



# **OKLAHOMA STATE TREASURER**

## **Request for Proposal**

### **MASTER CUSTODY SERVICES And/or SECURITIES LENDING SERVICES**

**September 13, 2021**

**State Treasurer Randy McDaniel  
Office of the State Treasurer  
2300 N. Lincoln Blvd., Room 217  
Oklahoma City, OK 73105-4895**

**Contact: Connie Taylor, Office Administrator  
(405) 521-4994 – facsimile  
[Connie.Taylor@treasurer.ok.gov](mailto:Connie.Taylor@treasurer.ok.gov)**

**Intent to Bid is due September 20, 2021**

**(Appendix F)**

**OKLAHOMA STATE TREASURER**  
**REQUEST FOR PROPOSAL**

**Master Custody and/or Securities Lending Services**

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# OKLAHOMA STATE TREASURER

## REQUEST FOR PROPOSAL

### Master Custody and/or Securities Lending Services

The Oklahoma State Treasurer's Office (OST) is accepting written proposals from qualified financial institutions (Firms) to provide master custody and/or securities lending services for OST. OST maintains and oversees the investment of state monies. The purpose of this Request for Proposal (RFP) is to select either Firm (hereafter referred to as “the Firm”) to provide both custodial services and securities lending services or a combination of a custodial bank and separate third-party securities lending agent. Firms may choose to submit a stand-alone proposal for custodial banking services, a stand-alone proposal for securities lending services, or a combined proposal for custodial banking and securities lending services.

OST reserves the right to reject any or all proposals submitted. There is no express or implied obligation for OST to reimburse Firms for any expenses incurred in preparing proposals in response to this RFP. In the event that none of the proposals is satisfactory to OST, no selection will be made. Proposals submitted in response to the RFP become the property of OST and are subject to public inspection. OST reserves the right to modify the RFP contents and requirements at any time prior to the submission deadline.

### TIMELINE

Event	Time (CST)	Date
Request For Proposal posted to website	8:00 A.M.	Monday, September 13, 2021
Return of “Intent to Bid” by fax – Appendix F	5:00 P.M.	Monday, September 20, 2021
Deadline for questions submitted in writing by email	5:00 P.M.	Monday, September 27, 2021
Q&A Responses Posted to website	5:00 P.M.	Monday, October 4, 2021
Proposals due – electronic and hard copies	5:00 P.M.	Monday, October 18, 2021
Finalist(s) selection (if necessary)		TBD
Finalist(s) presentations (if necessary)		TBD

**OST, at its sole discretion, may revise these dates, and will notify all firms of any changes.**

# PROPOSAL COVER SHEET

(Must be signed, notarized and returned)

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## Proposal Deadline

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must be received by

**October 18, 2021**

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### Vendor Identification:

Name of Firm: \_\_\_\_\_

Address: \_\_\_\_\_

City/State/Zip Code: \_\_\_\_\_

Telephone Number: \_\_\_\_\_

Facsimile Number: \_\_\_\_\_

### VENDOR'S AFFIDAVIT

STATE OF \_\_\_\_\_ )

) SS:

COUNTY OF \_\_\_\_\_ )

\_\_\_\_\_ (Print Name), of lawful age, being first duly sworn, on oath says that:

1. (S)he is the duly authorized agent of \_\_\_\_\_, the Vendor submitting this proposal which is attached to this statement for the purpose of certifying the facts pertaining to the existence of collusion among vendors and between vendors and state officials or employees, as well as facts pertaining to the giving or offering of things of value to government personnel in return for special consideration in the letting of any contract pursuant to the proposal to which this statement is attached;
2. (S)he is fully aware of the facts and circumstances surrounding the making and submitting of this proposal and has been personally and directly involved in the proceedings leading to the submission of such proposals; and
3. Neither the Vendor nor anyone subject to the Vendor's direction or control has been a party: a) to any collusion among Vendors in restraint of freedom of competition by agreement to propose a fixed price or to refrain from submitting a proposal; b) to any collusion with any state official or employee as to quantity, quality or price in the prospective contract, or as to any other term of such prospective contract; c) in any discussions between Vendors and any state official concerning exchange of money or any other thing of value for special consideration in the award of this prospective contract; d) to paying, giving or donating or agreeing to pay, give or donate to any officer or employee of the State of Oklahoma, any money or other thing of value, either directly or indirectly, in procuring this prospective contract; or e) to any collusion with any state agency or political subdivision official or employee as to create a sole-source acquisition in contradiction to 74 O.S. §85.41.
4. In accordance with 74 O.S. §85.42.B., the Vendor further certifies that no person who has been involved in any manner in the development of that contract while employed by the State of Oklahoma shall be employed to fulfill any of the services provided under said contract.
5. The information contained in this proposal is true, correct and accurate as presented.

\_\_\_\_\_  
Name/Title

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_.

\_\_\_\_\_  
Notary Public

(seal)

My commission expires: \_\_\_\_\_

Commission no. \_\_\_\_\_

# Section One

## GENERAL INFORMATION FOR CONTRACTORS

### 1.1 Background

The Oklahoma State Treasurer, Randy McDaniel, is an elected State Official. The Treasurer is charged statutorily with the safekeeping and investment of state funds not immediately required for operations. The statutorily approved investments are primarily of a fixed income type and are delineated in Oklahoma Statute Title 62, § 89.2 and further restricted pursuant to the Treasurer's Investment Policy. The Treasurer also functions as Agent for certain state agencies that possess investment authority but request that the Treasurer execute and settle investment transactions through the Treasurer's Master Custodian. By law, the State Treasurer must competitively select a custodian bank every five (5) years. The Treasurer may select the incumbent custodian bank or a new bank. Refer to **Appendix H** for the Oklahoma State Treasurer's Investment Policy. Oklahoma statutes can be reviewed at [www.oscn.net](http://www.oscn.net).

As delineated in Oklahoma Statute Title 62, § 90 the Treasurer is authorized to engage in a securities lending program. The Treasurer currently participates in a program and contemplates continued participation in such a program. However, the Treasurer reserves the right to limit or cease participation in securities lending at his discretion. Note that securities lending activity is presently confined to the General and State Agency Accounts. Important statutory and investment policy constraints exist on the types of non-cash collateral which are permissible and on allowable investments for cash collateral. Refer to **Appendix C** for Cash Collateral Investment Policy and Guidelines.

The Treasurer performs all investment functions internally and does not use outside Investment Managers or consultants. The Office of the State Treasurer (OST) has a Chief Investment Officer who reports to the Treasurer as well as a Portfolio Accounting & Reporting Director who reports to the Chief Deputy Treasurer. The Portfolio Accounting & Reporting Director and supporting staff will coordinate daily interaction with the Master Custodian and/or Securities Lending Agent(s).

For securities lending purposes, the OST portfolio is presently comprised of U.S. Treasury Notes and TIPS, and obligations of agencies and instrumentalities of the U.S. government. **Appendix A** provides a recent portfolio position statement. In your responses, please particularly highlight your capabilities in working with this type of domestic fixed-income portfolio. Please avoid repetition among the different questions, where possible.

