Each Offeror shall provide a detailed transition plan of the services as described in Section 3.8 Transition.
- 4.3.3.4. Include a brief description of any other value added services as indicated in Section 3.9 Other Services for Consideration.

4.3.4. References

Identify a minimum of three current references that you provide services for similar to the services described in the RFP. References shall include the name of each organization, the mailing and street address, point of contact, and telephone number. Include a brief description of the services rendered for each referenced organization.

The Procurement Officer or Evaluation Committee Chair may contact one or more of these references, and in addition, may contact any other reference of their choosing.

The references should meet the following criteria:

- (a) Public funds customers of one (1) year or more.
- (b) Please give preference to customers with portfolios similar to State Treasurer's Office and currently work with the proposed client service team.
- (c) Please provide the name, title, e-mail address and telephone number of reference contacts. If you cannot meet the criteria listed above, please explain why.

4.3.5. Standard Operating Agreements (if applicable)

If you intend to incorporate your own operating documents/agreements into the Contract, submit copies of your standard operating agreements associated with the services proposed to be provided.

4.3.6. Additional Information (Optional)

Include any additional information the Offeror deems relevant to this procurement and the satisfaction of the State's objectives.

4.4 Disclosures

Provide a written statement disclosing any relationships with persons or entities that may create a conflict of interest, or the appearance of a conflict of interest. Disclose specific details of any pending legal proceedings (criminal or civil), or regulatory or disciplinary actions by any state or federal regulatory agency, involving the firm or members of the firm; or any convictions, judgments or settlements resulting from such proceedings or actions with the past five years.

4.5 Volume II – Price Proposal

Offeror must submit the price proposal identified as Appendix A. For any additional fees not included on the Price Proposal, include a Price Supplement on a separate sheet with a detailed description of such additional fees, including the timing and circumstances under which each such additional fee is assessed.

Note: The Price Proposals are evaluated following the evaluation of the Technical Proposals. Therefore, no reference to price should be identified within the Technical Proposal. See Section VI for Evaluation and Selection Procedure.

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SECTION V. EVALUATION AND SELECTION PROCEDURE

5.1 Qualifying Proposals

The Procurement Officer first will review each proposal for completeness of response to requirements contained in Section IV, Proposal Format. Failure to respond to the appropriate questions or in the manner required may disqualify an Offeror's proposal from consideration by the Evaluation Committee.

5.2 Evaluation Committee and Evaluation Criteria

An Evaluation Committee appointed by the Treasurer will evaluate all qualifying proposals (those proposals that are reasonably susceptible to selection for Contract award) received by the submission deadline. The Evaluation Committee will rank the proposals and make a recommendation for award based on (1) technical merit (see Section 5.3 below), as demonstrated in the technical proposal and (2) price proposal, both as presented in the best and final offer, if any. Technical merit will be given more weight than price in determining the Evaluation Committee's final ranking.

5.3 Technical Evaluation

After the Procurement Officer identifies the qualifying proposals, the Evaluation Committee will conduct an initial evaluation of the technical merit of each qualifying proposal based on the information provided in the proposal in response to Section 4.3 Volume I - Technical Proposal above.

For the technical evaluation, the Evaluation Committee will take into consideration the following factors listed in the order of relative importance (greatest first):

1. Offeror's Qualifications and Capabilities
2. Customer Service and Personnel
3. References

5.4 Evaluation of Costs/Fees

Following completion of the initial technical evaluation, the Evaluation Committee will conduct an initial evaluation of the pricing of each proposal and will establish a financial ranking of all proposals.

5.5 Final Evaluation and Recommendation for Award

Following oral presentations, reference checks, and submissions of best and final offers, if any, the Evaluation Committee will perform its final evaluations and will make a recommendation to the Treasurer or Procurement Officer for award of the Contract to the responsible Offeror or Offerors whose proposal is determined to be the most advantageous

to the State based on the results of the final technical and financial evaluations. Contract award, if any, is subject to the approval of the Treasurer or upon the recommendation of the Procurement Officer.

