

Reply to Queries/ Clarification sought to our RFP for appointment of consultant for Implementation of Enterprise Wide Integrated Risk Management.

We furnish below our point wise reply to the various queries / clarification sought during the Pre Bid meeting dated 30.10.2013 and Email sent in response to our RFP for appointment of consultant for Implementation of Enterprise Wide Integrated Risk Management. These reply / clarifications are to be read in conjunction with the RFP document already ported on our web site and to be submitted along with bid document.

Part I – Amendment to RFP

Sl.no	Clause Ref.	Clause in the RFP	Page No.	Queries / Clarifications Sought	Amendment
1			19	Request to consider the addition of below mentioned Limitation of Liability clause: The aggregate liability of the Consultant under this agreement, or otherwise in connection with the services to be performed hereunder, shall in no event exceed the total fees payable to the Consultant hereunder. The preceding limitation shall not apply to liability arising as a result of the Consultant's fraud or willful misconduct in performance of the services hereunder."	Limitation of Liability clause as follows is included as para / point 23, page 19 and form part of the existing terms and conditions. 23 (Page 19) Limitation of Liability clause: "The aggregate liability of the Consultant under this agreement, or otherwise in connection with the services to be performed hereunder, shall in no event exceed the total fees payable to the Consultant hereunder. The preceding limitation shall not apply to liability arising as a result of the Consultant's fraud or willful misconduct in performance of the services hereunder."

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2	Annexure 9	Applicable service tax, education cess, etc.	40	Would the bank consider reimbursing the tax component at the prevailing rates and accept an increase in fees to the extent of revision instead of consultant absorbing the same?	<p>Amount quoted should be exclusive of all applicable taxes like service tax, education cess etc.</p> <p>Revised Annexure 9 is ported with this amendment. Point 2.13.6.1, page 11 to be read as follows: The Commercial bid should give all relevant price information (prices only in Indian rupees) and the charges/fees quoted should be exclusive of applicable taxes and inclusive of all out of pocket expenses / charges etc.</p>
3	2.5.6 (ii)	The Earnest Money Deposit shall be forfeited: If the successful Bidder fails to sign the consultancy agreement or furnish performance Bank guarantee/security deposit and other guarantee(s)/security in the form and manner to the satisfaction of Bank within 7 days of communicating the selection of the bidder, as mentioned in the RFP	7	Since the finalization of the contract is a time consuming process request the bank to consider replacing the 7 days with 'reasonable timeframe' or 21 working days as may be deemed fit	7 days modified to 14 days.

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Part II - Clarifications

Sl.no	Clause Ref.	Clause in the RFP	Page No.	Queries / Clarifications Sought	Our Clarification / Reply
1	Section 2.6, Point 5	Should have won project for performing consultancy service in Integrated Risk Management for atleast one Public /Private Sector Bank having network of 1000 or more branches, during the last five year	8	As the EIRMS engagement is one of turnkey risk projects, consultants with only 1 PSU / 1 Private sector implementation experience of Basel II guidelines for Advanced Approaches for Credit Risk, Market Risk and Operational Risk may not be adequate. In this we suggest to reword the criteria to read as below: Should have won project for performing consultancy service in Integrated Risk Management for atleast one Public sector bank with atleast 1000 branches and 1 Private sector bank with atleast 500 branches for implementation of Basel II guidelines for Advanced Approaches for Credit Risk, Market Risk and Operational Risk.	Existing condition retained.
2	Section 2.6, Point 3	Should not be implementers / solution providers of any of the applications pertaining to Risk Management. Any consulting firm having its own solution for Risk Management is not eligible in order to avoid conflict of interest	8	We believe this condition should be retained as If the consulting firm associated with software solution is being selected, other software solution provider may not be willing to provide a demo / proposal to the their fellow compete. Please confirm.	Existing condition retained.

