

**STATE OF RHODE ISLAND  
OFFICE OF THE GENERAL TREASURER**

**REQUEST FOR PROPOSALS FOR  
CUSTODY SERVICE  
REGARDING BONDS POSTED BY  
INSURANCE COMPANIES, CONSTRUCTION COMPANIES AND BANKS  
REQUIRED IN ORDER TO CONDUCT BUSINESS  
IN THE STATE OF RHODE ISLAND**

**RFP Issued: January 28, 2010**

**Proposals Due: ~~February 12, 2010~~**

**Extended to: February 19, 2010**

**Prepared by:  
Rhode Island Office of the General Treasurer**

**REQUEST FOR PROPOSALS FOR  
CUSTODY SERVICE**

**REGARDING BONDS POSTED BY  
INSURANCE COMPANIES, CONSTRUCTION COMPANIES AND BANKS  
REQUIRED IN ORDER TO CONDUCT BUSINESS  
IN THE STATE OF RHODE ISLAND**

**SECTION I. INTRODUCTION AND BACKGROUND**

The General Treasurer of the State of Rhode Island ("Treasurer"), acting on behalf of the Rhode Island State Investment Commission ("SIC"), has prepared and is distributing this Request for Proposals ("RFP") to identify custody service providers to manage certain posted deposits.

The SIC has exclusive control of all assets of the System, subject to applicable law, and has full power to hold, purchase, sell, assign, transfer, or dispose of System assets, including securities and other investments in which its funds have been invested as well as the proceeds of such investments.

Proposals for custody services will be evaluated based on the criteria set forth in this RFP. The SIC may select one or more providers through this RFP. Each selected provider will perform services as set forth in this RFP and in the resulting investment management agreement, and must manage the portfolios in adherence with Investment Guidelines issued by the Treasurer.

By soliciting proposals, the SIC is not obligated to award any contract or to allocate assets to any Provider pursuant to this RFP. Additionally, the Provider must be the company that, if selected, will be contracting with the Treasurer to provide the investment management services described in this RFP and the resulting agreement (the "Provider" or the "proposing firm").

The Treasurer, acting on behalf of the SIC, reserves the right to reject as non-responsive any firm that is determined to have a conflict of interest that would affect the firm's ability to perform the services specified in this RFP.

**A. Scope of Request**

This RFP seeks custody firms to hold and manage bonds for insurance companies, construction companies and financial institutions required to post bonds as a condition for conducting business within the state.

Approximately 145 accounts totaling \$84 million is currently under custody.

The custody provider will hold bonds in custody and on a semi-annual basis will move income proceeds, less applicable fees, to the company providing the bonds. The custodian will also receive new bonds when maturity occurs or if replacements are needed. Custodian will provide statements to the companies and the state Treasurer's Office periodically or provide on-line access or reports. The custodian shall also invest short-term funds when appropriate in secure instruments based on direction from the Office of the General Treasurer and State Investment Commission guidelines.

It is anticipated that the contracts resulting from this RFP will be for an initial term of three (3) years with annual renewal options up to an additional three (3) years.

**B. Minimum Requirements**

Proposals that do not meet the following minimum requirements, or which do not comply with the specifications or material terms and conditions of this RFP, shall be considered non-responsive and shall be rejected. The Provider must demonstrate that it meets these minimum requirements in its response to this RFP.

Criteria to be assessed include: length of service in industry and regulatory compliance, amount of assets under custody and track record.

## **SECTION II. EVALUATION CRITERIA**

The criteria for evaluation are summarized below.

### **A. Organizational Characteristics**

1. Organization/Staff
2. Compliance
3. Client Service

### **B. Investment Management and Decision Making**

1. Philosophy/Process
2. Transactions
3. Operations and Systems
4. Accounting and Reporting

### **C. Securities Processing**

### **D. Fees**

Note: All information submitted in the proposal is subject to verification by the Commission's consultants and the Treasurer's staff.

### **SECTION III. EVALUATION PROCESS**

A committee made up of staff of the Treasurer's Office will evaluate responsive proposals. The committee may recommend that the SIC select one or more of the Providers to manage certain bonds posted.

Evaluation will be managed as a multi-stage process:

- A. Proposals will be screened to determine whether minimum requirements are met. Proposals that do not meet these minimum requirements (non-responsive proposals) will be rejected.
  
- B. Responsive proposals will be reviewed. Proposals will be rated in accordance with Section II, Evaluation Criteria, A – C.
  
- C. Fee proposals will be rated in accordance with Section II, Evaluation Criteria, D, and combined with the scores for all other criteria. The Treasurer's Office may conduct discussions and/or negotiations with these Providers and request submission of best and final offers (BAFOs).
  
- D. Proposals may be re-evaluated after discussions and/or submission of BAFOs. The proposals with the highest combined scores will be submitted to the SIC for consideration/selection.
  
- E. Providers may be requested to provide clarifications or additional information regarding their proposal(s) at any time during the evaluation process. Selection(s) may be made without any discussions.
  