The current Master Custodian and Securities Lending agent is Northern Trust Company, N.A. Our current securities lending split is 80/20. Our custodian accepts their portion of the securities lending revenue split (20%) as their compensation for securities lending and custodial services. Securities held by Northern Trust Company, N.A. are currently divided into four (4) distinct accounts valued as of June 30, 2021:

- |                           |   |
|---------------------------|---|
| 1. General Account        | Investments made at the direction of the Treasurer. Cost basis/current face is approximately \$9,899,608,280.                               |
| 2. State Agency Account   | Investments made and held as Agent for other state agencies. Cost basis is approximately \$80,266,453.                                      |
| 3. Linked Deposit Account | Investments made at the direction of the Treasurer funding the Treasurer’s Linked Deposit Program. This account is currently inactive.      |
| 4. Fiduciary Account      | Investments made by the Treasurer at the direction of a Court or other entity in certain circumstances. This account is currently inactive. |

**1.2 Purpose**

This Request for Proposal (RFP) is designed to provide interested firms with sufficient information to enable them to prepare and submit proposals to provide Master Custody and/or Securities Lending Services for the Domestic Portfolio of the OST. A copy of this RFP is available on our website. Go to the OST website: [www.ok.gov/treasurer](http://www.ok.gov/treasurer) (select “Inside the Office” on the navigation bar; then Request for Proposal).

**1.3 Issuing Office**

This RFP is issued by OST and is to be the sole point of contact for this RFP.

**1.4 Intent to Bid**

Firms intending to submit a proposal must fax the form Intent to Bid, **Appendix F**, to the RFP Coordinator. The form must be received by **5:00 P.M. CST, Monday, September 20, 2021**. Failure to submit the Intent to Bid shall result in elimination from further consideration.

**1.5 Proposals**

To be considered, firms must submit a complete response to this RFP as follows:

- (a) One (1) original clearly marked as such and three (3) copies to OST, except as noted;
- (b) Included with the Original copy of the response, the bidder shall include one (1) electronic copy of the entire proposal on flash drive;

- (c) To the address listed in Section 2.4 of this RFP.

The proposal must be signed by an official authorized to bind the firm to its provisions. This RFP, together with the contents of the proposal of the successful firm, will contain much of the contract provisions between the parties. Firms must submit a proposed securities lending agreement for review (6.47). The final written agreement will be subject to negotiation. However, the agreement may not contain provisions inconsistent with the basic contract terms set forth in Section Two. All proposals submitted in a timely manner will be retained by OST. Any proposal not received by this time will be rejected and returned unopened to the sender.

Firms may submit (**Appendix E**):

- (a) Master Custody bid, or
- (b) Securities Lending bid, or
- (c) Combination bid which includes Master Custody and Securities Lending bid.

A firm may have up to three (3) bids.

**1.6 Format for Required Information**

- (a) Proposal should be printed on 8.5 x 11 paper (one side only); however 11 x 14 paper is permissible for charts, spreadsheets, etc.
- (b) To achieve a uniform review process and the maximum degree of comparability, proposals should be in re-usable binders or binder clips as opposed to spiral or glued bindings. For convenience, see **Appendix I** for a submission checklist.

The proposal will consist of Part 1 and Part 2.

Part 1	Title Page
	Table of Contents
	Proposal Cover Sheet
	Bid Sheet (Appendix E)

Part 2	Executive Summary
	Sections 2 through 11
	Supplemental Information, if needed

The Executive Summary of the Proposal should be no longer than two (2) pages. **Sections 2 through 11 should correspond to those sections of this RFP.** It is strongly suggested that questions contained in the RFP should be repeated in the Proposal with the answers to the questions following.

Any supplemental information thought to be relevant, but not applicable to the specified categories, should be provided as an additional section.

## **1.7 Questions Regarding the RFP**

All questions regarding the RFP shall be in writing and delivered by email by **5:00 P.M. CST, Monday, September 27, 2021** to: [connie.taylor@treasurer.ok.gov](mailto:connie.taylor@treasurer.ok.gov). Written responses to all of the questions submitted to OST will be consolidated into a single question and answer (Q&A) document. Send inquiries to the RFP Coordinator.

## **1.8 Response to Questions**

The consolidated Q&A will be posted on the OST website on Monday, October 4, 2021. It is the responsibility of each firm to check the website for this information.

## **1.9 Incurring Costs**

All costs of preparation and presentation associated with your response to the RFP will be the responsibility of your firm. Firms may be asked to make a presentation if selected as a finalist. None of the costs associated with this presentation will be reimbursed by OST.

## **1.10 Prime Contractor (Firm) Responsibilities**

The selected firm will assume total responsibility for all services offered in the proposal whether they provide such services or utilize the services of a third party. The firm will be required to disclose any relationships it may have with respect to any services the firm proposes to provide as to whether these services are actually provided by the firm or by contractual arrangement with a third party. If such relationships exist, list which services and with whom.

## **1.11 No Commissions or Finder's Fees**

The selected firm agrees:

- (a) That absolutely no commissions or finder's fees shall be paid to anyone or any organization resulting from the State of Oklahoma's award of a contract pursuant the term of this contract; and,
- (b) To provide a statement as part of its response to this RFP, and prior to each contract renewal, that absolutely no commissions or finders fees have been paid to any subcontractor, broker, agent or other individual, organization or entity.

## **1.12 News Release**

News releases pertaining to this project shall not be made without the prior written permission of the State Treasurer, and then only in coordination with this Office.

## **1.13 Proposal Evaluation and Selection Criteria**

The following areas will be considered in making a selection:



- (a) Understanding of OST's Needs. OST will assess each firm's understanding of OST's needs. The firm's grasp of these needs and its approach to satisfying them are critically important to the selection process. A firm's responsiveness to this RFP will be weighed heavily in the decision.
- (b) Qualifications. The firm's commitment to the operational services, individual expertise and experience of its personnel are as important as the firm's ability to provide the services. To be eligible for selection, the firm selected must have a **minimum of \$500 million in assets** and shall allow electronic access to all transaction and portfolio reports by OST, to the State Treasurer, to auditors acting on behalf of the State, and to each member of the Cash Management and Investment Oversight Commission. The selection committee will also weigh heavily the firm's quality, both in terms of services and personnel, technological commitment, and comments from the references which must be provided. The committee will carefully consider the experience of other public entities which have utilized the firm's services.

As delineated in Oklahoma Statute Title 62, § 89.2.E., any out-of-state custodial bank must have a service agent in the State of Oklahoma so that service of summons or legal notice may be had on such designated agent under the jurisdiction of Oklahoma Law. Service agents must be designated by the time the contract begins. The firm selected as the master custody and/or securities lending agent must not permit any of the state's funds or any of the documents, instruments, securities, or other evidence of a right to be paid money to be located in any place other than within a jurisdiction or territory under the control or regulatory power of the United States Government.

- (c) Security. OST is extremely concerned with the safeguarding of assets and the integrity of data. Therefore, firms should be cognizant of this issue and address security issues throughout the response. The firm should be prepared to present disaster recovery procedures in place or planned, as well as to discuss back-up procedures and/or facilities.
- (d) Available Facilities. Emphasis by the committee with respect to the physical facility where processing takes place will include the location, technology and security of the facility. It is possible that OST may wish to visit the facilities at OST's cost prior to awarding the contract.
- (e) Cost. While cost is always an important issue for any governmental body, it will not be a deciding factor by itself. The lowest bidder will not necessarily be awarded the business if, in the opinion of the Treasurer, another firm can better meet the overall goals and objectives of OST.

