

List of clarifications on the Request for Proposal for the selection of Custodian for Securities of CMPFO

Sr. No.	Reference (Clause No./Page No.)	Content of RFP requiring clarification	Points of Clarification Required	Clarification/reply from CMPFO
1	Clause 4.3.9/Page 9	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"> • Government Securities are held with the Public Debt Office of the RBI 	100% insurance is not required, but Custodian shall ensure that property/securities of the CMPFO are adequately covered against various losses.

			<ul style="list-style-type: none"> Corporate Bonds and Equities in electronic form are held with the Central Depositories (NSDL / CDSL). The Central Depositories already take an insurance cover up to a certain value to include losses on account of actions\ omissions of the depository and the depository participant. These securities would be available to CMPFO even in the event of liquidation / default of the Custodian. <p>Typically, the custodian entity would obtain an insurance policy covering various losses. Kindly confirm that this will meet the requirements.</p>	
2	Clause 5.4/Page 11	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 custodians? How would the appointment of the custodian made in such a circumstance?	In case of a tie, the committee will take a decision.
3	Clause 7.2.6/P age 23	Should be able to offer custodial services, settlement services and reporting thereof for all type of eligible securities i.e. Corporate Bonds, Government Securities (through SGL/CSGL), Bank FDRs, TREPs(directly or indirectly), securities lending & Borrowing-execution, clearing and settlement or any other securities in which BOT, CMPF may transact in future as prescribed by the Government	We wish to clarify that the Securities in SGL Account and TREPs 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.	Report in a mutually agreed format is required from the custodian in respect of SGL and TREPS both, as they would be having data/transaction report of the entire fund.

			<p>For Securities Lending & Borrowing, we would request if the requirement can be kept only for clearing and settlement which is primary function of Custodian. Execution is a broking function and the fund managers can directly trade through various brokers once direct equity investments are made by CMPFO.</p>	
4	Clause 4.3.10/Page 9	<p>Check the Credit ratings of the Investments on a daily basis and report any downgrades or negative watch/outlook immediately with expert advice for action to be taken by CMPFO</p>	<p>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.</p> <p>Also Custodian's role is limited to custody services and cannot provide any kind of advice to client regarding investments. This function is of the fund managers and Custodian cannot provide any expert advice to that effect.</p>	<p>Credit ratings report within a reasonable time.</p> <p>However, CMPFO may also seek expert advice in respect of action to be taken by the CMPFO in the event of change in scenario due to change of Credit Ratings, if any.</p> <p>In cases where CMPFO is required to file claim against their Investment before any authority/body, it is expected from the Custodian to provide list of such service provider.</p>

5		Clause 4.3.8/Page 9	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.	Delivery at a mutually agreed place.
2.	4	2.3.1, 2.3.2, 2.3.3	Coal Mines Provident Fund Scheme, 1948 (CMPF), Coal Mines Deposit Linked Insurance Scheme, 1976 (CMDLI), Coal Mines Pension Scheme, 1998 (CMPS)	Kindly indicate the number of demat accounts , CSGL & corresponding bank accounts. Who will issue instructions to custodian on Purchase , Sales , Redemptions and other Corporate action related issues concerned with the accounts listed above (Portfolio manager or CMPFO.)?	CMPFO operates 4 funds with 2 fund managers each. All the necessary accounts required to be operated in this set up, needs to be opened by the custodian as per operational requirement. Fund managers will issue instructions to custodian on all investment related activity except sale, early redemption etc.
3.	5 14	3.7 & 6.1.9	If required, for the purpose of Custodian transactions, CMPFO may allow the Custodian to work as a Banker. The Custodian of Securities for the CMPFO's corpus should be different from Banker and/or Portfolio Manager of CMPFO. However CMPFO reserves its right to allow the Custodian of Securities for the CMPFO's Corpus, work as Banker and/or Portfolio Manager of CMPFO.	Keeping in mind the need to segregate the custodian of securities and custodian of funds of CMPFO; Can a custodian be on boarded along with its partner banker?	As of now, Custodian also functions as banker (Investment), hence custodian is free to take partners, if required. However, during selecting a partner bank, emphasis must be given on criteria established by GOI i.e. : i) Having net non-performing assets of not more than 4%.

4.	6	4.1.3	* Property means any security, cash and/or any other property belonging to the BOT, CMPF	Clarification on any other properties is requested .	Property means all the investments managed by the CMPFO in compliance with guidelines issued by the Ministry of Finance, Government of India to be followed by Non-Government Provident Fund, Superannuation Funds and Gratuity Funds.
5.	7	4.1.11	Except as provided herein, to deliver or dispose of the Property only as may be specified by Instructions and supported by confirmation from CMPFO	Kindly clarify if instructions will be issued by the concerned fund managers or by CMPFO directly .	Fund managers will issue instructions to custodian on all investment related activity except sale, early redemption etc.
6.	7	4.2	Payments	Will CMPFO issue a POA to the custodian to manage their Bank Account ?	CMPFO will issue POA to the custodian.
7.	8	4.3.2	The Custodian shall furnish to the CMPFO a daily statement of cash and a daily/weekly statement of Securities held by it in a mutually agreed format	Can the statement of cash be equated with the bank statement? To who will the Custodian send reports pertaining to daily operations (transactions) , reports facilitating investment decisions and other routine reports .(Fund Manager or CMPFO).	Reconciled statements of cash and bank statement. The reports are required to be sent to the Fund Managers as well as to CMPFO or as per direction by CMPFO.
8.	9	4.3.10	Check the Credit ratings of the Investments on a daily basis and report any downgrades or negative watch /outlook immediately with expert advice for action to be taken by CMPFO.	Kindly elaborate the nature of expert advice to be provided To whom will such report to be sent to CMPFO /portfolio Manager or Both	Nature of expert advice means, action required to be taken by CMPFO in the event of change in the scenario due to change the credit ratings. Reports will be sent to CMPFO or as directed by CMPFO.
9.	14	6.1.6	TREPs (Directly or Indirectly)	In case TREPS is done indirectly who will decide the service provider .(Custodian or CMPFO)	Custodian will decided the service provider.
10.	26 27	7.3.2.3 7.3.2.4	Write-up on proposed plan for the execution of the assignment covering proposed technology platform & system, MIS formats, Business Continuity Plan & Disaster Recovery Plan and Data Security (Not more	Kindly clarify 500 or 1500 words	Word limits of 500 for each subject i.e. proposed plan, Risk Management and any other critical information. The overall limit is 1500 words.