- F. Providers may be requested to make presentations to the SIC. Selection by the SIC may be made without presentations.

The Treasurer's Office will conduct contract negotiations with Provider(s) selected by the SIC. Should negotiations fail to result in agreement within two weeks of their commencement, the Treasurer shall have the right to terminate negotiations. The SIC may select another Provider who submitted a proposal in response to this RFP, or take other action consistent with the best interests of the Commission.

## SECTION IV. PROJECTED TIMETABLE

The following is the estimated timetable for awarding contracts.

<b>Event</b>	<b>Date</b>
Release RFP:	January 29, 2010
Proposals due date:	<del>February 12, 2010, 5 PM (ET)</del> February 19, 2010, 5 PM (ET)
Evaluations/interviews/selections:	March 2010
Contract negotiations and drafting:	March – April 2010
Contract funding and start:	April 2010

Electronic version of the proposal response should be sent to:

E-mail Address: [vizzo@treasury.ri.gov](mailto:vizzo@treasury.ri.gov)

Name: Vincent Izzo

Phone #: 401.222-8586

Subject Line to Read: CUSTODY RFP

---

# **TABLE OF CONTENTS**

*CORPORATE BACKGROUND* \_\_\_\_\_ 8

*ADMINISTRATION AND STAFF INFORMATION* \_\_\_\_\_ 9

*TRANSITION* \_\_\_\_\_ 10

*DATA PROCESSING/COMPUTER SYSTEMS AND ON-LINE  
CAPABILITIES* \_\_\_\_\_ 11

*ACCOUNTING AND REPORTING* \_\_\_\_\_ 12

*SECURITIES PROCESSING* \_\_\_\_\_ 13

*CASH MANAGEMENT* \_\_\_\_\_ 14

*FEES* \_\_\_\_\_ 15

---

## **CORPORATE BACKGROUND**

- 1. Give a brief corporate history including the year of organization, ownership and a listing of any affiliated companies and their relationship to the principal organization. Please include an organizational chart of the corporation.*
- 2. How many years of experience does your organization have in providing Master Trust/Custodial services?*
- 3. Describe the increase and decrease of your aggregate Master Trust/Custodial relationships for your corporation during the past five (5) years according to table below.*
- 4. Briefly describe the development of your Master Trust/Custody service.*
- 5. Briefly describe your company's business plan for Master Trust/Custodial services for the next five (5) years including proposed spending and staffing levels.*
- 6. List all insurance coverage relevant to Master Trust/Custody functions. Indicate the type and amount, including the amount of fiduciary liability insurance that is carried. Describe the insurance that your organization carries with respect to any acts or omissions of directors, officers and other personnel resulting in loss of funds.*
- 7. Over the past five years, has your organization or any its affiliates or parent been involved in any business litigation, regulatory or legal proceedings? If so, provide an explanation and indicate the current status.*
- 8. What is your policy for communicating a security breach?*
- 9. Please obtain permission for the release of three (3) references from current clients that are similar in size to the State of RI Bond Holdings and provide the organizational name, address, contact person, telephone number and email address for each reference.*

---

## **ADMINISTRATION AND STAFF INFORMATION**

1. *Briefly describe the organizational structure of the Master Trust/Custodial Division. Provide a complete organizational chart for the operating and reporting relationships of the Master Trust/Custodial Division.*
2. *Describe your approach to client service.*
3. *Who would be the individual directly responsible as the Account Administrator for this contract and what office would they be located in? Indicate how many years of experience the Account Administrator has in providing the type and scope of services requested. Indicate how many other accounts the Account Administrator would be servicing and the size of each of these accounts. How is the number of accounts assigned to each Administrator determined and what is the maximum number of accounts that can be assigned to any one Administrator? Please provide a biography or resume including this individual's educational background and work experience.*
4. *Describe the staff functions of each of the individuals that report to the Account Administrator. Please indicate the individual who would serve as back-up, if needed. Please provide a biography or resume including this individual's educational background and work experience.*
5. *Describe the procedures which you utilize to assure continuation of services during vacations or other absences occurring within your Account Administration area.*
6. *What level of personnel turnover have you experienced in the Master Trust/Custodial Division over the past five (5) years? Please differentiate between the individuals leaving the organization and those moving to other departments within the organization. List this information by each level of management, including support staff, and set out the total number of employees within each classification within the Master Trust/Custodial Division.*
7. *What methods do you use to assess your client's evaluation of your service and how are comments provided by clients acted upon by senior management?*

---

## **TRANSITION**

1. *Please describe the conversion process (who is responsible for coordinating activities, who participates, what activities must occur, etc.). Please provide a sample timetable including the type and amount of resources to be provided by the client.*
2. *Please specify any transition cost to be absorbed by the client.*

