# REQUEST FOR proposals #23-02 - Global Custodial Bank And Securities Lending Services

### QUESTIONNAIRE

The following questionnaire must be completed and included with your response to this RFP. Please provide an electronic copy of the completed questionnaire. This questionnaire has been prepared to obtain responses to specific questions concerning the offeror’s capability and capacity to provide all requested services.

Your responses should identify and emphasize those elements you believe are most important in terms of adding value, and those which distinguish your firm from your competitors. Be detailed enough while remaining concise.

In answering these questions, please refer to subsection 1-2 of the RFP, Overview of the Organization which describes the WSIB to inform your response to the questions in this questionnaire.

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1. ORGANIZATIONAL BACKGROUND
	1. Organization

Provide an executive summary of your organization’s Institutional Master Trust/Custody business unit including:

Year your custody business was established

Describe the mission statement and culture of your organization

Describe your bank holding company or parent company structure and where custody operations and institutional asset servicing fit in to this structure.

Within the past three years, have there been any significant developments in your organization (changes in ownership, personnel reorganization, new business ventures, etc.)? If so, please describe. Do you expect any changes over the next 5 years?

Over the past five years, has your organization or any officer or principal been involved in any litigation or other proceedings relating to your trust or custody business activities? If so, provide an explanation and describe the outcome.

Provide details regarding how frequently you generate SOC reports and when these reports would be available for WSIB and their auditors. Please provide a copy of your most recent SOC reports that are applicable to the fund accounting and custody services, information technology controls over financial reporting and systems, and general information security.

Provide details regarding an independent external review of the applicable trusted services criteria for security, availability, processing integrity, confidentiality, and privacy, such as a SOC 2 Report? Are the results in a format that can be provided to the WSIB, as a user entity? Please provide the most recent report(s) issued.

Has your firm had any ‘qualified’ opinion in the past 5 years? If so, please explain.

* 1. Business Units / Professional Staff

Provide organization charts which clearly show the operating interrelationships and reporting authority of:

1. The business units within the organization that will provide these services
2. Your organization with a parent firm or joint venture entities
3. Management structure of your custody or asset servicing operations
4. Geographic depiction of where services will be performed
5. Reporting relationships between the relationship manager group, the accounting/reconciliation group, performance group and the trade settlement group. Include a biography for the senior managers providing oversight for each group.

|  |
| --- |
| Business Unit Employees |
| Year | Total | Leaving | Recruited |
| 2020 |   |   |   |
| 2021 |   |   |   |
| 2022 |   |   |   |

Provide the following information on personnel turnover experienced by each business unit providing services under the scope in the past three years, ending December 31st. Describe the changes that have occurred in senior management in the last five years and the reasons for the changes.

List the names of the key personnel who are authorized to execute decisions assigned to the WSIB account.

* 1. Offshore and/or Outsourced Relationships

Identify below any functions outsourced or offshored to an independent third party or to an affiliated entity where you do not have 100% ownership, e.g. a joint venture entity.

1. Do not include data purchased from third parties, e.g. pricing data or sub-custody.
2. Do not include relationships where a client contracts separately with a third party.
3. Proxy services and other industry standard services that are outsourced should be included.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| General functions outsourced or offshored | Name of firm to which the functions have been outsourced | Firm or joint venture location | # Of years relationship has been in place | Detail scope activities within the outsourced or offshored relationship |
|   |   |   |   |   |
|   |   |   |   |   |
|   |   |   |   |   |
|   |   |   |   |   |

For each function and third party or affiliated offshore entity listed above, provide the following information:

1. Describe your contractual arrangements with the third party or offshore affiliated entity.
2. Identify whether the relationship has a service level agreement and the date of the last revision.
3. Describe how and how frequently you measure the outsourced providers’ performance.
4. Describe the process for identifying problems and resolving those issues.
5. Describe what recourse you have if there are performance or other operational risk-related issues identified.
6. What in-house resources and expertise have you retained regarding this function?
7. The frequency of onsite due diligence and the date of your last onsite review.
8. Indicate whether this firm is subject to your internal or external auditors’ review.
9. Indicate which, if any, Risk Functions, Risk Committees or Board Committees review the outsourced or offshored activities and how frequently.
10. Identify any fiduciary responsibilities you have delegated to this third party or affiliated entity.
11. Identify any regulatory registration status of the third party or affiliated entity.
12. Describe the business continuity and disaster recovery plans in place at each third party or affiliated entity. How frequently do you review these plans for completeness and reasonableness?

Have your offshore or outsourced relationships had an SSAE18 or equivalent operational or internal control audit in the past three years? If yes, attach the most recent report and identify the scope of review.

* 1. Commitment to the Custody Service Business

Provide a statement of your organization's commitment to the services you are proposing to provide.

Describe what differentiates your organization from other custodian banks. What is the value your organization provides to clients?

What percentage of your company or parent company revenue, excluding interest, is Corporate/Institutional global custody?

1. How much of this revenue is coming from other public fund clients?
2. Provide us with your total AUM broken out for private and public funds.

What does your organization see as the biggest change in the industry in the next 3 to 5 years and how do you plan on managing that?

Please summarize your long-term strategy for business development.

What has been your investment to systems development in the past five years?

Describe planned investments in system development in the next 5 years.

1. SERVICES
	1. Administration and Client Service

Describe your administrative and client service structure and how it integrates with the overall organization. Describe in detail your client relations process including:

1. Formal and informal oral and written communications
2. Inquiry and problem resolution processes
3. Information on available services and service delivery issues

Describe your approach to obtaining qualified client service officers. Include how you assess the quality of service provided.