		7.3.2.6 7.3.2.7	<p>than 1500 words) Write-up on Risk Management Framework including Structure of Risk Team (Reporting structure) and risk management policy (Not more than 1500 words)</p> <p>Write up on any other information that the Applicant thinks would be worth mentioning in the proposal</p> <p>Each the above write ups should be not more than two A4 size sheets (Not more than 500 words)</p>		
11.	35	9.1	The fee to be charged by the Custodian should be as a fixed percentage of the total Face Value of the assets under custody at the end of each month.	Please clarify if this clause applies to all asset classes including equity.	In case of debt instrument fees is to be quoted as a percentage of face value, whereas in case of equity and equity related instruments, fees is to be quoted as a percentage of monthly average market price.
12.	35	9.1.f	Any other charges except the fee to be paid to the regulatory bodies such as SEBI, CCIL, RBI, etc. which would be reimbursed separately by the CMPFO as per the bill raised by those regulatory bodies	Stamp duty charges are applicable on off market movements and debt transactions. These charges are to be paid upfront at time of execution of transaction. Will CMPFO be also paying these stamp duty charges upfront at the point of deal being honoured?	Stamp duty shall be reimbursed by the CMPFO on actual basis.
12.	35	7.2.3 – Page 22	Experience	For SEBI Registration certificate, we understand that an undertaking along with an affidavit from the custodian for the period prior to 1998 since when the custodian services were being offered shall meet the requirements.	RFP requires the bidder to be registered with SEBI for not less than 10 years. Institution providing custodian services even before the setting up of SEBI may give an affidavit for the same.

		2.4, 7.2.5 – Page 23 7.3.1.2 , 7.3.1.3 , 7.3.1.4 , 7.3.1.5 , 7.3.1.6 - Page 25	7.2.4 - Total Assets Under Custody, 7.2.5 - Equity Assets & Debt Assets Under Custody, 7.3.1.2 – Average Total Assets Under Custody, 7.3.1.3 - Average Equity Assets Under Custody, 7.3.1.4 - Average Debt Assets Under Custody, 7.3.1.5 - Number of clients with Debt Assets Under custody of at least Rs. 2000 Crores 7.3.1.6 - Number of clients with Equity Assets Under custody of at least Rs. 1000 Crores	For Total Assets under custody & other certification by Statutory auditors, We believe that these assets should be excluding the assets of any “Related Party” (as per section 2 (76) of Companies Act 2013) of the Bidder.	An exclusion clause is already placed in RFP to provide level playing field to all players over the current custodian.
		7.2.4, 7.2.5 – Page 23 7.3.1.2 , 7.3.1.3 , 7.3.1.4 , 7.3.1.5 , 7.3.1.6 - Page 25	7.2.4 - Total Assets Under Custody, 7.2.5 - Equity Assets & Debt Assets Under Custody, 7.3.1.2 – Average Total Assets Under Custody, 7.3.1.3 - Average Equity Assets Under Custody, 7.3.1.4 - Average Debt Assets Under Custody, 7.3.1.5 - Number of clients with Debt Assets Under custody of at least Rs. 2000 Crores 7.3.1.6 - Number of clients with Equity Assets Under custody of at least Rs. 1000 Crores	For Assets under custody & other certification by Statutory auditors, We believe that these assets should be as of day end 31st Jan 2020	For uniformity, Assets under custody and other certification by Statutory auditors, the assets should be as of the day ending 31st January 2020.
		Clause 7.2.1 / Page No 22	Custodian should be registered with SEBI and RBI and the registration should be valid on the date of application-Enclose copy of registration with SEBI and RBI.	Custodians are regulated by SEBI and hence the registration certification is issued by SEBI. Clarity is required as to which RBI registration is to be submitted.	As the custodian also functions as banker either itself or through its partner/associate banks, registration of RBI in respect of banking business is required.

	Clause 7.2.3 / Page No 22	Applicant should have more than 10 years' experience in providing custody services- State number of completed months of operations as on 01 February, 2020. Copy of registration and renewal certificates with SEBI to be enclosed.	We understand that the 10 years of experience is calculated from the date of grant of certificate by SEBI. Pls confirm if our understanding is correct.	Yes, Registration with SEBI should not be less than 10 years.
	Clause 7.2.7 / Page No 23	Should have functional offices at Mumbai & Delhi having responsible officials- An Undertaking (as on date of application) from the Chief Executive Officer or Managing Director or equivalent official of the Custodian certifying the same.	We have one registered office and no branches in various cities. Please confirm if the functional office in Delhi is mandatory and if yes, then would the State Bank of India office in Delhi meet the requirement.	Offices at Delhi is not mandatory.