

VIEW OF THE CMPFO ON THE POINTS RAISED BY THE PROSPECTIVE BIDDERS IN PRE-BID CONFERENCE FOR SELECTION OF CUSTODIAN HELD ON 01.07.2016

Sl. No	Clause	RFP	Quarry	Reply
	3.2 page 7	CMPFO appointed 3 Portfolio Managers (PM) to Managers its corpus	Who will send confirmation of transaction to custodian? Will it be a CMPFO or each of the portfolio managers (PM) independently?	Transaction confirmation will be send by the portfolio managers (PM). However, in case of sell transaction confirmation from BOT, CMPFO requires.
			If Yes, is the custodian required to open separate custodial accounts for each of the PM? And will the PM directly confirm trade to custodian and receive reports from custodian? Are the bank accounts maintained PM wise.	There will be a single custodian account.
			If No, would it mean that all instruction flow to custodian will be from CMPFO and similarly custodian will report to the CMPFO for the fund?	No
			Generally, it is the PM who provides for all trade flows, instructions and reporting and all accounts including bank accounts are maintained by the PM.	Custodian is responsible for reporting.
			Nevertheless, Kindly clarify with expected transaction flow , instruction flow and reporting mechanism	
	4.2 page 10	Cause its agent to make Payments from the saving accounts	Reference to agent..? Is the CMPFO considering appointing agents? Kindly clarify.	No
			The custodian, if authorised by a POA can operate the CMPFO bank account to settle the instructions of CMPFO.	Yes

5.7.3 page 15	Performance BankGuarantee	Drafts, if any may be Kindly be shared	No specific format
7.2.3. page 24	Experience	SEBI commenced issuance of registration certificate in 1998 and issued renewals only in2009. Since SEBI Certificate has to be given as a proof, what proof is required to be submitted by a custodian for periods before 1998 (i.e before SEBI started issuing registration certificate).Will an undertaking from the custodian stating the period since when the custodian services were being offered prior to 1998 meet therequirements?Kindly clarify.	Certificate followed by an affidavit.
6.2.1 page 18	Total Assets Under Custody	Considering that CMPFO is an Indian investor,should the custodian show the Total assets heldby his Indian Clients or should the custodian also include total assets held by the foreign clients i.e Foreign Portfolio Investors ( earlier known asForeign Institutional Investors, Sub accounts) ,Foreign Direct Investors and Foreign VentureCapital Funds.Kindly Clarify	Total Assets including foreign clients.
6.2.1 page 18	Debt Assets Under Custody	On above lines, should the custodian show the debt assets of only Indian clients or should the holding of debt assets include the debt assets of its foreign clients i.e Foreign Portfolio Investors ( earlier known as Foreign Institutional Investors, Sub accounts) , Foreign Direct Investors and Foreign Venture Capital Funds. Kindly Clarify	Total Debt including foreign clients.
6.2.1 page 18	Number of Clients with Debt Assets under custody over Rs 2000 crores.	On above lines, should the number of clients shown by the custodian be only Indian Clients (i.e excluding foreign clients). Kindly Clarify.	Total clients including foreign clients operating in India.
6.2.2 (1) page 18	Proposed Project Plan	The RFP requires details to be submitted. Are any supporting documents like MIS formats, process flows, etc. required? Kindly clarify.	On a mutually decided format.
6.2.2(2) page 19 7.3.2.4. page 28	Risk Management	Risk Management Policy is extensive and exceeds the stipulated 1500 words. Also, being a confidential document, would it suffice if relevant extracts of the Risk Management Policy is submitted as a response. Kindly clarify.	May be considered but try to restrict as far as possible. Extracts of Risk Management Policy would be acceptable.
7.2.1 page 24	Copy of Registration with SEBI/ RBI	SEBI is the regulatory authority for all theCustodians. Hence, a custodian which is a bankwill also require SEBI's Registration Certificate forthe custodian business while the RBI	Only SEBI registration is required.