Based on the client profile provided, describe your proposed client service team.

Please define the title and roles or each member of the relationship team.

Define the individual that would serve as strategic contact and overall client relationship owner.

Define the individual that would serve as the operational day-to-day contact.

Provide an organizational chart depicting the client service team’s structure and interaction with key service/delivery personnel.

Complete the following tables regarding each member of the proposed client service team, including backup personnel and a brief biography for each individual.

|  |  |
| --- | --- |
| Overall Relationship Owner (strategic) | The client numbers here must be actual, and not a number indicative of key/complex clients that occupy most of the individual's time. |
| Name |  |
| Total # of Clients |  |
| Total Assets Clients ($B) |  |
| Location |  |
| Years in Industry |  |
| Years with firm |  |
| Corporate Biography (Insert here even if including as attachment): |

|  |  |
| --- | --- |
| Operational Day-to-Day Contact(s) | The client numbers here must be actual, and not a number indicative of key/complex clients that occupy most of the individual's time. |
| Name | (List functional expertise here. Add lines as needed for additional personnel.) |
| Total # of Clients |  |
| Total Assets Clients ($B) |  |
| Location |  |
| Years in Industry |  |
| Years with firm |  |
| Corporate Biography (Insert here even if including as attachment): |

|  |  |
| --- | --- |
| Back-up Client service Team |  |
| Back-up Relationship Owner |  |
| Back-up Day-to-Day contact |  |

Describe any training/technical assistance to manage industry changes and developments that your firm can offer WSIB in the future.

Provide an outline of your proposed relationship management model for WSIB.

How do administrators assure that custody services are provided to a client in accordance with proper standards of care, regulatory requirements, and the executed agreement for services?

Describe your systems and procedures for receiving and tracking requests and/or issues from the client to the custodian? Is reporting available from the application? Is the application web based?

* 1. Investment Manager Liaison

Describe your Investment Manager Services organization and management.

Describe your process for interfacing with the investment managers serving your global custody clients, including the following:

a. Dedicated staff positions and responsibilities

b. Mode and means of trade instruction communication and validation

c. Cash management support including foreign exchange transactions

d. Accounting record reconciliation and audit procedures to include proactive measures

e. Inquiry and problem resolution process

f. Special support for managers located outside of the U.S.

Provide a listing of the investment managers with whom you presently work with on behalf of master trust/global custody clients.

Describe your systems and procedures for securing and providing clients and/or client’s agents with pending corporate actions for domestic and international corporations including class action notices.

Describe your systems and procedures for securing and providing clients and/or their agents with proxy notifications, block shares of securities out on loan, and other asset servicing issues.

How are market openings and market issues disseminated to Clients or their agents?

* 1. Trade Processing and Settlement

Describe the group(s) that perform trade processing and middle office trade settlement functions. Identify them on the organization charts submitted within the Organization section.

Describe your procedures for processing trade instructions for different asset types including physical and book entry, derivative and foreign exchange transactions, and foreign markets.

Describe your trade processing services/systems. Include which security types are SWIFT via straight through processing vs. other settlement methods.

Describe your procedures for handling a failed trade, reporting pending and failed trades to the client and to the investment manager, and how they are resolved. What is your current total fail rate for sales and purchases?

a. Describe your efforts in resolving claim and counterclaims resulting from failed trades.

Describe your system for registration and custody of assets, including depository used, level of interface and procedures for depository-ineligible securities.

For each country in which you provide global custody services, list your custodial agent bank and the year that the current relationship was initiated.

Describe the circumstances in which you will suspend contractual settlement in a market. How do you notify clients and investment managers?

* 1. Income and Capital Changes Processing

Provide information regarding your procedures for establishing entitlements/accruals for dividends and interest for all asset types.

Describe the process by which you validate the information for accruals/entitlements from your primary sources.

What are your domestic income collection and income crediting policies regarding crediting of interest/dividends and principal on contractual settlement date?

What are your international income collection and income crediting policies, by country? Be specific which countries are excluded from contractual settlement processes.

Describe your procedures for posting payable entitlements and the process of identify any posting exceptions in your response.

What is the process for alerting managers of voluntary corporate actions close to record date which have not been instructed?

Does your online system track open corporate actions, including open/uninstructed actions and the age outstanding? If not, how do you communicate this information to the fund managers?

Describe the processing of tax on foreign income, including:

Sources of information

Procedures for maintaining information on current treaty provisions

Procedures and supervisory signoffs which exist for ensuring that tax records are established correctly

A breakdown of the countries for which you offer clients foreign tax reclaim services

Responsibilities and processing steps for:

Filing to establish status for exemptions and reclamation

Filing reclamation for tax refunds

Collecting refunds

Client notification frequency

Procedures and process for accruing, reporting, aging, and posting of reclaimable tax

Reporting of outstanding claims detail to clients including online reporting capabilities.

Provide an overview of the organizational structure of your corporate actions processing group, their locations and hours of availability.

Describe in detail your process for US and non-US corporate action entitlement changes, including:

Sources of information for the corporate action terms and conditions.

Corporate action SWIFT workflow capabilities

Methods and timing of notifying clients and ability to track event notifications and election changes.

Timing of notice to ensure all data are captured and communicated to the client in a timely manner.

Timing required to process a corporate action announcement including client elections

The posting of mandatory and voluntary corporate actions including client elections and re-elections.