5.6 Negotiations

The Office reserves the right to discuss and negotiate with qualified Offerors or potentially qualified Offerors, (i.e., which are reasonably susceptible of being selected for award). Discussions or negotiations will be conducted with any or all qualified Offerors. The Office, however, is not obligated to conduct any discussions or negotiations. Each Offeror should be aware that the Office can select a proposal without first discussing the matter with the selected Offeror. The Office reserves the right to negotiate with qualified Offerors regarding the terms of proposed scope of services and other contractual arrangements.

5.8 Proposed Contract

The successful Offeror must submit a proposed contractual agreement for review by the Office. The Office reserves the right to negotiate with the successful Offeror regarding the terms of the proposed agreement. The Office reserves the right to rescind its award to a successful Offeror if the parties cannot reach an agreement regarding this contractual agreement.

APPENDIX A
PRICE PROPOSAL INSTRUCTIONS

1. Offerors must submit the Price Proposal identified as Appendix A. The Price Proposal must be separately sealed as directed in Section 1.7.
2. Additional fees not included on the Price Proposal as Appendix A may be submitted on a Price Supplement as a separate sheet. All "Other" charges are to be indicated under this heading. Describe the charges and indicate frequency, such as: "monthly," "yearly," or "transactional."
3. An individual who is authorized to bind the Offeror to the fees must sign Appendix A and any Price Supplement. The selected Offeror may not charge any fees not included in its proposal.
4. It is imperative that the Price Proposal, Appendix A, is completed accurately, as well as any attached separate Price Supplement containing any additional fees.

**APPENDIX A
PRICE PROPOSAL**

**REQUEST FOR PROPOSALS FOR CUSTODY SERVICES
RFP # 2016-001**

(Firm Name)

(Address)

Maintenance /Flat Fee (monthly):	\$ _____
Security Transaction Fee	\$ _____
Other Fees (monthly)	\$ _____

In compliance with the RFP and with all terms and conditions set forth therein, the undersigned represents that he/she has full authority to submit the above Custody Services.

Authorized Official: _____

Typed Name:

Title:

APPENDIX B
(To be submitted by successful Offeror)
Contract AFFIDAVIT

A. Authority

I HEREBY AFFIRM THAT:

I (print name)_____ possess the legal authority to make this Affidavit.

B. AFFIRMATION REGARDING BRIBERY CONVICTIONS

I FURTHER AFFIRM THAT:

Neither I, nor to the best of my knowledge, information, and belief, the above business, or any of its officers, directors, partners, controlling stockholders, or any of its employees directly involved in the business's contracting activities including obtaining or performing contracts with public bodies has been convicted of, or has had probation before judgment imposed or has pleaded nolo contendere to a charge of, bribery, attempted bribery, or conspiracy to bribe in violation of Arkansas law, or of the law of any other state or federal law, except as follows (indicate the reasons why the affirmation cannot be given and list any conviction, plea, or imposition of probation before judgment with the date, court, official or administrative body, the sentence or disposition, the name(s) of person(s) involved, and their current positions and responsibilities with the business):

C. AFFIRMATION REGARDING OTHER CONVICTIONS

I FURTHER AFFIRM THAT:

Neither I, nor to the best of my knowledge, information, and belief, the above business, or any of its officers, directors, partners, controlling stockholders, or any of its employees directly involved in the business's contracting activities including obtaining or performing contracts with public bodies, has:

(1) Been convicted under state or federal statute of:

(a) A criminal offense incident to obtaining, attempting to obtain, or performing a public or private contract; or

(b) Fraud, embezzlement, theft, forgery, falsification or destruction of records or receiving stolen property;

(3) Been convicted under the provisions of Title 18 of the United States Code for violation of the Racketeer Influenced and Corrupt Organization Act, 18 U.S.C. §1961 et seq., or the Mail Fraud Act,