## Section Two

### BASIC CONTRACT TERMS

**NOTE: Contract Terms and Conditions will be an integral part of the final contract. Respondents must acknowledge acceptance of these terms and conditions or note any specific exceptions. Respondents must also include any contractual terms and conditions that they would propose to include in a final contract.**

**This RFP may result in several contracts based on the possible selection of multiple providers for the RFP master custody and securities lending service sections. These terms and conditions are the same for all RFP service sections.**

#### **2.1 Term of Contract**

It is anticipated that the term of this contract shall be for a one (1) year period with four (4) additional one (1) year renewal periods under the same terms and conditions. Renewal periods are at the option of OST.

#### **2.2 Termination for Cause**

OST may terminate this contract, or any part of this contract, for cause under any one of the following circumstances:

- (a) The firm fails to make delivery of services as specified in this contract; or
- (b) The firm fails to perform any of the provisions of this contract, fails to perform in a professionally acceptable manner, or fails to timely perform, as to endanger the ability of OST to perform its duties.

OST shall provide the firm with written notice of the conditions endangering performance. If the firm fails to remedy the conditions within ten (10) days from the receipt of the notice (or such longer period as may be authorized in writing) OST shall issue the firm an order to stop work immediately. Receipt of the notice shall be presumed to have occurred within three (3) days of the date of this notice.

In the event the Treasurer believes that the assets of the state are in jeopardy, or there is a bona-fide emergency related to these assets, OST can cancel the contract immediately or upon such notice as is reasonable.

#### **2.3 Termination for Convenience**

OST may terminate performance of work under this contract in whole or in part whenever, for any reason, if OST shall determine that the termination is in the best interest of OST or the State of Oklahoma. In the event that OST elects to terminate this

contract pursuant to this provision, it shall provide the firm written notice at least thirty (30) days prior to the termination date. The termination shall be effective as of the date specified in the notice. The firm shall continue to perform any part of the work that may not have been terminated by the notice. In the event termination occurs under this provision such shall be without liability to OST, the State of Oklahoma and any officer and employee thereof.

## **2.4 Notices**

All notices, demands, requests, approvals, reports, instructions, consents or other communications (collectively “notices”) which may be required or desired to be given by either party to the other after the effective date of the contract shall be in writing and shall be made by personal delivery or sent by United States certified mail, postage prepaid, return receipt requested or by overnight delivery, prepaid, addressed as follows:

State Treasurer Randy McDaniel  
Office of State Treasurer  
2300 North Lincoln Blvd., Room 217  
Oklahoma City, OK 73105-4895

or to any other persons or addresses as may be designated by notice from one party to the other.

## **2.5 Rights and Remedies**

If this contract is terminated, OST, in addition to any other rights provided for in this contract, may require the firm to transfer title and deliver to OST in the manner and to the extent directed, any material or work product generated under this contract. OST shall be obligated only for those services, materials and work product rendered and accepted prior to the date of termination.

If it is determined, after notice of termination for cause, that the firm’s failure was due to causes beyond the control of or negligence of the firm, the termination shall be a termination in the best interest of OST.

In event of termination, the firm shall receive payment pro rated for that portion of the contract period services were provided to and were accepted by OST subject to any offset by OST for actual damages.

The rights and remedies of OST provided for in this contract shall not be exclusive and are in addition to any other rights and remedies provided by law.

## **2.6 Force Majeure**

The firm shall not be liable if the failure to perform this contract arises out of acts of nature, fire, quarantine or strikes other than by the firm’s employees.

## **2.7 Waiver**

Waiver by OST of any breach of any provision in this contract shall not be a waiver of any prior or subsequent breach. Any waiver shall be in writing and any forbearance or indulgence in any other form or manner by OST shall not constitute a waiver.

## **2.8 Ownership**

All data, forms, procedures, software, manuals, system descriptions and work flows developed or accumulated by the firm specifically to perform under this contract shall be owned by OST. The firm may not release any of such materials without the written approval of OST. OST must be given reasonable access to all such work product or data compiled by the Firm in performance of this contract.

## **2.9 Independent Contractor**

Both parties, in the performance of this contract, shall be acting in their individual capacity and not as agents, employees, partners in a joint venture or associates of one another. The employees or agents of one party shall not be construed to be the employees or agents of the other party for any purpose. However, this shall not prevent a joint proposal submitted by more than one financial institution, if the relationship is disclosed in the proposal and accepted by OST.

The firm accepts full responsibility for payment of unemployment insurance, workers compensation and social security as well as all income tax deductions and any other taxes or payroll deductions required by law for its employees engaged in work authorized by this contract.

## **2.10 Staff Qualifications**

The firm shall warrant that all persons assigned by it to the performance of this contract shall be employees of the firm (or specified subcontractor) and shall be fully qualified to perform the work required. The firm shall include a similar provision in any contract with any subcontractor selected to perform work under this contract.

Failure of the firm to provide qualified staffing at the level required by the proposal specifications may result in termination of this contract for cause.

## **2.11 Conflict of Interest**

The firm shall not knowingly employ, during the period of this contract or any extensions to it, any professional personnel who are also in the employ of OST or the State of Oklahoma and who are providing services related to this contract or services similar in nature to the scope of this contract with OST. Furthermore, the firm shall not knowingly employ, during the period of this contract or any extensions to it, any state employee who has participated in the drafting of this request for proposals or evaluation of the

proposals, until at least one year after such person's termination of employment with OST or the State of Oklahoma.

The firm shall disclose any apparent or potential conflict of interest or affirm that it has none. The firm shall have no interest, direct or indirect, that could be perceived to conflict in any manner or degree with the performance of services required under this contract. The firm shall not engage in any conduct that violates or induces others to violate provisions in the Oklahoma Statutes regarding the conduct of public employees.

## **2.12 Confidentiality**

The firm may have access to private or confidential data maintained by OST to the extent necessary to carry out its responsibilities under this contract. The firm must comply with the Oklahoma Open Records Act, as directed by OST.

No private or confidential data collected, maintained or used in the course of performance of this contract shall be disseminated by the firm except as required by statute or order of a court of competent jurisdiction, either during the period of the contract or thereafter. The firm must agree to return any and all data furnished by OST promptly at the request of OST in whatever form it is maintained by the firm. On the termination or expiration of this contract, the firm will not use any such data or any material derived from the data for any purpose and where so instructed by OST, will destroy or render it unreadable.

## **2.13 Nondiscrimination, Workplace Safety and Environmental Protection**

The firm agrees to abide by all state, federal and local laws, rules and regulations prohibiting discrimination in employment, controlling workplace safety, and protection of the environment. The firm shall report any violations to the applicable government agency. Any violation of applicable laws, rules and regulations may result in termination of this contract.