			<p>Registration would be for the Banking Business. RBI does not issue any licences for custodian business.</p> <p>Kindly clarify if a custodian which is not a bank needs to submit any other documentation. Also, in this scenario, in terms of the scoring on this parameter, kindly clarify how the scoring will be done?</p>	
	<p>7.4 page 29</p> <p>9.1 page 37</p> <p>9.2 page 37</p>	Financial Bid	<p>The clause mentions the custodial fee to be quoted as a percentage of the face value.</p> <p>As per the industry practice the custody fee is based on the current market price for Equity and MF units.</p> <p>If the fee is to be quoted as a percentage of the face value, does it mean that the face value is the cost of purchase or the par value of the security?</p> <p>An equity share of Face Value Re 1 may be purchased at Rs 800 while the current price may be Rs 1000/-.</p> <p>For submitting of Financial Bid, ascertaining the above is important. Kindly illustrate. Also, if face value/ par value is the desired interpretation, please provide details of the face value of various asset class i.e debt, equity, mutual fund etc. The Equity and MF part of the current corpus as mentioned as well as the annual investments in terms of face value may also kindly be provided.</p>	In case of debt instrument fee is to be quoted as a percentage of face value, whereas in case of equity and equity related instruments, fee is to be quoted as a percentage of current market price.
	7.4 page 29	Financial Bid	Does CMPFO consider inflation related enhancements in the financial bid on a yearly basis	No
	6.1 (6) page 17	Bid Evaluation Criteria	Kindly provide the number of transactions in CBLO with average deal size.	Negligible
	<p>7.3.1.2 page 27</p> <p>7.3.1.3 page 27</p> <p>7.3.1.4 page 27</p>	Certificate from Statutory auditor	Can these certificates be obtained from the internal auditor instead of the statutory auditor?	Only statutory auditor certificate will be accepted
	<b>7.2.4</b>		<p>Custodian should have at least Rs. 50,000 Crores of total Assets Under Custody (AUC) as on 01 April, 2016.-Certificate of total assets under custody as on 01 April, 2016 duly certified by the Statutory auditor</p> <p>Can we provide data as on 31st Mar'16</p>	Day end date of 31.03.2016 acceptable.
	<b>7.2.5</b>		Custodian should have at least Rs. 25,000 Crores of Debt Assets	Day end data of

			Under Custody as on 01 April, 2016.-Certificate of Debt assets under custody as on 01 April, 2016, duly certified by the statutory auditor. Can we provide data as on 31st Mar'16	31.03.2016 acceptable.
	<b>7.3.1.2</b>		Average of Debt Assets Under Custody for last one (1) year as on 01 April, 2016 (Calculated on daily basis) - Certificate for average of Total Debt Assets Under Custody for last on (1) year as on 01 April, 2016, duly certified by the Statutory auditor. Can we provide data as on 31st Mar'16	Day end data of 31.03.2016 acceptable.
	<b>7.3.1.3</b>		Average of Debt Assets Under Custody for last one (1) year as on 01 April, 2016 (Calculated on daily basis) - Certificate for average of Total Debt Assets Under Custody for last on (1) year as on 01 April, 2016, duly certified by the Statutory auditor. Can we provide data as on 31st Mar'16	Day end data of 31.03.2016 acceptable.
	<b>7.3.1.4</b>		Number of clients with Debt Assets Under Custody of at least Rs. 2,000 Crores-Certificate of number of clients with debt assets under custody of at least Rs. 2.000 Crores as on 01 April, 2016,duly certified by the statutory Auditor Can we provide data as on 31st Mar'16	Day end data of 31.03.2016 acceptable.
	<b>6.1.1</b>	Custodian should be registered with SEBI and RBI and the registration should be valid on the date of application	We should like to highlight that we are a non-banking custodian and we are required to register with SEBI only.	Only SEBI registration requires
	<b>6.1.7</b>	Custodian should have functional offices at Mumbai & Delhi having responsible officials	Custodian should have functional offices at Mumbai & Delhi having responsible officials	Functional office at Mumbai only is required.
	Clause 3.4/Page 7	Terms of reference - current Corpus of CMPFO as on March 31st 2016	Please provide breakdown of the corpus in various subcategories (Government Securities, Corporate Bonds, Equities, Mutual Funds, Bank TDRs, others)	Already contained in RFP
	Clause 4.3.4/Page 11	The Custodian should have capability to develop a new system for catering to automation as	Please provide a list of current reports required by CMPFO. Kindly also provide the details of any specific processing requirement of CMPFO	It will be mutually decided.