Method and mode of relaying instructions to sub-custodians

Procedures for controlling sub-custodians' timely and appropriate action

How does your organization provide the timely delivery of proxies and proxy statements within a timeframe sufficient for the relevant receipt, analysis and vote determination by the WSIB or their designee prior to annual and special meetings for U.S. and Non-U.S. corporations?

Do you audit the proxy delivery process, and if so how/how often? If not, would you be able to upon request?

For foreign corporation proxies and proxy statements, describe how your organization determines how to direct non-U.S. and U.S. proxies to the WSIB and/or its designated agents. How does your firm determine what is non-U.S. and U.S. proxies? Is it subject to local market practice for international assets? Is such practice in a manner consistent with the practice of your industry peers? Are you able to identify and allocate ADR/GDRs as non-U.S. corporations?

Describe your proxy voting capabilities for U.S. and foreign holdings, including proxy voting services, notification of proxy information, translation of foreign proxies, and a monthly report detailing all proxy voting activity.

Describe any online proxy system that would allow the WSIB or its agents to search/ look up outstanding proxy notices.

* 1. Cash Management

What US and non-US investment options are available for managing short-term cash, including overnight? Are these balances collateralized? Discuss management objectives, guidelines, historical performance and fees. In addition, please include any cutoff timelines for any of the specified funds as well as the current rates on each vehicle.

Are applications available for processing late in the day (after noon PT) government money market funds?

Have any of your short-term investment funds defaulted during the past three years? If so, please describe the circumstances of the default, recovery of the investment, allocation of loss, etc. Did any participants incur a loss? Were adjustments made to your investment guidelines/policies to avoid a similar issue?

Discuss any debit interest that may be charged for overdrawing a local currency account?

List all currencies where you pay interest at overnight call rates. Detail the interest rate computations used for credit/debit interest

How and when do you alert investment managers of overdrafts?

In the event of an overdraft, do you explicitly state the interest rate charged in the narrative of the interest amount debited? If not, how can the client obtain information on debit interest rates actually applied?

Do you state the credit interest rate accrued to monthly interest payments? Please explain how a client can get reporting on interest rates

Do you provide good value on all settled cash receipts, whether or not the cash movement has been pre advised? Indicate if an amount that is held in suspense is credited with good value.

Describe your ability to automatically compute and sweep cash flows to designated short term investment funds (STIF) on a contractual settlement basis and any exceptions you have to contractual settlement. How many times a day can this process be done? What are your organization’s cut-off times for computing and sweeping to an internal STIF account? What are your organization’s cut-off times for computing and sweeping to an external STIF account? Can you sweep projected cash flows that will settle later in the day?

The WSIB’s cash overlay program buys futures in our retirement fund’s most underweight asset class equal to the daily cash balances within all portfolios in the fund. What experience do you have supporting cash overlay programs such as this? Would the cash overlay manager be able to base their purchases off trade date balances from your accounting or custody systems? If so, which system?

If applicable, how long after conversion would the cash overlay program referenced in #11 be able to be resumed?

Would your firm act as a principal and include our cash on your organization’s balance sheet or would this balance be included on your sub-custodian’s financial statement?

* 1. Foreign Exchange

Describe your foreign exchange execution capabilities, including:

Primary foreign exchange desk and operations location and relationship to the business unit

Currencies exchanged

Daily volumes per currency for the past 12 months

Provide a list of currency markets that are not supported at this time and a timeframe on when they will be supported.

Describe your exchange rate process on restricted currencies and the involvement of your sub-custodians.

Describe the competitiveness of your rates

How do you ensure best execution for custodial clients?

Do you have the ability to provide a time stamp for each execution?

Do you have the ability to provide a best execution report for each FX transaction?

Do you provide clients with monthly best execution summary reports?

Please provide a fee schedule for foreign exchange trading

Describe your capabilities in dealing with an outsourced foreign exchange solutions to a third party

* 1. Accounting and Reconciliation

Outline the reporting structure and responsibility of the Accounting and/or Reconciliation group(s) from the previously requested organization chart.

Provide information on your primary and supplementary pricing sources for valuation of all asset classes and derivatives.

Describe your process for validating prices. What procedures do you have in place to flag and investigate unusual or significant pricing changes from the previous day? Describe internal tolerances your firm uses to investigate and challenge pricing with your vendors?

Describe your process for valuing securities when no current price exists.

Does your firm have experience with the regulatory requirements related to accounting and reporting for insurance funds? If so, please describe the following:

The system used to support these unique accounting requirements

Highlight the most significant NAIC SAP requirements and how your system is fully compliant with these standards

System’s ability to support scientific amortization of fixed income securities to the effective maturity date

Processes used to reconcile custodian accounting systems (GAAP) to the regulatory accounting system (SAP)

Describe your ability to adhere to GASB and applicable FASB accounting requirements on all our accounts. Provide the following additional information on GASB 72 and GASB 53 requirements.

Data sources used to prepare the require information

Process for validation and maintenance

Provide examples of the reports available in your system

Describe your ability to reconcile and report cash balances for internally managed funds prior to the daily sweep.

Describe the ability to use composite funds and reporting available at that level.

Describe your quality control procedures for validating accounting accuracy of various reports provided to custody clients on a daily and monthly basis.

Describe the process and frequency of reconciliations performed with depositories, agents, and sub-custodian banks.

Identify and describe any other reconciliations performed.

* 1. Client Reporting

Please list and provide samples of standard reports (including but not limited to trial balance, positions, cash statements, income receivable/payables, net asset value) available in your reporting portal and describe the capabilities for customizing reports in this system.

Describe the timing and availability of these standard reports and the functionality to automate, schedule, and export.