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3	Section 12	<p>The payment for the entire assignment will be divided into five phases:</p> <ol style="list-style-type: none"> 1. After completion of Phase I : 10% of the agreed price 2. After completion of Phase II : 15% of the agreed price 3. After completion of Phase III : 25% of the agreed price 4. After completion of Phase IV : 25% of the agreed price 5. After completion of Phase V : 25% of the agreed price 	17	<p>Based on our experience of working with multiple public and private sector banks across India, which would align it to the efforts the consultants will put in across the various phases of the project. Additionally, this project would be required to be managed across distinct modules - Credit Risk, Market Risk, Operational Risk, ICAAP/ERM, and we would request you to consider having distinct payment milestones for the same as has been detailed below:</p>			<p>Existing payment condition retained. Kindly refer point 12 at page 17.</p>	
	Credit Risk	Operational Risk	Market Risk	Pillar II/Pillar III	Compliance Framework	Training	Total	
Phase 1	4	5	3	5	3		20	
Phase 2	6	7	5	5	2		25	
Phase 3	6	7	5	5		2	25	
Phase 4	5	7	5			3	20	
Phase 5	4	4	2				10	
	25	30	20	15	5	5	100	

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4	Annexure 1 Point 2.24	Review the existing solution scalability	23	As Review of the existing solution in scope we suggest inclusion of atleast one review of credit risk solution in evaluation criteria	Existing Conditions retained.
5	Annexure 1 Point 2.22	Credit Analytics	23	<p>What is the current state of IRB models at the Bank? Does the Bank have application scorecards, rating models in place? Does the Bank have retail pooling models in place?</p> <p>Does the Bank want a framework document with approach for PD, LGD & EAD modeling? Or does it also want the Consultant to develop these models? If yes, please let us know the number of models to be developed.</p> <p>Please elaborate what is the bank expecting from "Volatility & correlation computation" Does the Bank want this for ICAAP?</p>	<p>At present there is no IRB model in place. For accounts with limit of Rs.25.00 lakhs and above we have 18 models under internal rating system "RAM" from CRISIL Ltd.</p> <p>Bank has retail pooling model for accounts with limit less than Rs.25.00 lakh.</p> <p>The consultant to develop PD, LGD & EAD modeling. All models to be developed as per advanced approach.</p> <p>Apart from credit analytics this includes ICAAP also.</p>
6	Annexure 1 Points 2.23 to 2.25	RWA Computation	23	<p>Does the Bank have IRB related policies in place? Is the existing system configured for IRB capital computation?</p> <p>Does the Bank have IRB Reports generated from the system?</p>	At present we do not have IRB related policies. Existing system is configured for IRB capital computation. We do not generate IRB reports.
7	Phase IV Point 3	Conducting back testing and validation of the models implemented	30	Please clarify on the scope of validation. Does the Bank expect the Consultant to support in model validation or does it actually require the consultant to perform all model validation.	The consultant to perform all model validation.

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8				As per our understanding of the scope, the Bank has credit risk systems in place, and the project does not involve procurement of system (RFP, PMO and UAT), kindly confirm, additionally also please provide list of credit risk systems	At present we are using CAM module of CRISIL Ltd. for credit risk capital computation under standardised approach. The system is capable for advance approach.
9	Annexure 1 Point 2.24	Review the existing solution scalability	23	As Review of the existing solution in scope we suggest inclusion of atleast one review of credit risk solution in evaluation criteria	Existing condition retained
10				As per our understanding of the scope, the Bank has operational risk systems in place, and the project does not involve procurement of system (RFP, PMO and UAT), kindly confirm, additionally also please provide list of operational risk systems	At present we are using CORE module of CRISIL Ltd. for operational risk capital computation under BIA approach.
11	Annexure 1 Point 1.7	Review & enhance existing ALM framework beyond regulatory reporting and assist in product pricing, balance sheet planning and management decision making.	21	What is the current system for ALM?	At present ALM system is limited to the regulatory requirement using MS Excel worksheets.