## **2.14 Hold Harmless**

The firm shall hold harmless and indemnify OST against any and all liability and claims for injury to or death of any persons; liability and claims for loss or damage to any property; liability and claims for infringement of any copyright or patent occurring in connection with or in any way incidental to or arising out of the occupancy, use, service, operations or performance of work under this contract; and any other liability and claims made against OST resulting from the operation or performance of work under this contract.

OST shall not be precluded from receiving the benefits of any insurance the firm may carry which provides for indemnification for any loss or damage to property in the firm's custody and control, where such loss or destruction is to state property. The firm shall do nothing to prejudice OST's right to recover against third parties for any loss, destruction or damage to state property.

## **2.15 Terms Proposed by Bank**

OST acknowledges that Banks are subject to federal regulations and must comply with applicable regulations when providing services under a contract issued in connection with this RFP. To the extent permitted by Oklahoma law, OST may agree to accept or negotiate additional terms and conditions proposed by Bank for the purpose of addressing the applicable regulatory requirements.

Banks responding to this RFP are advised that OST is subject to, and must comply with Oklahoma law regarding awarding, executing and negotiating terms of a contract with any Bank. OST is prohibited from including certain types of terms and conditions in the contract resulting from this RFP. A Proposal that includes additional contract terms that are inconsistent with or violate Oklahoma law may be rejected, in whole or in part, by OST.

By way of example only, and not for the purpose of providing an all-inclusive list, the following types of clauses have been determined to violate Oklahoma law and will not be included in the final terms of a contract issued by this RFP:

- (a) Any clauses that require OST or the State of Oklahoma to indemnify Bank for its own actions;
- (b) Any clauses that require OST or the State of Oklahoma to indemnify Bank for actions of or claims by third parties;
- (c) Any clauses that require OST or the State of Oklahoma to limit the liability of Bank for its own gross negligence, fraud, or intentional wrongful acts;
- (d) Any clauses that would require OST to get permission to select counsel to initiate or defend litigation involving the contract or OST, settle a dispute involving or against OST, or waive trial rights in connection with litigation, including but not limited to the right to a jury trial;
- (e) Any confidentiality or other clauses that would interfere with OST's ability to appropriately respond to an Open Records Request made pursuant to the Oklahoma Open Record's Act, 51 O.S. § 24A.1 et seq.

Banks responding to this RFP should be advised that OST may only negotiate terms and conditions permitted by Oklahoma law.

## **2.16 Care of State Property**

The firm shall be responsible for the proper care and custody of any personal property owned by OST and furnished to the firm in connection with the performance of this contract, and the firm will reimburse OST for such property loss or damage caused by firm.

## **2.17 Prohibition of Gratuities**

Neither the firm nor any person, firm or corporation employed by the firm in the performance of their contract shall offer or give any gift, money or anything of value or any promise for future reward or compensation to any OST or state employee at any time.

## **2.18 Retention of Records**

Unless OST specifies in writing a shorter period of time, the firm agrees to preserve and make available all of its books, documents, papers, records and other evidence involving transactions related to this contract for a period of at least five (5) years from the date of the expiration or termination of this contract.

Matters involving litigation shall be kept for one (1) year following the termination of litigation, including all appeals.

The selected firm agrees that authorized federal and state representatives, including but not limited to personnel of OST; auditors acting on behalf of the State; and/or federal agencies shall have access to and the right to examine records during the contract period and during the five (5) year post-contract period. Delivery of and access to the records shall be at no cost to the State.

## **2.19 Federal, State and Local Taxes-Contractor**

OST makes no representation as to the exemption from liability of the firm from any tax imposed by any governmental entity.

## **2.20 Modification**

This contract shall be modified only by the written agreement of the parties. No alteration or variation of the terms and conditions of the contract shall be valid unless made in writing and signed by the parties. Every amendment shall specify the date on which its provisions shall be effective.

## **2.21 Assignment**

The firm shall not assign, convey, encumber, or otherwise transfer its rights or duties under this contract without the prior written consent of OST.

This contract may be terminated, at the option of OST in the event of its assignment, conveyance, encumbrance or other transfer by the firm without the prior written consent of OST.

## **2.22 Third Party Beneficiaries**

Except as to OST, this contract shall not be construed as providing an enforceable right to any third party.

**2.23 Non-Waiver of Defenses or State Jurisdiction**

The State of Oklahoma and its agencies, such as the Oklahoma State Treasurer's office, are constitutionally prohibited from entering into agreements which have the effect of waiving any defense in advance of litigation, limiting liability, or agreeing to indemnify a firm.

**2.24 Applicable Law**

The contract shall be governed by Oklahoma law without regard to principles of conflicts of law. Venue of any action arising from or under the contract shall be in the state or federal courts located in Oklahoma City, Oklahoma. The Treasurer's Office is not allowed to sign any agreement governed by a law other than Oklahoma law.

**2.25 Compensation if Terminated for Convenience**

Firms who are proposing to provide both master custody and security lending services should address in their proposal and bid sheet how they expect to be compensated if a decision is made to terminate for convenience only one of the services provided.



## Section Three

### ORGANIZATION, BACKGROUND AND PERSONNEL

- 3.1** Describe the background and ownership of the firm. Describe any material changes that have occurred in the past five (5) years. In your response, please discuss the following:
- (a) Year firm was formed.
  - (b) The ownership structure. Indicate entities that have an ownership stake of greater than 5% in the firm (name and percentage).
  - (c) Affiliated companies or joint ventures.
  - (d) Recent or planned changes to the ownership or organization structure.
  - (e) Importance of master custody and/or securities lending to your (and your parent's, if applicable) overall business strategy.
  - (f) Percentage of the firm's and parent firm's revenues attributable to master custody and/or securities lending activities in each of the last three (3) calendar years.
- 3.2** Provide one organization chart showing the operating interrelationships and authority within the master custodial service unit and within the organization. Provide another organization chart showing the operating interrelationships and authority within the securities lending group and within the organization.
- 3.3** Discuss the financial stability of your firm. Does your firm have in excess of \$500 million in assets? Provide the primary capital to assets and return on assets for the past five (5) years for periods ending December 31. Please list your S&P and/or Moody's rating of your commercial paper (if applicable), and ratings on long term debt. Please list all rating changes for the past five (5) years. Please comment on the firm's credit quality and overall financial strength.
- 3.4** How many accounts does your typical account administration/team manage? How do you determine the number of accounts assigned to each? How many accounts are assigned to the account administrator who would be assigned to OST's account and what are the total assets under administration for this person? Please address both the master custody and securities lending service areas in your response.
- How do you propose to coordinate the delivery of service with staff located in different time zones and geographic locations? Where will OST's service team be located? During what hours will client service teams be available?
- Describe how your client service team will respond to client inquiries, including first point of contact, inquiry routing/tracking, and resolution.
- 3.5** Provide the following information about insurance coverage relevant to the department handling master custody functions and/or securities lending. Include insurance coverage with respect to any acts or omissions of directors, officers and other personnel resulting in loss of funds. Please indicate the type and amount. Add additional lines if necessary.

Type of Policy	Policy Limit	Policy Deductible	Limit Per Claim	Underwriters(s)	Expiration Date

**3.6** Over the past five (5) years, has your firm or any officer or principal been involved in any business litigation, legal proceedings, or regulatory actions or investigations? If so, provide a brief explanation and indicate the current status.