Describe your ability to adhere to Statements of Statutory Accounting Principles (SSAP) issued by the National Association of Insurance Commissioners (NAIC) on the Labor & Industry accounts. Provide the data sources used to prepare the required information, describe the process for validation and maintenance, and provide examples of the following reports from your system:

SSAP No. 26R - Bonds

SSAP No. 30R - Unaffiliated Common Stocks

SSAP No. 34R - Investment Income Due and Accrued

SSAP No. 43R - Loan Backed and Structured Securities

SSAP No. 91R - Accounting for transfers and servicing of financial assets and extinguishment of liabilities

SSAP 100R - Fair Value

SSAP 103R - Transferring and servicing of financial assts and extinguishment of liabilities

SSAP 97 - Investments in Subsidiaries, Controlled, and Affiliated Entities (Real Estate Investments)

How long is historical holdings and transactions information maintained and what are the capabilities and timeliness to access the data by the client?

* 1. Risk Management

Do all your employees sign a Code of Ethics? Please provide a copy of the document.

How does your company monitor conflicts of interest?

Identify and describe the major risk factors that you manage in a custody relationship.

Describe how you manage the sub-custodians, technology, counter-party and regulatory risk.

Describe how you manage risk factors for third-party relationships, including:

System access of WSIB data

Review process for Statements of Standards for Attestation Engagements (SSAE) number 18 (SOC, Report on Controls at a Service Organization)

Identify and describe the services or products you offer to clients to manage, reduce or eliminate risks. Please provide sample summary reports.

Describe the system of proofs and controls that assure accuracy of the processing and reporting of the Business Units.

Briefly, describe your practice of updating documented policies and procedures.

What internal resources are dedicated to overseeing operational or business risk within the firm (e.g., compliance, risk committee, governance committee, internal audit, etc.)

What procedures do you have that ensure adequate internal controls are in place?

Describe how your internal control procedures effectively prevent conflicts of interest in employee, proprietary and client discretionary trading.

Identify the internal and external entities that audit, regulate, and/or review your custody services. For each entity identified, provide the following:

A brief description of their audit plan

Frequency of audits and reviews

Procedures performed

Level of reporting results (management, executive management, Audit Committee, etc.)

Reports produced and provided to management

Required responses of the Business Unit

Percentage of external entities' business generated by services performed for your firm

Specific to internal audit: Does the internal audit follow professional standards? If yes, which ones? Does the internal audit have an external quality assessment? If yes, what is the frequency? Please provide the results of the most recent external review

Describe the methods, frequency, and results of your most recent stress test and resolution plans. Provide a copy (or links) for the most recent report.

Please complete the following table for the years indicated.

|  |
| --- |
| **Capital Adequacy: Tier 1 (T1) Tier (2) and Risk Weighted Assets (RWA) - Actual Results Vs. Stress Test Results** |
| **Actual Results** | **Stress Test Results** |
| Year ended December 31, | T1 to Total Assets (%) | T1 to RWA (%) | T1 and T2 to RWA (%) | Stress Test Year | Stress Test as of date | Scenario (Note 1) | T1 to Total Assets (%) | T1 to RWA (%) | T1 and T2 to RWA (%) | Met Basel III Requirement? |
| 2022 |   |   |   | 2022 |   |   |   |   |   |   |
| 2021 |   |   |   | 2021 |   |   |   |   |   |   |
| 2020 |   |   |   | 2020 |   |   |   |   |   |   |
| 2019 |   |   |   | 2019 |   |   |   |   |   |   |
| 2018 |   |   |   | 2018 |   |   |   |   |   |   |

Note 1: Provide a written summary of each scenario

In the last 10 years, was your organization rated as undercapitalized by regulators? If so, please provide documentation.

Describe how you mitigate risks around business resumption or business continuity.

What level of management review is applied to reports resulting from audits? What level is required to implement changes to correct deficiencies noted? Provide a recent example of this process.

Describe the various types of insurance coverage and indemnifications provided to protect custody clients, including:

Risks covered

Carriers

Levels

Limits

Deductibles

* 1. Performance Measurement and Analytics

Describe your performance measurement and reporting system. Specifically, describe how data is loaded into the system (i.e., electronically, manually, etc.) by asset class, including alternatives; the timing for loading (i.e., daily, weekly, monthly). Please describe how the asset data moves from custody to accounting to performance to reporting and how the performance data and reporting would be made available to WSIB portfolio managers. (Automatic e-mails with file attachments; manually accessed online; and/or exported from an online platform?)

Are there differences in the reporting capabilities for domestic and international portfolios?

Are there differences in the reporting of internal and external portfolios?

What models/hierarchies is performance available in? (sector/sub-industry; region/country; etc.) How flexible are these models? Can new models be constructed?

For which benchmark indices can you provide returns and attribution?

Are daily return calculations available and at what level of detail? At what time of day? What steps are taken to ensure the accuracy of the returns at any given level?

Can your system provide net and gross returns?

How are securities lending income for various portfolios incorporated into a portfolio’s return?

What audit checks are employed to confirm accounting records to the performance data? What audit checks are used to confirm client’s records to performance data?

Indicate whether the system is internal or if you use an outside vendor's service. If you use outside vendors, please list them.

How frequently are Performance Measurement Reports available (daily, monthly or quarterly) and when are they delivered (number of business days after end of the reporting period)? Can you meet any index available for comparison, their source, and the manner and timing in which you receive them and make them available?

Where applicable how does your performance system handle financial futures, options, and forward contracts in the U.S. or non-U.S?