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12	Annexure 1 Point 1.7	Review & enhance existing ALM framework beyond regulatory reporting and assist in product pricing, balance sheet planning and management decision making.	21	What are the requirements related to FTP? Does the bank has a FTP framework or it requires consultant to design one.	We do not have any FTP frame work. This is to be designed by Consultant.
13	Annexure 1 Point 3.1	Conduct a detailed gap analysis of the bank's (solo & consolidated) market risk management practices, procedures, policy, audit and systems vis-a- vis requirements under IMA. Preparation of Market Risk dossier MR file.	23	What are the systems that the Bank (at bank level & at Group Level) currently have for market risk and treasury functions? How automated and interfaced they are with Core Banking / accounting system & Back Office system.	Our Treasury Branch is using Credence software. The reports generated by Credence software is used for market risk capital calculation and for Back office. The Credence software has no interface with the Core Banking software.
14	Annexure 3.4 Point 3.1	Treatment & integration of specific and addition to VaR model	22	It has been mentioned that "Treatment & integration of specific and addition to VaR model". Can you please explain what does bank refer to? Is it IRC & CRM modeling in addition to the VaR model?	Treatment and integration of Specific market risk and General market risk under normal VAR measure and Stressed VAR measure and IRC

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15	Annexure 1 Point 3.1	Conduct a detailed gap analysis of the bank's (solo & consolidated) market risk management practices, procedures, policy, audit and systems vis-a- vis requirements under IMA. Preparation of Market Risk dossier MR file.	23	What are existing models that bank uses for valuation of positions? Does it have any models or the same needs to be developed by consultant?	By using FEDAI and FIMMDA rate in Credence software valuation file is generated. The model needs to be developed.
16	Annexure 1 Point 3.13	Rating migration of issuers with respect to Non- SLR asset class.	24	It has been mentioned that "Rating migration of issuers with respect to Non- SLR asset class". Does this refer to suitable MIS to prepared to reflect this? Can you explain?	Yes.
17	Annexure 1 Point 3.14	Analysis of profits earned from merchant transactions in foreign exchange dealing.	24	It has been mentioned that "Analysis of profits earned from merchant transactions in foreign exchange dealing". Does this refer to suitable MIS to prepared to reflect this? Can you explain?	Yes.
18	Annexure 1 Point 3.23	CVA for prescribed securities , investments and derivatives	25	Whether bank has any models / methodologies for CVA calculation or it is to be developed?	It is to be developed.

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19	Annexure 1 Point 5.1	Evaluation of Bank's measurement and management strategy for Pillar-2 risks such as Credit Concentration risk, IRBB, Liquidity risk, Reputational Risk, Strategic risk etc and suggest suitable modifications.	27	What are existing systems that bank use for IRRBB & Liquidity Risk	Existing systems for IRRBB & liquidity risk is based on MS Excel worksheet.
20	Annexure 1 Point 9.1	Suggest framework for the group-related entities (subsidiaries, insurance, mutual funds, associated companies and investments) as per Basel II / RBI guidelines.	28	Does the bank have any risk framework at Group level to monitor the risks to Group Risk framework to be completed designed?	Framework to be designed by the consultant as per RBI guidelines for the entire group.
21	Annexure 1 Point 9.1	Suggest framework for the group-related entities (subsidiaries, insurance, mutual funds, associated companies and investments) as per Basel II / RBI guidelines.	28	It has been mentioned that "Suggest framework for the group-related entities (subsidiaries, insurance, mutual funds, associated companies and investments) as per Basel II / RBI guidelines.". Does this refer to defining the Risk Management framework at every entity level or only at Bank level and then at consolidated at Group level?	At the Bank level and then consolidated at group level.