18 U.S.C. §1341 et seq., for acts in connection with the submission of bids or proposals for a public or private contract;

(4) Been convicted of a violation of the Minority Business Economic Development Act, § 15-4-301;

(6) Been convicted of conspiracy to commit any act or omission that would constitute grounds for conviction or liability under any law or statute described in subsections (1)—(5) above;

(7) Been found civilly liable under a state or federal antitrust statute for acts or omissions in connection with the submission of bids or proposals for a public or private contract;

(8) Admitted in writing or under oath, during the course of an official investigation or other proceedings, acts or omissions that would constitute grounds for conviction or liability under any law or statute described in §§B and C and subsections (1)—(7) above, except as follows (indicate reasons why the affirmations cannot be given, and list any conviction, plea, or imposition of probation before judgment with the date, court, official or administrative body, the sentence or disposition, the name(s) of the person(s) involved and their current positions and responsibilities with the business, and the status of any debarment):

D. AFFIRMATION REGARDING DEBARMENT

I FURTHER AFFIRM THAT:

Neither I, nor to the best of my knowledge, information, and belief, the above business, or any of its officers, directors, partners, controlling stockholders, or any of its employees directly involved in the business's contracting activities, including obtaining or performing contracts with public bodies, has ever been suspended or debarred (including being issued a limited denial of participation) by any public entity, except as follows (list each debarment or suspension providing the dates of the suspension or debarment, the name of the public entity and the status of the proceedings, the name(s) of the person(s) involved and their current positions and responsibilities with the business, the grounds of the debarment or suspension, and the details of each person's involvement in any activity that formed the grounds of the debarment or suspension).

E. AFFIRMATION REGARDING COLLUSION

I FURTHER AFFIRM THAT:

Neither I, nor to the best of my knowledge, information, and belief, the above business has:

(1) Agreed, conspired, connived, or colluded to produce a deceptive show of competition in the compilation of the accompanying bid or offer that is being submitted;

(2) In any manner, directly or indirectly, entered into any agreement of any kind to fix the bid price or price proposal of the bidder or offeror or of any competitor, or otherwise taken any action in restraint of free competitive bidding in connection with the contract for which the accompanying bid or offer is submitted.

F. CONTINGENT FEES

I FURTHER AFFIRM THAT:

The business has not employed or retained any person, partnership, corporation, or other entity, other than a bona fide employee, bona fide agent, bona fide salesperson, or commercial selling agency working for the business, to solicit or secure the Contract, and that the business has not paid or agreed to pay any person, partnership, corporation, or other entity, other than a bona fide employee, bona fide agent, bona fide salesperson, or commercial selling agency, any fee or any other consideration contingent on the making of the Contract.

G. ACKNOWLEDGEMENT

I ACKNOWLEDGE THAT this Affidavit is to be furnished to the Procurement Officer and may be distributed to units of: (1) the State of Arkansas; (2) counties or other subdivisions of the State of Arkansas; (3) other states; and (4) the federal government. I further acknowledge that this Affidavit is subject to applicable laws of the United States and the State of Arkansas, both criminal and civil, and that nothing in this Affidavit or any contract resulting from the submission of this bid or proposal shall be construed to supersede, amend, modify or waive, on behalf of the State of Arkansas, or any unit of the State of Arkansas having jurisdiction, the exercise of any statutory right or remedy conferred by the Constitution and the laws of Arkansas with respect to any misrepresentation made or any violation of the obligations, terms and covenants undertaken by the above business with respect to (1) this Affidavit, (2) the final contract, and (3) other Affidavits comprising part of the contract.

I DO SOLEMNLY DECLARE AND AFFIRM UNDER THE PENALTIES OF PERJURY THAT THE CONTENTS OF THIS AFFIDAVIT ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF.

Date:_____

By: _____ (print name of Authorized Representative and Affiant)

_____ (signature of Authorized Representative and Affiant)