For global portfolios, please explain what type of security, sector and country level return information you provide. Please provide a sample report.

Commingled funds – are look throughs available for all of WSIB’s existing managers?

Do you provide universe comparison services based on an internal universe, or an outside vendor (such as TUCS), or both? Others?

Describe the performance attribution service(s) you offer, including their respective methodologies. Are these performance attribution reports included in your core services or are there additional fees?

What information can be accessed via the on-line system?

Are there other methods in which to receive data files aside from online or reports provide via email (for example, automated excel files)?

What types of customized reporting capabilities do you provide in your on-line tool?

What support do you provide staff in setting up their own custom reports using your on-line tools?

Please indicate how soon after a reporting period we can access final information (i.e. rates of returns, market values, holdings information, etc.).

Describe any unique features of your performance system.

What plans do you have for enhancing your performance systems? Please provide a release schedule for enhancements.

Can you provide daily and monthly feeds of returns at the composite, account, security and benchmark level? How flexible are you in terms of timing and format of the files?

How many pension clients are you providing daily performance reporting for? What challenges have you encountered in implementing daily performance reporting for those clients? Please give some examples of challenges encountered and how they were overcome.

Please provide a separate book of all sample reports you provide for clients.

* 1. Securities Lending

Describe anything that differentiates your style of lending that would complement the returns expected from lending our portfolio. Describe anything that would limit or restrict those returns. Why should WSIB choose your firm as its securities lending agent?

What is the dollar size of your securities lending operation? Do you have any capacity limitations on your program? If so, please explain.

How many years has your organization been providing securities lending services to tax-exempt organizations with assets of at least $15.0 billion?

Describe your loan allocation system. Do you provide equal opportunity to all participating clients to lend their securities?

For each of the following asset classes, what was your firm’s average total lendable asset base during each of the years of 2018, 2019, 2020, and 2021, and what is it currently?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Currently | 2018 | 2019 | 2020 | 2021 |
| U.S. Treasuries excluding TIPS |  |  |  |  |  |
| U.S. TIPS |  |  |  |  |  |
| U.S. MBS |  |  |  |  |  |
| U.S. Corporate Bonds |  |  |  |  |  |
| U.S. Equities |  |  |  |  |  |
| Non-U.S. Equities |  |  |  |  |  |

For each of the following asset classes, what was the average percentage of lendable assets on loan for each of the years of 2018, 2019, 2020, and 2021, and what is it currently?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Currently | 2018 | 2019 | 2020 | 2021 |
| U.S. Treasuries excluding TIPS |  |  |  |  |  |
| U.S. TIPS |  |  |  |  |  |
| U.S. MBS |  |  |  |  |  |
| U.S. Corporate Bonds |  |  |  |  |  |
| U.S. Equities |  |  |  |  |  |
| Non-U.S. Equities |  |  |  |  |  |

For each of the following asset classes, what average loan spread did your firm earn during each of the years of 2018, 2019, 2020, and 2021, and what is it currently?

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Currently | 2018 | 2019 | 2020 | 2021 |
| U.S. Treasuries excluding TIPS |  |  |  |  |  |
| U.S. TIPS |  |  |  |  |  |
| U.S. MBS |  |  |  |  |  |
| U.S. Corporate Bonds |  |  |  |  |  |
| U.S. Equities |  |  |  |  |  |
| Non-U.S. Equities |  |  |  |  |  |

Please provide an estimate of the yearly net income that your firm could generate, including income distribution by the specific asset classes listed as of December 31, 2022 WSIB portfolio (See Subsection 1.2 of the RFP “Overview of the Organization”). Please specify all assumptions (spreads, volume, income split, fees, bank charges, etc.) used in calculating estimated income. Assume a restrictive reinvestment policy. Those firms providing a letter of intent to bid and complete the Non-Disclosure Agreement as described in Section 5.2 of the RFP will be provided greater portfolio detail.

State the number of clients that participate in your securities lending program and identify your firm’s five largest securities lending clients, the current size of their individual lendable asset portfolios, and the number of years they have been with your lending program.

* 1. Borrower Selection Process

How are your securities lending borrowers selected and monitored? What is the minimum credit rating? Please provide a current list of approved borrowers and their credit rating.

What is the maximum value of assets which can be lent to a single approved borrower at any one time? How is it determined?

Who is responsible for the credit review of borrowers? How often is this review done?

What could cause you to revoke a borrower’s approved status?

Have you revoked any borrower’s approved status in the last three years? If so, for what reasons?

List your top ten active borrowers and the percentage of total borrowing activity generated by this group of borrowers.

How are recalls and income collection handled for securities out on loan?

Describe your loan termination process (i.e., the number of days allowed for return of securities on loan, what happens in the case of default, etc.).

Have your clients ever sustained a loss as the result of your securities lending activities? If yes, please explain and include the magnitude of the loss(es). Did you cover the loss(es)?

Can your program ensure the protection of the participant’s voting rights by recalling the stock if asked by WSIB, prior to the proxy record date? Describe this process.

Does your program accommodate a dividend reinvestment plan for stocks? If so, please describe this process.

Please provide copies of your Borrower’s Agreement and your Participant’s Agreements.

* 1. Collateral

Explain both how the mark-to-market process works in relation to your lending operation and the frequency of the process. Note that the WSIB requires 102% collateral by loan for domestic securities (102% of price, plus accrued) and 105% collateral by loan for international securities (105% of price, plus accrued). Also, all international loans and proceeds are to be settled in U.S. dollars.

Describe the monitoring procedures currently in place for determining collateral shortfalls and correcting them for both domestic and international operations.

