

Model Request for Proposal

A Template for Institutional Investors

Presented by:

Asia Pacific Association for Fiduciary Studies

_____ (“Fund”)

Proposal Specifications

For Custody Services

RFP No. _____

Date of Issue: _____

In order to be considered for this assignment, all persons, firms, or corporations responding to this Request for Proposal (RFP) must provide the following information when submitting proposals. Any proposal received that does not provide the information requested below will be rejected. Proposals rejected will not be returned to the owner, but the owner will be notified. To facilitate proposal review, please provide the information in the order requested below.

I. Transmittal Letter

The transmittal letter must include the following information:

- A. Name of the firm, address, telephone, voicemail, facsimile numbers & email.*
- B. Location of the firm’s principal office and, if different, the location of the main relationship officer.*
- C. An affirmative statement expressing your firm’s willingness and ability to perform the duties described in the RFP.*
- D. An affirmative statement as to the availability of the necessary resources to perform all services described in the RFP.*
- E. Name, title, telephone number and email of the primary relationship officer.*
- F. An affirmative statement that the firm, and primary relationship officer, are registered Investment Advisors under the Investment Advisor Act of 1940.*
- G. An affirmative statement indicating that the firm has been providing custody services for more than 20 years.*
- H. An affirmative statement that the firm has in excess of \$50 billion in custodied assets.*

The transmittal letter must be signed by the individual who is authorized to contractually bind the person, firm, or corporation submitting the proposal.

II. Questions to be Answered

I. Structure and Experience

- A. Please describe the history and ownership structure of your organization. Describe principal business and other services available.*
- B. Provide information on the firm's current financial performance and status.*
- C. What is the firm's credit rating and how has it changed over the last 3 years.*
- D. What is the tier (1) and tier (2) and total risk adjusted capital.*
- E. What credit rating does the firms short term obligations carry (S&P/Moodys).*
- F. In what year did your firm initiate custody services.*
- G. Provide information as to total assets custodied and assets custodied that are being managed by investment managers.*
- I. How many investment managers do you work with?*

II. Personnel

- A) Please identify the primary relationship officers and support personnel who would be assigned to provide services to the Fund.*
 - 1) Describe experience of the primary relationship officers in working with custodied clients that are managed by third party investment managers.*
 - 2) Please provide a list of custody clients serviced by the primary relationship officers.*
 - 3) Describe the primary relationship officers' experience, if any, in the Western Pacific region. If there are particular instances that you feel demonstrate significant value added to particular clients as a result of the primary relationship officers recommendations pertaining to custody issues, please describe them.*
- B) Do you anticipate any changes in the ownership or staffing or your firm?*
- C) What approach to account administration is employed, i.e., account team, client account relationship officers supported by administrative units, etc.*

III. Services

A) Asset Safekeeping and Clearance

- 1. How does your firm handle the custody of securities?**
- 2. How does your firm interact with investment advisors and how does it process transactions?**
- 3. Which depositories do your firm use and describe its involvement with them?**
- 4. How does your firm handle information on corporate activities (i.e. tender offers, etc.)?**
- 5. Describe how your firm distributes proxy information.**
- 6. How does your firm handle physical securities?**
- 7. Does your firm use another party in the clearing process?**

B) Data Processing, Computer Systems and Security Controls

- 1. Describe briefly your computer system's capability, describing the primary and secondary hardware and data processing software configurations which serve your custody operations.**
- 2. How long has the current hardware been in place? Where is your primary system located? Do you plan to upgrade the hardware in the near future?**
- 3. a. What is your system capacity?**
b. How has it grown?
c. How is that growth planned?
- 4. How long has the current software been in place?**
- 5. Do you have a data processing programming staff supporting custody operations?**
- 6. For each major system, when was the software developed and was it developed internally or externally? If externally, what assurances can be given that your expanding needs will be met?**
- 7. Is there on-line access program development and maintenance? How do you plan for or make changes and upgrades? How do you phase in upgrades?**
- 8. What systems developments are being considered at the time?**

9. *How much funding have you committed to computers and data processing in the custody area during the past three years? How much do you expect to invest in the next three years?*
10. *Describe your customer on-line system for both clients and investment managers?*
11. *Enumerate the standard reports that are available on-line.*
12. *Do you provide extracted data in downloadable spreadsheet format? Which spreadsheets does it support?*
13. *Do any of your reports utilize color and/or graphics? Are these available in hard copy also? What terminal technology do you use for color and/or graphics?*
14. *Does the system have built-in security procedures to protect customer information, especially with respect to unauthorized access to data?*

If yes, please describe in detail all security measures. Include:

 - a. *How authorizations are recorded and controlled to restrict unauthorized use.*
 - b. *Are your authorization codes changed periodically? When users key in the system, does the system acknowledge authorization codes?*
 - c. *If a security matrix or table is used to control access to the application system, is it protected to prevent unauthorized access?*
15. *What was the length and number of times your system was down during the last three years ending December 31, 2001? Why was your system down and how was the problem corrected?*
16. *What back-up and recovery capabilities are in place in case of disaster, malfunctions or emergencies? Where is the back-up system located? What is tested turn-around time on disaster recovery?*

C) Accounting

1. ***Provide and describe:***
 - a. ***System flow chart of your portfolio accounting system, including reconciliations and all other accounting and administrative control procedures;***
 - b. ***All accounting reports (on-line and other daily, weekly, monthly, quarterly, annual, etc.) and when available (please indicate standard and custom reports);***
 - c. ***All significant accounting policies for recording and classifying transactions which are inconsistent with the Financial Accounting Standards Board's Statements of Financial Accounting Standards;***
 - d. ***How does your accounting system interface with your securities movement and control system?***
2. ***Does your system report or accommodate trade date or settlement date reporting?***
3. ***What is the lag time between trade execution, availability of on-line transaction review by the client, and the posting of the transaction to your accounting system?***
4. ***Provide the following information concerning pricing:***
 - a. ***What is the source of your pricing data for stocks, bonds and ADRs?***
 - b. ***How do you price securities that are not available from your pricing services, such as private placements?***
 - c. ***Can the client specify alternate pricing sources?***
 - e. ***How often are securities priced?***
5. ***Provide the following information concerning pass-through investments:***
 - a. ***Describe your accounting procedures and cash management policies with regard to pass-through investments such as GNMA, FHLMC, and FNMA.***
 - b. ***How do these policies differ from those applicable to other types of securities.***
 - c. ***What is your source and how do you account for pay down information?***
 - d. ***Do you maintain a record of the original face amount purchased?***

D) Cash Management

1. *Describe your cash management policies and procedures regarding the purchase and sale of securities and receipt of income.*
 2. *Describe your crediting policies for dividend and interest income and the investment of cash balances.*
 3. *Are short-term investment funds available (i.e. STIF or money market funds)? If yes, please describe for each:*
 - a. *investment philosophy*
 - b. *investment manager and whether affiliated with custodian*
 - b. *objectives and guidelines, including maturity and credit criteria*
 - c. *annualized return for the 1,3 & 5 year periods ending Dec. 31, 2001.*
 4. *Is cash invested (provide frequency) down to a zero balance in each account?*
 5. *Describe your cash management policies for securities settlements?*
 6. *For money transfers to client, which of the following options are available. For each, describe related costs, time required to credit local account, security measures:*
 - a. *Wire Transfer*
 - b. *Telephone Initiated Automatic Funds Transfer*
 - d. *Facsimile Initiated Automatic Funds Transfer*
- E) *Identify other services you can provide (i.e. investment management consulting, trade execution services, research, etc).*
- If submitting a bundled services proposal including institutional investment consulting services, please respond to attached investment management consulting RFP as well.*
 - If submitting a bundled services proposal including execution services, please respond to attached execution services proposal as well.*
 - In either a fully bundled (custody, execution services and consulting) or partially bundled (consulting and custody) relationship, how do you ensure that conflicts of interest do not arise and are there arrangements that offer a safeguard for detection of such concerns.*
- F) *Do you consider yourself as a fiduciary when you serve as custodian? If not, why not?*
- G) *Briefly describe any other services or aspects that are unique to your firm and which set it apart from other firms.*

IV. Fees

- A) For flat fee and asset value based proposals, include an outline of all services you propose to provide and their associated fees. Specifically, provide detail in terms of transitions, per account, per transaction, and all other functions. If an asset based fee, provide a schedule for up to \$100 million in assets. Stated fee schedule must include all charges and must reflect your costs in their entirety.**
- B) Bundled services proposals:**
- If you offer bundled custody, transaction execution services and consulting services, list all services provided under such an arrangement. If the fee schedule is based on a percentage of assets, please provide a schedule up to \$100 million in assets. Do the investment managers retain the ability to step out trades in the interests of best execution?**
 - If you offer bundled transaction execution and consulting services, list all services provided under such an arrangement. If the fee schedule is based on a percentage of assets, please provide a schedule up to \$100 million in assets. Do the investment managers retain the ability to step out trades in the interests of best execution?**
- C) If hired, will your firm receive any other form of compensation from working with this account that has not been revealed in your response to this RFP? If yes, what is the form of compensation?**
- D) If retained either for a custody only or bundled relationship, will you aggregate related accounts for fee calculation purposes for all services provided, should you either be providing such services currently or asked to do so in the future?**