**3.7** Describe your plan for providing this client with initial training and ongoing training for your online accounting and reporting systems and other tools. How often do you typically conduct training sessions with clients like OST? Describe what type of educational sessions, user conferences, publications or other means for keeping clients fully educated and for providing a forum for new ideas and needs you provide to clients. Describe your approach to client servicing and product familiarization.

**3.8** Do you have a plan/arrangements in place for an alternative work site should your facilities become inoperative because of fire, earthquake, terrorist attacks, etc.? Briefly describe your emergency and disaster recovery plans.

**3.9** Please provide five (5) references that meet the following criteria:

- (a) Public funds customers of one (1) year or more.
- (b) Please give preference to customers with portfolios similar to OST's and currently work with the proposed client service.
- (c) In addition to the five (5) required above, please include contacts from any accounts which were terminated or not renewed in the last two (2) years.
- (d) Any firm contemplating using a third party subcontracting arrangement should supply references that utilize arrangements and identify the structure of the relationship for each reference.

Please provide the name, title, e-mail address and telephone number of reference contacts. If you cannot meet the criteria listed above, please explain why.

**3.10** How do you rate in the following 2021 industry surveys? Provide ranking for each survey below.

- (a) Global Investor Global/ISF Global Custody Survey
- (b) R&M Investor Services Survey

## Section Four

### ACCOUNTING/REPORTING

- 4.1** Provide a complete description of your accounting system including, but not limited to:
- (a)** Processing cycles (cut-offs, etc.)
  - (b)** Reconciliation reports and processes
  - (c)** Interfaces with securities movement
- 4.2** Discuss your online reporting information and information export capabilities for the master custody and/or securities lending program. Provide a list of standard accounting reports you offer. Include as an Exhibit.
- (a)** What information is updated for download on a daily basis? (Holdings in cash collateral, investment account, securities on loan, loans outstanding, days out of loan, term or open trades, borrowers for each block of securities lent, collateral portfolio details, collateralization levels, earnings and other weekly and monthly reporting requirements, etc.) How often is the information updated?
  - (b)** Describe any unique features of your standard reporting package.
  - (c)** What steps are taken to ensure accuracy of the reports?
  - (d)** Are reports audited before being available to clients?
  - (e)** How soon after month end are audited reports available?
  - (f)** Do you offer a free rebate for late or inaccurate reports?
  - (g)** What standard reports are available on-line? How current is on-line information? Are pending transactions reported?
  - (h)** Discuss training of client personnel in the use of the online system. Is a help line available for the online system?
  - (i)** Describe custom reporting flexibility and limitations. Can standard and custom reports and data be exported?
  - (j)** Which reports are not available online? List the available formats for export.
- 4.3** What reporting is provided to assist in satisfying GASB 28 requirements? Please provide examples.
- 4.4** What reporting is provided to assist in satisfying GASB 40 requirements? Provide a sample of your GASB 40 report as an Exhibit.
- 4.5** Describe your online reporting systems, including the breadth of information available besides accounting and reporting information.

Indicate whether these systems are available as a core component of your online reporting system, or whether separate systems, software, or logins are required. Also indicate the period of time for which detailed online reporting data is maintained and readily available to your clients.

	Requires separate system/software/login?	Online data retention period
Accounting		
Performance		
Compliance		
Securities Lending		
Custody/Settlement		
Other (describe)		

- 4.6** Describe your policies for producing customized reports for clients, including circumstances under which you would charge additional fees to the client.
- 4.7** Does your system report or accommodate trade date, contractual settlement date, cash basis accounting or a combination? What other methodologies are available?
- 4.8** Can your system maintain the original face amount purchased and the book value at original cost? Also, does it maintain the current value at amortized/accreted cost, average cost, or some other cost based on an accepted costing method?
- 4.9** Highlight any potential asset classes or portfolios that you anticipate may require additional, non-standard month-end processing.
- 4.10** How soon after fiscal year-end will annual reporting be available?
- 4.11** Describe your policies and processes for pricing securities. What controls are in place to ensure the accuracy of pricing information for client accounts?
- 4.12** Describe your pricing protocols and procedures for illiquid and thinly traded securities.
- 4.13** Provide a description of your cash management capabilities, including a description of short-term investment fund (STIF) vehicles that would meet the investment guidelines in APPENDIX H for which this client would be eligible. This fund would only be used overnight, for occasions when cash was posted to accounts too late to transfer to OST. Include the following:
- (a) Investment management fees
  - (b) Investment guidelines
  - (c) Fund market value as of 6/30/21
  - (d) Number of investors as of 6/30/21
  - (e) Daily sweep cut-off times

## Section Five

### MASTER CUSTODY/SAFEKEEPING

**NOTE: If not bidding Master Custody Services, please disregard this section.**

- 5.1 Briefly describe your master custody service capabilities including those items which set you apart from your competition.
- 5.2 Identify and provide biographical information for key professionals in charge of master custody/safekeeping including the account administrator who would be assigned to this account. Include name, title, responsibilities, years' experience, and years with firm, degrees and/or professional designations.
- 5.3 How many professional staff are devoted exclusively to the delivery of master custody services? What structural approach is used in this area (i.e., account team, account administrator with support group, etc.)? Discuss causes and impacts of personnel turnover (departures, hiring or promotions) of the professional staff in the master custody/safekeeping group during the past three (3) years. Discuss your firm's transition plan for the sudden departure of key professionals in this area.
- 5.4 Do you have legal staff dedicated solely to master custody/safekeeping?
- 5.5 Describe your U.S. depository memberships and the services you use at these depositories. Describe your system for the registration and custody of assets.
- 5.6 Provide a flow chart showing the processes, systems, and functional groups involved.
  - (a) Describe your procedures and capabilities for settling and accounting for same day cash trades.
  - (b) Discuss your procedures for tracking failed trades and reporting failed trades to clients.
  - (c) Describe your procedure for ensuring that all interest and dividends are paid.
- 5.7 Are purchases and sale settlements made on an actual or contractual basis? If a contractual settlement approach is used, are there any stipulations or exceptions to this method?
- 5.8 What is the total of all assets held in custody? How many master custody clients does your firm service? What is the total market value of all master custody accounts? How many public fund master custody clients have you gained and lost in each of the past three (3) years? For each account lost, indicate the reason for termination.

**5.9** Provide the following information about your public fund client base as of 12/31/20.

<b>To 10 largest US public fund clients</b>	<b>Market Value (\$MM)</b>	<b>Length of Relationship</b>
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		

**5.10** Provide the number of institutional trust/custody accounts gained or lost as specified for the periods listed below. Report corresponding market values in U.S. \$ millions as of initiation date for accounts gained and as of termination date for accounts lost.

<b>INSTITUTIONAL TRUST/CUSTODY CLIENTS</b>				
	<b>Gained</b>		<b>Lost</b>	
<b>Year</b>	<b>Clients</b>	<b>Mkt Value</b>	<b>Clients</b>	<b>Mkt Value</b>
<b>2017</b>				
<b>2018</b>				
<b>2019</b>				
<b>12/31/2020</b>				

**5.11** How do you monitor legislative and/or regulatory changes affecting master custody administration? How are these changes communicated to clients?