* 1. Safeguards

Describe your indemnification against borrower insolvency. Who provides indemnity? What is the cost of this indemnification?

How many trades fail on an annual basis?

Describe in detail any additional safeguards not discussed above.

What have been the total securities lending losses, by month, for the last three years?

Describe what cash management stress testing scenario analysis, if any, your firm does to understand what events could affect cash management issues and collateral.

* 1. Cash Collateral Reinvestment Portfolio Parameters

WSIB guidelines permit only cash and government securities as acceptable collateral for loans. If this requirement would pose a problem for you, please explain why.

Describe all securities used for investment of cash collateral and the approval process for these securities.

Describe your management of liquidity in the cash collateral pool. How is it determined? Have any clients suffered losses due to lack of liquidity in the cash collateral pool?

How often are the credit reviews performed and who is responsible for the review? What credit standards are applied to the cash collateral reinvestment portfolio and how are they monitored?

What protection do you provide clients with respect to collateral reinvestment dealer default, or market loss?

* 1. Global Equities Lending Capabilities

Describe your procedures for recall and movement of global securities in and out of securities lending for small, mid, micro-cap (illiquid) securities. How do you determine if a country should be removed from lending and how is responsible for making such a call?

Describe your ability to provide securities lending services to managers that have 100 percent to 250 percent annual portfolio turnover.

What are the notification deadlines for external managers regarding sales?

What is the size of your firm’s total lendable asset base in global (U.S. and Non-U.S.) securities and what are the average daily total assets on loan in global securities?

Please provide a distribution by country, for global equities (U.S. and Non-U.S.), of average total lendable assets, average total assets on loan, and average loan spread for each of the years 2018, 2019, 2020, and 2021 in the format below or similar format. Also provide current figures for each category.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Country | Average Total Lendable Asset | Average Total Assets on Loan | Average Loan Spread | Current Figures |
| 2018 |  |  |  |  |  |
| 2019 |  |  |  |  |  |
| 2020 |  |  |  |  |  |
| 2021 |  |  |  |  |  |

* 1. Reporting and Data Processing Capabilities

Does your firm provide an attribution analysis for its securities lending program?

Please describe the audit trail process provided to your securities lending clients.

Describe the hardware and software that you utilize for lending securities and for investments of cash collateral. Include a description of your disaster recovery program.

Describe your reporting capabilities for securities lending. Are securities lending data available on-line? How much report format flexibility is available? Provide copies of your securities lending reports with explanations of the data presented in a separate appendix.

What historical information is available, and for how long?

How do you support GASB reporting requirements?

Organization and Experience

Describe your strengths and differentiating factors in lending fixed income securities. Identify the advantages your firm has in dealing with the broker/dealer community and how this would benefit the WSIB.

Describe your Securities Lending Program, its level of importance to your organization and your level of commitment to this program in the context of overall corporate strategy.

Are any aspects of your program outsourced to other firms, such as investment management services? Are there any plans to consider outsourcing in the next four years?

Please list three institutional clients for which the primary manager and principal assistant to be assigned to the WSIB account have provided securities lending services. For each reference listed, include firm name, address, and name and telephone number of contact person. **Include a resume/biographies as well as completing the following on each person**:

|  |  |  |  |
| --- | --- | --- | --- |
| Name of senior staff |  | Years with firm |  |
| Total Number of Relationships |  | Years of experience |  |

|  |  |  |  |
| --- | --- | --- | --- |
| **Top three clients assigned** | **1** | **2** | **3** |
| Name: |  | Name: |  | Name: |  |
| Contact: |  | Contact: |  | Contact: |  |
| Phone #: |  | Phone #: |  | Phone #: |  |
| Email: |  | Email: |  | Email: |  |

|  |  |
| --- | --- |
| Specialty Expertise: |  |
| Responsibilities: |  |

Discuss how long the current team has been together. List any changes to the team over the last three years, any anticipated changes to key personnel, and any succession plans you may have.

Please provide an organizational chart detailing the responsibilities (including non-security lending responsibilities) of each member of the team.

* 1. Conversion

Describe your organization’s formal conversion planning process, if applicable, as it would apply to the WSIB.

What dedicated resources (personnel, equipment, training, etc.), procedures and controls will you provide or recommend in the conversion period to ensure a successful and timely conversion?

Describe the WSIB’s responsibilities and the resources required from the WSIB during this process.

Third-Party Securities Lending

Typically, the costs associated with supporting a third-party agency lending program are absorbed by the third-party lender. Should the third-party lender be unwilling or unable to do so, is your firm willing to absorb the operational costs associated with supporting a third-party securities lending program? How would these costs be absorbed? Are there other conditions or requirements that your firm would insist on in such a situation?

Please provide a list of all third-party securities lenders you currently work with. How long has your organization been supporting third party lending? How are the relationships established? Describe your operational setup procedure. Please describe the procedures followed with third party lenders regarding notification of securities sales and failed trades resolution. What are the operational and business risks your firm is responsible for? What are the operational and business risks the WSIB is responsible for?

Please list all third-party lenders with whom you ceased doing business within the past three years and the reason for termination.

Has your organization been party to a tri-party agreement between a beneficial owner, an agent lender and a custodian regarding responsibilities and indemnifications? Please provide an example copy if available.

Briefly describe your firm’s system and processing of third-party lending activity. What are your organization’s policies regarding booking and returning assets? Identify any and all operational risks and the party responsible for them.

What are the critical success factors in a trouble-free third-party lending program?

If any, what are the additional costs related to supporting a third-party lending program?