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22	Section 2.13.1 ,	<p>The two outer envelope for each bid marked as Original Bid and Copy Bid should be duly marked as</p> <p>"DO NOT OPEN BEFORE -----"</p>	10	<p>Whether 2 sets of bids need to be submitted viz Original and Duplicate. What needs to be filled in the blanks in "DO NOT OPEN BEFORE -----"</p>	<p>Yes, 2 sets of bids need to be submitted viz Original and Duplicate.</p> <p>Please write date i.e. 18.11.2013</p>
23	Section 3.3	<p>The bidder should also submit an undertaking to the effect that they have not made any modification in the original copy of RFP and his bid would be liable for rejection for any violation of the above.</p>	11	<p>Whether a separate undertaking to be submitted for this requirement and if Yes, what is the format of the same OR its sufficient that its mentioned as part of Bid Offer Covering letter (pt 3) as per Annexure 5?</p>	<p>No, not required separately as included in Annexure 5</p>
24	Annexure 1-Phase III	<p>Installation of the software for market risk, ALM and FTP.</p>	29	<p>PI clarify whether bank needs any implementation support through preparation of Business Requirement Specifications (BRS) document/ UAT/Project Management etc?</p>	<p>Yes.</p>
25	Annexure 1-Phase IV	<p>Providing training on the various skills sets to officers of the bank.</p>	30	<p>Approximately how many trainings are required to be conducted and whether all will be at the bank's corporate office in Chennai or elsewhere?</p>	<p>Training to be conducted at our Corporate Office, Chennai. Training is required for our Top Management & on the job basis for officers at Risk Management Department.</p>

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26	Annexure 1- Section 4.15	Suggest for measures to integrate the CBS database with ORM framework	26	PI clarify whether integration is required between CBS database and ORM system and in what context	We require data interface from CBS for the ORM framework.
27	Annexure 1- Section 4.23	To suggest and develop an audit tool for said purpose	27	PI elaborate on audit tool and its functionality required for Risk Based Audit	The CAAT required for carrying out RBIA is to be suggested.
28	12. 2 Section	Payment terms	17	The payment terms proposed by the bank are not commensurate to the effort required to put in by the consultants. Can this be relooked during the contract signing phase? Also some of the items (like conduct of SREP) are not in the control of the bank or the consultant which may hamper the payment.	Existing terms retained.
29	Annexure 1- 1.5	Evaluation of existing software and suggest upgradation to provide guidance for selection of solution provider and prepare an RFP for any new software solutions that need to be procured in the risk area	21	Can the Bank provide a list of current systems available for risk management for each risk stream (credit, market, Operational, ALM, etc.) with a brief description of capabilities (whether standardized approach computation is possible or even advanced approach computation is possible)?	Credit Risk: 1. CAM module of CRISIL Ltd. 2. Capable of advanced approach Market risk: 1. MS Excel Based Operational Risk: 1. Core module from CRISIL Ltd. ALM system: 1. MS Excel based.

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30	Annexure 1- 4.4	Develop framework for operational risk measurement for TSA&AMA	25	Would the bank be open to migrating to AMA instead of through the TSA route?	As option for permission rest with regulator (RBI), we have to prepare for both approaches.
31	Annexure 1- 5.4	Existing ICAAP framework of the Bank which will be validated by an external agency, the consultant to assist bank in implementing the suggestions given by the agency and also suggest improvements/ modifications over and above the same especially with respect to definition of risk appetite, assessment of material risks, computation of risk	27	When the Bank intends to appoint external consultant as part of this RFP, validation done by this consultant would be deemed as external validation. Would another consultant validation be required?	The consultant to assist the bank in formulation of ICAAP policy and documents for 2014-15
32	Annexure 1- 4.7	Develop RCSA Policy / methodology for business and business areas and implement the same, apart from its monitoring	25	Does the bank expect consultant to roll out RCSA to a minimum number of branches and functional departments at head office?	Yes.
33	Annexure 1- 4.15	Suggest for measures to integrate the CBS database with ORM framework.	26	Our understanding is that the consultant should suggest ways and means to automate flow of CBS data to the operational risk system and not beyond.	To develop interface between CBS software and ORM framework.