**5.12** List the firm’s custodial relationship involving the State of Oklahoma, or any of its agencies or pension funds.

**5.13** How much money (dollar amount) was spent on product development for master trust/custody during each of the past three (3) years? What is the targeted amount for this year?

**5.14** How many people are assigned to product research and development? To whom do they report? Of the money reinvested in R & D, what percent is dedicated to staff, online maintenance and upgrades, and systems?

**5.15** What percent of total annual revenues and profits does the Master Trust/Master Custody division represent? Show this information for the past five (5) years.

- 5.16** What is the institutional custody department's plan for growth in staff and clients?
- 5.17** What is the institutional custody department's plan for product development?

## Section Six

### SECURITIES LENDING OPERATIONS

**NOTE: If not bidding Securities Lending Services, please disregard this section.**

#### General Information

- 6.1 Briefly describe your firm's securities lending service capabilities and milestones achieved through the years, including major systems enhancements.
- 6.2 Describe your program's differentiating factors. What distinguishes your program from the competition? Why do you feel your firm is uniquely positioned for this opportunity?
- 6.3 Describe your recommended approach and methodology for optimizing returns for OST.
- 6.4 Identify and provide biographical information for key professional in securities lending who would be assigned to this account. Include name, title, responsibilities, years experience, years with firm, degrees and/or professional designations.
- 6.5 How many professional staff are devoted exclusively to securities lending services? Discuss causes and impacts of personnel turnover (departures, hiring or promotions) of the professional staff in the securities lending group during the past three (3) years. Discuss your firm's transition plan for the sudden departure of key professionals in this area.
- 6.6 What are the compensation arrangements for the key professionals dedicated to providing securities lending services? Check all that apply.
- \_\_\_\_\_ Base Salary  
\_\_\_\_\_ Performance Bonus (Cash, Stock, Cash+Stock, etc.)  
\_\_\_\_\_ Commission Only  
\_\_\_\_\_ Profit Sharing Arrangement  
\_\_\_\_\_ Other: \_\_\_\_\_
- 6.7 Do you have legal staff dedicated solely to securities lending?
- 6.8 Does the securities lending group have a dedicated credit analysis team, or is the team part of a larger credit analysis pool within the firm?
- 6.9 List and briefly describe any new securities lending services/product improvements that have been released in the past two (2) years or will be released within the next year. Discuss how the firm plans to make sure future growth does not compromise the integrity of your existing process and products.



- 6.10** Provide an overview of your securities lending operation, highlighting your expertise in lending domestic fixed income portfolios. Please include the following in your discussion:
- (a)** How long has your firm offered securities lending?
  - (b)** Is it performed in-house or contracted out?
- 6.11** Describe the structure of the group that manages the securities lending product.
- (a)** Describe the role and relationships of lending, investment management, compliance operations, etc.
  - (b)** Describe the communication links between the groups within the product area, and across product areas.
  - (c)** Who has responsibility for oversight of the securities lending program?
- 6.12** Provide a list, including type (public plan, corporate plan, mutual fund), and total asset size of current securities lending clients for which you serve as:
- (a)** Custodial lending agent
  - (b)** Third party lending agent
  - (c)** Principal lender
- 6.13** For each of the last three (3) years, provide a list of securities lending public fund clients gained and lost, and the respective estimated average annual asset values for each. Indicate length of time relationship and clients lost, state reason for termination. Please separate the information by custodial and third party lending clients.
- 6.14** Please provide a representative client list (at least five (5) public funds with lendable assets of \$1.0B or greater of assets).
- 6.15** Provide three (3) client references for clients of similar size and complexity in your lending program. Please provide the name, title, e-mail address and telephone number of reference contacts.
- 6.16** How do you monitor legislative and/or regulatory changes affecting securities lending administration? How are these changes communicated to clients?
- 6.17** List the firm's securities lending relationships involving the State of Oklahoma, or any of its agencies or pension funds within the past two (2) years.
- 6.18** FOR CUSTODIAL LENDING AGENTS ONLY: Describe the coordination that occurs between the custodial and the securities lending area of your firm. How does the lending area receive information on securities available, pending trades, in and out money transfers and failed trade status?

Please provide a list of third party lending agents you currently work with.

**6.19** FOR THIRD PARTY LENDING AGENTS ONLY: Describe the roles and responsibilities of OST, our investment/securities operations managers, the custodian and the borrower in each of the following categories:

- (a) Daily transmission of availability files
- (b) Loans of new securities
- (c) Returns of securities
- (d) Recalls
- (e) Corporate Actions B voluntary and mandatory
- (f) Collateralization requirements and timing
- (g) Market to market
- (h) Income collection
- (i) Reconciliations.

Please provide a list of custody banks you currently work with.

**6.20** Describe in detail your procedures for recalling loans due to a client sale. Provide the sell/fail history of your lending program by asset type (U.S. Government and Agency securities only) for the past three (3) years.

**6.21** Describe the allocation/queuing process and relevant entitlement methodology. Show calculations.

**6.22** When, why and how does the firm intervene in the allocation or queuing process? Please describe.

**6.23** Are there any asset classes or markets that you typically do not lend? Explain.

**6.24** How does your firm vary its mismatch between the maturities of loans and investments?

**6.25** Provide on a monthly basis for the three (3) year period ended 12/31/20 by asset class:

- (a) Average daily balance of outstanding loans
- (b) Average market value of total lendable securities
- (c) Average percentage of loans outstanding to lendable securities
- (d) Total income earned, after payment of rebates, but prior to split with clients
- (e) Average gross spread provided to your clients
- (f) Average duration mismatch between securities loans and the cash collateral pool.

### **Approved Borrowers**

**6.26** Borrower selection and review.

- (a) Describe your process for approving borrowers and establishing credit limits.
- (b) How and how often is credit worthiness reviewed? Describe the process and personnel devoted to this effort. Do you have special procedures when market volatility is high?

- (c) How are maximum loan amounts set and monitored?
  - (d) How is a particular client's exposure to any one borrower limited or monitored? Can the client establish a limit for loans to a give borrower?
  - (e) Which area of your firm is responsible for credit analysis and how does it interact with the securities lending division?
  - (f) How will your firm address the provisions of Title 62 § 90 (**Appendix G**) which require OST to pre-approve borrowers?
  - (g) With how many borrowers do you conduct business? How many are currently active? Please provide a list and identify those you consider your primary borrowers.
  - (h) Describe the process of determining the rebate rate to the borrower. Is this fixed for the life of the loan?
- 6.27 Have you ever experienced a borrower default? If yes, provide details, such as your firm's dollar exposure and how clients were impacted. If no, please provide examples, if applicable, of instances where your procedures helped avoid a borrower default or led you to cease doing business with a particular counter-party.
- 6.28 Does your firm have compensation arrangements with borrowers beyond the normal form of negotiating rebates/fees that OST should know about?
- 6.29 Has the firm ever dismissed or penalized a borrower within its program? Please describe.