Would your organization supply or build out any required interfaces between your systems and third-party lending agents? If yes, how long would it take to establish all necessary interfaces? At what cost?

* 1. Compliance Monitoring

Describe your compliance monitoring services and explain how you meet the WSIB compliance requirements in the description of the program contained in the RFP. Can you identify the data vendors/sources that are utilized in your compliance monitoring services. Please describe any known rules or restrictions requested by other clients that you have been unable to provide compliance monitoring for? Please describe any known systematic limitations in the compliance monitoring system that we should be aware of?

Do you have an online compliance monitoring system available to WSIB staff? If so, does it track changes made to the rule matrix by user, date, and change? Does it have an audit trail for breaches and resolution of the breaches that occur? Does it provide reporting for historical time periods requested? Can you download information to PDF or Excel?

Please describe your rule programming process. Do you have a centrally managed compliance rule writing team that maximizes its knowledge of programming through sharing or is it done by staff assigned to each client relationship?

How do you work with new clients to adapt your system to their unique requirements?

How long does it usually take to implement a new client of similar size and scope as the WSIB?

Please provide an example of what compliance exception reports would look like. Please provide screenshots of your on-line compliance system.

Can your compliance service conduct off-line manual tests if your on-line system is unable to conduct the test? Please indicate which tests your system can do on-line versus manual.

Do you have the ability to identify new regulations in global markets? Can you do federal SEC, including Section 13(f) filings, global market compliance rule testing and foreign investment disclosure monitoring and assist in reporting to the relevant agencies, both foreign and domestic? Are you able to identify specific attributes of products (ex. Non-Deliverable Forwards) and transactions (ex. foreign-domiciled counterparties) that may be needed for regulatory filings?

Describe your client service support for compliance. Do you offer assigned staff members who provide the services outlined in the RFP? How many clients does assigned staff usually handle?

* 1. Sub-Custodian Network Management

Describe your sub-custodian network coverage and capabilities.

Discuss your process for managing your sub-custodian network in terms of selection, oversight, problem resolution and termination.

How many sub-custodian changes were made in the last two years? Include the reason for the change.

How often do you formally meet with your sub-custodians? Please provide details of when and where your last formal review took place.

Identify the length of time you have been with each of your sub-custodians and their market share.

Identify and describe your primary evaluation process and criteria for selecting sub-custodians, including the monitoring process for sub-custodian disaster recovery and business continuity plans.

Do you have service level agreements with your sub-custodians? Please provide a copy of your SLA or alternatively outline the main points covered in the service level agreements.

Describe your sub-custodian monitoring policy and process.

Describe the audit process of your sub-custodian network. Please provide a copy of the latest audit certificate for your sub-custodians.

How do you provide information on market and product developments to clients and investment managers?

* 1. Class Action Filing

Describe in detail the services provided with respect to class action processing. Specifically include any cut-off date requirements specified with respect to class action processing, notification, electronic feed requirements and capabilities to third parties such as timing and frequency, and reporting capabilities. Do you file both domestic and international claim documentation to recover from settlement proceeds? If claim documentation in international class actions settlements is filed, please explain the process.

Do you outsource components of the class action filing process to third parties, if so please specify

Please provide sample reports that will allow the WSIB to determine:

The status of filings

Successful versus unsuccessful filings and the settlement amounts received

The allocation of settlement amounts between various accounts

Describe any limitations in your ability to provide the services requested relating to class action filings.

1. Technology
	1. Technology Support

Please describe the units responsible for the information technology system that support the Global Custody Department. In the description, include:

The organizational structure with organization charts

A description of each unit’s responsibilities

The number of total personnel working in each unit

Your flexibility in staffing to accommodate additional client workloads

Bios for the leadership teams for each area

Help desk/support for online client access

How do you work with clients in systems development and data integration? How are clients’ requests prioritized for implementation?

Do you provide clients with a specific contact for technology issues?

* 1. Resiliency and Data Protection

Describe your technology support organization. Include in your description responsibilities, reporting lines and staffing.

Have you completed a risk assessment to identify cyber security and physical threats, vulnerabilities and potential business consequences? If yes: who completed; what, if any, findings/recommendations were there. If no, are there any plans to undertake such a risk assessment?

What are the main cyber security challenges that your organization faces, and how do you plan to overcome these?

What are your firm’s client response plan and notification procedures in the event of a security breach?

Security Assessments

Do you use an established framework for IT Security Assessments. Please list the framework(s) you use

How often do you conduct an IT Security Assessment against this framework?

Education and Awareness

Do you require that all employees receive annual security awareness training?

What percentage of your employees are current in their training?

Personnel Security

Describe your processes for the timely removal of system access for employees and contractors when duties change or when separating from service.

Physical and Environmental Protection

Describe the physical characteristics of your data center(s). Is it cloud based or located on premise?

If it is cloud based, who is your cloud service provider?

If it is on premise:

How is access restricted to data centers?

Are data centers inconspicuously marked?

Describe built-in redundancies for power to the data center. Is it supported by more than one grid operated by separate electrical companies?

Do you utilize back-up generators?

Describe your built-in redundancies for telecommunications within your data center(s).

Security Patch Management

Please describe your patch management process including:

Time-specific criteria for deploying patches as soon as reasonably possible after notification, including criteria for zero-day patches

Your method of categorizing the criticality of patches

Regular verification that available patches are managed according to your patch management process

A requirement for current patches on devices connecting to your internal network. (A patch level baseline)

Do you restrict access from devices that do not conform to the patch management policy?

Protection from Malicious Software

How do you defend from malware?