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34	Section 2.14	The envelope containing Technical Bid and Commercial Bid should be dropped in the bid box.	11	Is it mandatory to come in person to deliver the proposal or can it be sent by courier/speed post at the designated address?	The envelope should reach the official not later than 3.00 p.m. on 18.11.2013
35	Annexure 1- 2.22	Credit Analytics Create a framework and enable Risk Modelling (PD-LGD-EAD-VAR) Volatility and Correlation Computation.	23	Can the bank provide the rating system in place currently and the number of models in use for retail and non-retail portfolios? Details of any validation exercise undertaken would also be useful input	Bank presently uses RAM model of CRISIL for rating of all accounts with limit of Rs.25.00 lakh and more. There are 18 rating models in RAM. The rating model is already validated and the recommendations are being factored.
36	Annexure I Phase II	Preparation of RFP for procuring suitable software for market risk ALM and FTP as per the requirements of advanced approach guidelines of RBI and assisting the bank in selection of the suitable software as per the response received for the RFP.	29	Is the scope of project to prepare and float RFP pertaining to ALM and FTP alone?	To be read with point 1.5 of Annexure 1
37	Annexure: 4	Letter of consent from the bank to act as 'Reference site' to be enclosed	34	It may be difficult to obtain letters from client, would an email confirmation from appropriate authority be sufficient for this purpose?	Existing conditions retained.

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38	2.6.1 Eligibility criteria	Details of proof For Companies: Copy of: "...along with a certified copy of Board resolution authorizing the representative to submit the response to the RFP should be submitted"	8	Normally RFPs request for board resolution authorizing the authorize signatory to execute/sign the proposal on behalf the company. A specific boar resolution for the purpose of bidding for this specific proposal may not be feasible. Request the bank to consider accepting the above mentioned board resolution instead of what is stated in the RFP.	Existing condition retained.
39	2.6.4 Eligibility criteria	The bidder will submit a declaration specifying that the bidder has obtained all necessary statutory and obligatory permissions, if any, to carry out the consultancy work.	8	Could be bank elaborate the reasons why such statutory and obligatory permissions is being insisted upon?	The point is wholesome and self explanatory.

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40	2.13.1.	The two outer envelope for each bid marked as ORIGINAL BID and COPY BID should be duly marked as “ DO NOT OPEN BEFORE -----“.	10	From this para it is clear that the Bank expects consultants to submit an original and copy of the proposal. The Original technical and commercial proposals in separate covers are to be enclosed in an outer cover marked as Original. Are the consultants expected to submit a photocopy of the commercial proposal in the ‘Copy Bid’ cover or should this contain only the Technical bid alone?	Yes. It should contain photocopy of the commercial bid also.
41	Section 2.6	Should not be implementers / solution providers of any of the applications pertaining to Risk Management. Any consulting firm having its own solution for Risk Management is not eligible in order to avoid conflict of interest.	8	<p>Instead of prohibiting the solution providers you may specify that the firms with own solutions will not be eligible to participate in any downstream projects.</p> <p>The above unfairly restricts consulting firms with own solutions. Further, firms with significant experience and understanding of the risk management processes and culture are unable to participate.</p>	Existing condition retained
42	Section 2.6	Should have won project for performing consultancy service in integrated Risk Management for at least	8	This may be amended to include projects that are under implementation as follows: should have won project or should be implementing a project for performing consultancy service in Integrated Risk	Existing condition retained.

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		one Public / Private Sector Bank having network of 1000 or branches, during the last five years		Management for at least one Public /Private Sector Bank having network of 1000 or more branches, during the last five years.	
43	Section 2.6	Should have atleast 25 professionals with qualifications of Software Engineer/Mtech/ MCA/ CA/MBA/FRM/PRM/ Statistician/ CPA specialist permanently employed by them with experience of minimum 2 years in the relevant fields.	8	The number of professionals may be reduced to 15.	Existing condition retained.