## **Indemnification**

### **At a minimum, the Securities Lending firm must indemnify OST for borrower default.**

- 6.30 How are clients indemnified against losses caused by borrower default? Please highlight indemnification language in your proposed contract, and cite the page number here.
- (a) Are there any dollar limitations on the amount of indemnification?
  - (b) Are there any separate fees for indemnification?
- 6.31 Does your firm indemnify the client against collateral investment losses? Against broker default? Against all losses from participation in your firm's securities lending program?
- 6.32 What are the specific limitations on your firm's indemnification policy?

## **Process and Limits Thereof**

- 6.33 Does your firm have an internal limit on how much of a client's portfolio of lendable assets can be lent on any given day? Describe the firm's policy.
- 6.34 Related to the question above, does your firm have an internal limit on how much of a client's lendable assets can be lent to a single borrower on any given day? What is the exposure limit? It is possible that a single client can be exposed to a single borrower at any given time?

## Cash Collateral

Please refer to **Appendix C for Cash Collateral Investment Policy and Guidelines.**

- 6.35** Describe the philosophy and process used in the investment of cash collateral. Discuss the firm's policies and procedures for the valuation and monitoring of collateral market values.
- 6.36** Are client portfolios managed as separate accounts or in a commingled vehicle? Can a client request a separate account?
- 6.37** Please refer to **Appendix C** for authorized investments for cash collateral.
- (a)** What measures are taken to assure compliance with the applicable investment guidelines?
  - (b)** How do you handle securities that experience a credit rating downgrade, or fall into default?
- 6.38** As delineated in Oklahoma Statute Title 62, §89.2 and §90, the types of securities which are permissible for investment of cash collateral are limited.
- (a)** Do you offer investment products that comply with these constraints? If various pools/products are offered, please provide portfolio characteristics for each for the three (3) years ending in December from 2018 to 2020. Please include, at a minimum, the portfolio's:
    - (1)** Weighted average maturity
    - (2)** Sector breakdown (U.S. Treasuries versus agencies, instrumentalities, etc.)
    - (3)** Weightings in derivatives and mortgage-backs
    - (4)** Please summarize portfolio guidelines and limitations, including a summary pertaining to derivatives.
  - (b)** How is compliance with client specification assured?
- 6.39** Have clients ever had to share in losses resulting from investment activities, or were losses resolved in some other manner? How were clients impacted? Has your firm ever chosen to absorb investment related losses rather than pass them along to clients? Please describe any instances in which your firm distinguished itself by avoiding notable losses, if applicable.
- 6.40** Please provide investment returns (prior to any fee splits) yearly for the past three (3) years. Note if your returns are gross or net of any investment management fees. Please provide the weighted average maturity for the portfolio(s) for the same periods.
- 6.41** Please describe changes to **Appendix C** that you think would enhance earnings without increasing risk?

## **Non Cash Collateral**

- 6.42** As delineated in Oklahoma Statute Title 62, § 89.2 and §90 the types of securities which are permissible for non-cash collateral are limited. Please refer to **Appendix B** for a listing of eligible securities.
- (a)** Can the client choose between cash versus non-cash collateral, or specify an acceptable mix between cash and non-cash collateral?
  - (b)** How is compliance with client specifications assured?
- 6.43** Please list, from most to least common, the types of collateral you accept. Be as specific as possible regarding security breakdowns/descriptions (e.g., mortgage-backs) and note the percentage of total collateral that each type typically comprises.
- 6.44** OST requires an initial 102% collateral level for domestic securities.
- (a)** Describe your mark-to-market procedures and frequency.
  - (b)** How and how often are collateral calls/adjustments made?

## **Fees**

- 6.45** Do you impose management or transactional fees for the investment of cash collateral?
- 6.46** Are any other charges deducted from earnings remitted to the client before or after the earnings split? If so, specify the amount(s). Are any amounts remitted to third parties before or after the earnings split? If so, specify the amount(s).

## **Contract**

- 6.47** Include a copy of your standard securities lending agreement.

## Securities Lending Performance

**6.48** Please provide your lending program annual performance data by security type for 2018, 2019, and 2020 for the asset classes listed below, including both dollar revenues and total spreads. Explain how the spread information was calculated.

<b>Securities Lending Performance For the 12 months ending December 31, 2018</b>						
Asset Class	Average Percentage on Loan	Average Rebate Rate (bp)	Average Demand Spread (bp)	Average Reinvest Spread (bp)	Daily Average Spread (bp)	Return on Assets (ROA)
U.S. Treasuries						
U.S. Agencies						
GNMA MBS						

<b>Securities Lending Performance For the 12 months ending December 31, 2019</b>						
Asset Class	Average Percentage on Loan	Average Rebate Rate (bp)	Average Demand Spread (bp)	Average Reinvest Spread (bp)	Daily Average Spread (bp)	Return on Assets (ROA)
U.S. Treasuries						
U.S. Agencies						
GNMA MBS						

<b>Securities Lending Performance For the 12 months ending December 31, 2020</b>						
Asset Class	Average Percentage on Loan	Average Rebate Rate (bp)	Average Demand Spread (bp)	Average Reinvest Spread (bp)	Daily Average Spread (bp)	Return on Assets (ROA)
U.S. Treasuries						
U.S. Agencies						
GNMA MBS						

## **Revenue and Collateral Reinvestment Management**

- 6.49** Explain your firm’s methodology for calculating a client’s income and splitting methodology. Show calculations.
- 6.50** What is your firm’s proposal for the revenue sharing arrangement and/or split of security lending income? Is the split also applicable to negative income if it occurs?
- 6.51** Furnish a revenue estimate of the securities lending income for OST for a one (1) year period ending December 31, 2020, utilizing the holding in the attached excel spreadsheet labeled as “OST Asset Allocation.” (Please note that the estimate is backward looking and not forward looking into the future. Utilize the holdings provided and assume that the holdings are in a buy and hold strategy from January 1, 2020 to December 31, 2020.)
- 6.52** Does the firm provide data to third parties such as Data Explorers or Equilend? If so, describe fee arrangements including any soft dollar compensation and whether this is shared with the beneficial owner. Also, describe access the beneficial owner would have to these databases.
- 6.53** Does your firm outsource any aspects of its lending program or collateral reinvestment function? Software?

## Section Seven

### CONVERSION PROCESS

- 7.1 Please describe your approach to the implementation and conversion process. Include an estimated conversion calendar, including actions required on the part of OST, the custodial bank, custodial lending agent and/or third party lending agent and the time frame to complete each task.
- 7.2 What dedicated resources (personnel, equipment, training of personnel, consultants, etc.), procedures, and controls will you provide or recommend in the conversion period to ensure that the conversion is completed successfully in both a timely and accurate manner?
- 7.3 How do you handle transactions and claims which are in process during the conversion period?
- 7.4 How do you ensure sufficient control during the conversion period to assure that the process is successfully completed in both an accurate and timely manner?
- 7.5 Explain your policy for ensuring that client personnel are properly trained on your policies, procedures, and on-line systems.
- 7.6 Give a detailed description of your last comparable conversion, and include the details of any specific problems that occurred and the solution instituted.
- 7.7 Please provide only one (1) copy of your conversion manual.
- 7.8 What costs for the client, if any, are associated with the conversion?
- 7.9 How do you handle the performance measurement files in the conversion process? How would performance history be converted from the previous custodian?
- 7.10 Provide a summary of the problems that you reasonably expect to occur during a custody service conversion and your approach to resolving these anticipated problems.