		per the processing and reporting requirements of CMPFO		
	Clause 4.3.9/Page 12	The Custodian shall arrange an adequate insurance cover for the entire property belonging to the BOT, CMPF, the details of which shall be submitted to the CMPFO	<p>We want to understand whether the Insurance cover is required for 100% of the value of the securities under custody.</p> <p>We do not see any investor seeking 100% insurance cover for assets under custody since this increases the cost to CMPFO significantly (as the cost of insurance will be passed to the investor either by increase the pricing proposal or as out of pocket). Further the risk is mitigated due to the following:</p> <ul style="list-style-type: none"> <li>• Government Securities are held with the Public Debt Office of the RBI</li> <li>• Corporate Bonds and Equities in electronic form are held with the Central Depositories (NSDL/CDSL). The Central Depositories already take and insurance cover up to a certain value to include losses on account of actions/ omissions of the depository and the depository participant.</li> <li>• These securities would be available to CMPFO even in the event of liquidation/ default of the Custodian.</li> </ul> <p>Typically, the custodian entity would obtain an insurance policy covering various losses. Kindly confirm that this will meet the requirements.</p>	No 100% insurance requires. However, Custodian shall adequately insure against various losses.
	Clause 5.4/Page 14	The custodian will be finalized based on the evaluation process as prescribed above and the successful Custodian will be informed	What happens in case there is a tie between two custodian? How would the appointment of the custodian made in such a circumstance?	In case of tie the committee shall decide.
	Clause 7.2.6/Page 25	Should be able to offer custodial services, settlement services and reporting thereof for all type of eligible securities i.e. Corporate Bonds, Government	We wish to clarify that the Securities in SGL Account and CBLO account are not securities that are under the safekeeping with any Custodian. While the banks can offer clearing and settlement account (MMSB Account), There are no custodial services provided for this. Also, consequently, there are no reports that the custodian can provide in this regard. Kindly make a note of this understanding.	In case of Securities in SGL Account and CBLO reporting in a mutually agreed format required.

		Securities(through SGL/CSGL), Bank FDRs, CBLO or any other securities in which BOT, CMPF may transact in future as prescribed by the Government		
	Clause 7.4/Page 29	Custodial fee per month as percentage of face value of the Asset Under custody on the last day of the month	As a market practice, for equity and related securities and mutual funds, the Charging of fees is on the market value of securities and not face value. Kindly confirm that this arrangement is acceptable?	In case of debt instrument fee is to be quoted as a percentage of face value, whereas in case of equity and equity related instruments, fee is to be quoted as a percentage of current market price.
	Clause 4.3.10/Page 12	Check the Credit ratings of the Investment on a daily basis and report any downgrades or negative watch/outlook immediately	It may be noted that the custodian typically does not provide this service and this is something that the portfolio manager/Investment manager monitors. For provide these details the custodian will obtain this information from one of the available sources (public information, credit rating agency, etc.) and the custodian will provide this information as received to CMPFO. While the custodian will follow a diligent process to avoid any operational error, It may be noted that the custodian would not be held responsible for any loss, etc. In the event of any incorrect reporting due to incorrect information being received by the custodian from its source or any operational error in reporting.	Credit ratings report within a reasonable time required.
	Clause 4.3.8/Page 11	Delivery of any Property other than cash shall be made within reasonable time at such locations as the parties hereto may agree.	Kindly note that acceptance/ delivery of any physical securities is enabled only in Mumbai at Citi offices. In case electronic securities the transfer can be done to electronic accounts at any location.	Mutually agreed place.