---

## **DATA PROCESSING/COMPUTER SYSTEMS AND ON-LINE CAPABILITIES**

- 1. Give a brief, general description of the hardware and software systems used to support your Master Trust/Custodial Division. Have you developed your own software internally or purchased software from an outside vendor? How long has your current software been in place?*
- 2. What major enhancements are planned at this time? Describe the organization's commitment (in dollars) towards computer improvements in the future.*
- 3. Describe the system's security and recovery procedures currently in use. Is there a back-up facility? Describe what your "down time" experience has been.*
- 4. Do you offer an on-line reporting service for clients and pledgers? Please describe. If so, how long has this service been provided? How many clients are currently using on-line services? Please describe any additional fees associated with on-line access.*
- 5. Describe the availability of the system to your clients and the back-up support offered. What provisions are made for training of client personnel on the on-line system? Are there any associated costs to this training?*
- 6. How current is the information that is accessed? How many months of holdings and transaction data are available (past 3 months, year, etc.)?*
- 7. Describe the report output options available from your system, both on-line and by hard copy. Can non-standard reports be created? Can the client download data to create custom reports? If yes, discuss the custom reporting, flexibility, limitations, and the compatibility with Excel and other PC based software.*

---

## ACCOUNTING AND REPORTING

1. *Describe your accounting system. What basis (trade date or settlement date, accrual or cash) do you use? Do asset valuations reflect accrued income and pending transactions? How do you report interest and dividend income? What methods do you employ to record inventory of book value on security holdings? (e.g. FIFO, LIFO, average cost)*
2. *What is the “lag time” between trade execution, availability of on-line transaction data to the client and the posting of the transaction to your accounting system?*
3. *Indicate which reports are provided as part of your Master Trust/Custodial service package by completing the following table. Also indicate how frequently they are produced and distributed. Do you provide reports on-line as well as on hard copy?*
4. *Do you have the capacity to capture and report brokerage commissions by account and by transaction? Can these be included in a standard report? Are any other fees included in the brokerage commission numbers?*
5. *Are all reports audited before they are delivered and if so, by whom? Is there an internal audit system in place? If so, please describe. Is the system certified by an outside public accounting firm?*
6. *What controls are in place to insure reporting accuracy and that account activity is within the policies and objectives set by the client?*
7. *Please provide an SAS 70 Report or external Quality Control Review from the past two years.*
8. *Please provide copies of audit opinions issued by your independent and internal auditors specifically related to your custody services (including securities lending and benefit disbursements) for the last three years.*
9. *Describe any planned system enhancements with target implementation dates.*
10. *How are errors, if any, corrected and reported to the client?*

# SECURITIES PROCESSING

1. *Describe your system for registration and custody of assets including depositories used.*
2. *Is your organization a direct participant of the Depository Trust Company of New York and the Federal Reserve System? Describe any on-line interaction and balancing procedures with the Depository Trust Company of New York and/or the Federal Reserve System.*
3. *Describe how, where and when physical settlements are transacted.*
4. *Please fill in the table below regarding the source and frequency of security pricing. Can the client specify alternate pricing sources?*

Security Type	Standard Vendor	Frequency	Backup Vendors
U.S. Fixed Income			
Corporates			
Governments			
Mortgage-Backeds			
Asset-Backeds			
CMOs			
Municipals			
Private Placements			
U.S. Equity			
Futures/Options on Futures			
Open-ended Funds			
International Securities			
Foreign Exchange Rates			

5. *What procedures are in place to identify and investigate unusual or significant pricing changes from the previous day?*
6. *How do you handle information on corporate activities such as tender offers, exchange offers etc.?*
7. *Briefly describe how you distribute proxy information and monitor proxy processing.*
8. *Describe your systems, controls and capabilities to identify, track, and manage class action litigation or settlement proposals for securities either currently held or previously owned and eligible for participation in such actions.*

---

## **CASH MANAGEMENT**

1. *What short-term investment vehicles are available for tax-exempt client use? Include investment philosophy, objectives and performance data.*
2. *Describe your policies concerning collection and crediting of interest and dividend income, including when income becomes available for investment.*
3. *Describe your policies concerning automatic investment of cash balances and whether you sweep to the penny.*
4. *How frequently have fails occurred and why? How do you minimize the fail float impact? How frequently are managers advised of fails? How do you compensate for income lost through fails?*

---

## **FEES**

1. *Provide an estimate of your fees based on the fund details in the table on the following page. Be specific, detailing all services that are included in your estimate. Include the following if applicable:*
  - *Relationship Fees*
  - *Basis Point Fees*
  - *Accounting & Reporting Fees*
  - *Recordkeeping Fees*
  - *Transaction Costs per Depository Trades*
  - *Transaction Costs per Wire Transfer*
  - *On-line Access Fees*
  - *Other*
2. *In addition to the estimate provided in your answer above, please describe in detail how fees are calculated in each of the above categories that apply.*
3. *Please identify any services that are routinely used by funds of this size and structure that are not included in your estimate.*
4. *Is there a separate charge for conversion of this plan?*
5. *For how long would you be willing to guarantee your fee?*
6. *Do you have a standard contract that you use for custody? If so, please provide a copy.*