## Section Eight

### PERFORMANCE MEASUREMENT/PORTFOLIO ANALYTICS

Since OST's portfolio is limited by statute to fixed income instruments, please particularly highlight those services that address domestic, fixed income investments. **Appendix B** provides more detail on permissible investments, and **Appendix A** provides a recent portfolio position statement.

Provide an overview of the organizational and operating structure of the group that is responsible for investment performance and analytics reporting, including geographic locations, staffing levels, and reporting lines to senior management.

#### Performance Measurement

- 8.1 Describe your performance measurement capabilities.
- 8.2 Describe how performance is computed, including:
  - (a) Do you use dollar-weighted or time-weighted (or both) returns?
  - (b) Are market values adjusted for accruals?
- 8.3 Can rates of return be provided:
  - (a) For the overall portfolio?
  - (b) By asset class?
  - (c) By security?
  - (d) Over client-specified time periods?
- 8.4 Can different accounts be combined for performance reporting and analysis? Can this be accomplished on-line?

#### Performance Comparison

- 8.5 List domestic, fixed income indices or benchmarks that are available. What characteristic data on these indices (such as sectors, duration, average coupon, etc.) do you provide?
- 8.6 OST is currently required to compare performance of the General Account and, separately, the Agency Account to the Merrill Lynch U.S. Treasury Note 1 year benchmark.
  - (a) Can the benchmarks you offer be blended to create custom indices?
  - (b) Are you able to segment the portfolio in different client-specified ways in calculating performance?
  - (c) Are you able to calculate performance on non-custodied assets if provided with transactional data and accrued interest? OST may invest in the following types of

instruments (as restricted in **Appendix H**) that are not custodied by the Master Custodian:

- (1) Tri-Party Repurchase Agreements
- (2) Money Market Mutual Funds
- (3) Collateralized Time Deposits placed in State Banks\*
- (4) State of Oklahoma Bond Issues
- (5) Commercial Paper

### **Reporting**

- 8.7** Can reports be tailored to meet individualized client needs?
- 8.8** How soon after period-end are preliminary and final performance reports available?
- 8.9** Provide examples of relevant performance measurement, comparison, and portfolio analytic reports.
- 8.10** Are you able and willing to backload data? Are there additional costs for this service?

\*Information on Collateralized Time Deposits can be found on the website:  
([http://www.ok.gov/treasurer/documents/CD\\_Policy\\_Jan-11.pdf](http://www.ok.gov/treasurer/documents/CD_Policy_Jan-11.pdf))

## Section Nine

### SYSTEM CAPABILITIES

- 9.1** Describe your data processing support in the context of your master custody and/or securities lending and investment areas. At a minimum address the following:
- (a)** Does your firm use specific hardware/software? Is your software custom, package, or a blend? How long have you used your current system(s)? Does your firm plan to change to another system(s) in the next three (3) years?
  - (b)** Is your firm's hardware outsourced? If yes, where is the hardware located? If yes, do you have any plans to change vendors, locations, or to bring this back-in house in the next three (3) years? If not currently outsourced, does your firm have any plans to outsource your hardware in the next three (3) years?
  - (c)** Describe your firm's system security for hardware, software and files, including any upstream system(s) to which you are networked.
  - (d)** Describe your firm's back-up/disaster recovery plan. Describe real situations or rehearsals that have taken place in the last two (2) years. What is the frequency and nature of your firm's disaster recovery rehearsals?
- 9.2** What is the annual IT budget that is allocated to your asset servicing related business? What is the total IT budget of the parent or bank holding company?
- 9.3** Describe the security measures taken for your systems, users and access points. Include remote access, application access, and software access, application access, and software access.
- 9.4** What are your security procedures that protect customer information, especially with respect to unauthorized access to data? Please describe in detail your security measures.

## Section Ten

### AUDIT CONTROLS/PROCEDURES

- 10.1** For your audited fiscal years 2019 and 2020 (if 2020 is unaudited, please submit years 2018 and 2019) provide copies of each report issued as described below. Comment on any adverse findings, deficiencies, or corrective recommendations identified in your SSAE 16 Report in the last two years. Discuss the remediation efforts undertaken, including current status and expected resolution.
- (a) EXTERNAL AUDIT REPORTS AND MANAGEMENT REPORTS INCLUDING SSAE 16 REPORTS COVERING MASTER CUSTODY AND/OR SECURITIES LENDING CONTROL FUNCTIONS**
- (1) Independent Certified Public Accountants
  - (2) Securities and Exchange Commission
  - (3) Comptroller of the Currency
  - (4) Other Government Agencies
- (b) INTERNAL AUDIT REPORTS AND MANAGEMENT RECORD**
- (1) Contracted Performance and System Reviews, Audits and Evaluations
  - (2) Internal Audit and Review Reports
- 10.2** Describe the audit process associated with the monthly portfolio statements.
- 10.3** Do you routinely obtain and provide to clients SSAE 16 reports covering master custody and/or securities lending control functions for continuous operating periods?

# Section Eleven

## RELATED INFORMATION AND FEE STRUCTURE

### 11.1 Fee Structure

- (a) Use the enclosed bid sheet (**Appendix E**).
- (b) List and briefly describe services included and not included in the fee quote. Any service, product, or report mentioned in the firm’s response is presumptively included in the fee unless expressly excepted on the bid sheet.
- (c) Settlement frequency will be monthly.
- (d) Provide any finder’s fee or finder’s commission that has been paid or will be paid to any individual or organization outside your firm as a result of the establishment of a relationship with the Office of the State Treasurer.
- (e) Indicate the frequency your firm intends to submit billings.
- (f) Combination bids. The State Treasurer will also accept and consider a “combination” bid for master custody and securities lending services provided by any firm. The State Treasurer may award contracts to two separate entities. The combination bid may be for a lower cost or for the same cost as the separate bids.

11.2 Please refer to the following information in developing your response:  
Refer to **Appendix A** for schedules of investments held in each of the two (2) active accounts. Assume these are the portfolios the engaged firm will inherit.

Securities are generally held until maturity unless there are liquidity needs that exceed targeted liquidity balances. All transaction activity for the fiscal year ending June 30, 2021 is listed below.

Assume the following approximate transaction levels per year:

<b>Security</b>	<b>General Account</b>	<b>State Agency Account</b>
Federal Farm Credit	20	
Federal Home Loan Bank	44	
Federal Home Loan Mortgage Corporation	62	
Federal National Mortgage Association	44	
Mortgage Backed Securities	25	
Development Corporation for Israel	3	
<b>TOTAL</b>	<b>198</b>	<b>0</b>

Secondary transactions for the current fiscal year, ending June 30, 2021 are below:

<b>Transaction</b>	<b>General Account</b>	<b>State Agency Account</b>
Maturity Proceeds	59	0
Mortgage Backed Security Paydowns	1,740	0
Interest Proceeds	2,365	14
Wire Transfers to OST's Account (approx.)	125	14
Wire Transfers to Custodian for settlement	60	0