System Recovery

Describe your major systems' backup and a synopsis of your contingency plan(s).

Describe your disaster recovery plan, including the following:

Provide an estimate of the maximum elapsed time before the restoration of processing transactions in the event of disaster to the custodian’s primary processing facility.

What is the frequency of disaster recovery tests?

Were there any deficiencies noted in the last test?

Describe your plan to process until restoration of your system is complete.

Describe what you could do for us in the event of a physical disaster in Olympia, WA.

Describe your process for file back-up and off-site storage, including frequency and location

Systems Development and Organization

Identify technology requirements necessary for WSIB including network connectivity along with personal computer hardware and software requirements.

What was the number of occurrences and percentage of downtime during the last two years? What were the primary causes, and how were the problems corrected?

Describe what role Cloud technology will play in your overall development of the custody business

* 1. Online Reporting, Transaction Processing and Systems

High-level diagrams of data architecture supporting key investment data systems along with business process descriptions of how data flows through the system from end-to-end including the following systems: Custody systems (securities movement and control, trust accounting, global custody, multicurrency accounting, derivative accounting)

Accounting and reconciliation systems

Corporate Actions systems

Securities lending systems

Performance measurement systems (domestic and international)

Benchmark data systems

Compliance Systems

Any recent or planned system developments

Other on-line services provided by your firm.

Include in your description whether the system was internally developed or was developed and supported by an external vendor.

What platforms support your accounting, performance and compliance systems? How are those platforms integrated with your global custody operations platform?

Describe how your systems will ensure data quality given the WSIB’s need for daily performance measurement services and reliance on external investment managers. Include in your description:

Audit checks employed to conform accounting and client records to performance data.

Methods of accounting and calculating performance for externally managed assets, including commingled funds, private equity and real estate.

Methods of loading data into your accounting and performance measurement systems (i.e. electronically, manually, etc.).

Maintenance of security master data in your systems.

How frequently and at what times of day does your custody platform interface with your account platform? How frequently and at what times of day does your accounting platform interface with your performance, compliance and other downstream platforms? If available, please provide a flow chart.

How do you handle exception processing when a client requirement or deliverable forces you to deviate from the standard processing model? For example, how do you handle when a daily performance report needs to reflect accounting activity that may not be available at the normal time when data bridges from accounting to performance?

What are your IT plans for the next three years? Provide a development timeline and release schedule for each of your major systems supporting global custody operations, with specific focus on the on-line accounting, performance and compliance systems that WSIB staff would interact with.

Describe how your systems track audited vs. unaudited data. Can your systems specify when a number or calculation reflects data that is unaudited? Describe your on-line wiring capabilities.

Discuss the ability to debit multiple accounts for the purpose of computing one wire out to various vendors.

Discuss your ability to limit access to different people for different accounts and the ability for approvers to vary between accounts as well.

Discuss your ability to store common wire instructions and other attributes for vendors or managers receiving payments on a recurring basis.

Describe your web portal for clients and their external investment managers to access accounting data, performance data, and other data listed in the Scope of Services. Include with your description:

Any data you provide that cannot be accessed via the web portal.

Restrictions or requirements (e.g. browsers) for accessing your web portal.

Describe interactive reporting capabilities available within your online systems. What data domains are covered by the reporting? Include any supporting services (e.g. Tableau, PowerBI) that have been adopted.

* 1. Interfaces

Describe the available investment data that is available to clients via standard data feeds. Include in your description:

A full inventory of standard data feeds available to clients including available documentation

Different formats and file types that your systems can use to share data.

Examples of client systems that your system has transmitted data to and from (e.g. interfacing with client data hubs and other investment systems).

Approaches to transmitting data with private equity and real estate partners.

Describe the availability of APIs for clients to access and extract data. Include in your description:

Domains of data available (e.g. accounting, performance, benchmark) and not available via API

Methods for a user to define custom reports for extraction via the API

Any cloud-based data integration services available to Azure clients

Do you currently have a client using the Bloomberg Asset and Investment Manager System (AIM) to transmit trades to you? Can you accept authorized transactions from Bloomberg in an automated fashion?

Describe how you will work with managers of commingled funds to provide valuation and security master data for the underlying assets of those funds.

Are you able to provide data for valuation and security master data for the underlying exposures with commingled funds through direct feeds to WSIB and your on-line reporting platform?

1. TRANSITION AND CONVERSION
	1. Takeover (if applicable)

Planning

What group will serve as the Transition Team in planning and implementation of new global custody accounts? Provide background and experience for the individuals who would be assigned to the transition and their relation to the Business Unit.

Describe your transition planning process. Provide a conversion plan and schedule for transitioning the WSIB to the new custodial relationship.

Describe the planning and training you would need to accomplish with WSIB, WSIB investment managers, third party vendors, current custodian, and sub-custodians.

Give a description of your last comparable conversion and include the details of specific problems that occurred, and the solutions implemented.

What resources are required of WSIB during the transition period?

Explain the process for the disposition of pending transactions during the conversion period.

Provide a detailed description of your last comparable conversion. Include the details of specific problems that occurred, and the solutions implemented.

2. Implementation

What is the role of the Transition Team during implementation?

Please describe your parallel processing plan during the conversion. What systems and process are truly paralleled in a test environment? How long does your firm recommend parallel processing?

Provide references for your three most recent conversions that are comparable in size and scope to the WSIB.

* 1. Turnover

Describe your process to turnover roles and responsibilities to either WSIB or a WSIB relationship when requested. How will you ensure that all resources necessary will be available for a smooth transition?