

Prequalification Process
to Identify Bidders for
Potential Cash Investment Management Services for
Commercial Paper Funding Facility

This PDF document contains:

- An explanatory note on the opportunity and prequalification process to identify bidders for potential Cash Investment Management Services for the Commercial Paper Funding Facility.
- A vendor response form is included in this document. The form has editable response fields to enable completion.

For best results completing the form:

1. Do not use a browser to complete the PDF response form.
2. Save the PDF file locally before beginning to edit. Use the Save icon (image of a computer disc) at the top of the screen or click “File” and then “Save As” (do not use the right-click “Save As” feature).
3. Open the saved PDF file and click on “Enable All Features” at the top of the PDF file.
4. Before each subsequent save, ensure that the cursor is not inside a text box.

Feel free to contact the FRBNY at ny.vendor.submissions@ny.frb.org with any questions.

December 9, 2020

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to Identify Bidders for
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Overview

The Federal Reserve Bank of New York (“FRBNY”) is seeking to identify bidders for a potential request for proposal for cash investment management services to support the Commercial Paper Funding Facility (“CPFF” or the “Facility”).

The Board of Governors of the Federal Reserve System (the “Board of Governors”), with approval of the Treasury Secretary, established the CPFF on March 17, 2020, to support the flow of credit to households and businesses. The CPFF provides a liquidity backstop to U.S. issuers of commercial paper through a dedicated funding vehicle (CP Funding Facility II LLC, managed by the FRBNY) that purchases eligible three-month unsecured and asset-backed commercial paper from eligible issuers using financing provided by the FRBNY. The vehicle holds the commercial paper until maturity and uses the proceeds from maturing commercial paper and other assets of the vehicle to repay its loan from the FRBNY. The vehicle will cease purchasing commercial paper on March 31, 2021, unless the Board of Governors and the Department of the Treasury extend the facility.

At the inception of the CPFF, some vendor functions were put in place through direct negotiation with a single service provider to enable the Facility to enter the market as quickly as possible. FRBNY did so with a view to submitting those functions to a competitive procurement process after the Facility was established. In line with this intention, and as an initial step, we are prospectively initiating a competitive procurement process for the Cash Investment Manager (“CIM”) role that is currently performed by the Facility’s investment manager, Pacific Investment Management Company, LLC (PIMCO). The CIM role is distinct from the transaction agent role currently performed by PIMCO and also distinct from the custody and administration services performed by State Street Bank and Trust Company (“State Street”).

Opportunity

The CPFF holds a cash investment account (referred to as the “Investment Account” in the [current Investment Management Agreement](#)) to hold all fees, earnings from the purchase of commercial paper, and additional investments.¹ The assets in the account are used to cover the operating expenses of the Facility. The FRBNY is undertaking this prequalification process to select prospective bidders to participate in a request for proposal (“RFP”) for the CIM role should FRBNY seek to engage a new CIM to manage the CPFF’s Investment Account for the duration of the Facility’s life.

As of November 30, 2020, the Facility held a cash investment portfolio of \$53 million in assets under management, consisting of eligible short-term assets managed according to guidelines outlined in Exhibit B of the current Investment Management Agreement. The portfolio is expected to decrease over the remaining life of the Facility as operating expenses are paid. Registrations by issuers to use the Facility or purchases of commercial paper by the Facility could result in the cash investment balances increasing over time; such activity will likely depend on the evolution of market conditions. The Facility currently holds no commercial paper.

The Facility’s authorization to purchase commercial paper will cease on March 31, 2021, unless the Board of Governors and the Department of the Treasury extend the Facility. Following the maturity or resolution of any remaining commercial paper holdings after the Facility’s authorization ends, the Facility will be wound down. Investment Account holdings will be used to settle any outstanding vendor fees and then be distributed according to the waterfall outlined in the Facility’s [Limited Liability Company Agreement](#).

We invite interested firms to complete the Vendor Response Form below. FRBNY will then review the information provided and evaluate the responses in conjunction with an updated assessment of its business needs to determine whether to issue an RFP. Meeting the minimum requirements of the prequalification process does not guarantee participation in any RFP should one be

¹ Commercial paper purchased by the Facility and the U.S. Treasury Department’s equity investments in the Facility are not held in the Investment Account and are not subject to this potential CIM engagement.

Federal Reserve Bank of New York

issued. Prospective vendors selected for participation in any RFP will receive separate notification from FRBNY after the prequalification process is complete.

FRBNY is committed to diversity and inclusion in all aspects of its business and to the advancement of these values through its implementation of emergency lending facilities, including the CPFF. Smaller firms and minority-, women- or veteran-owned business entities meeting the criteria set out below are strongly encouraged to participate in the prequalification process.

CIM Responsibilities

The CPFF portfolio generates cash flows that include proceeds from maturing commercial paper and facility fees. These cash flows can be invested in eligible assets, which currently include U.S. Treasury and Agency securities, as well as money market mutual funds (“MMMFs”) that are compliant with Rule 2a-7 under the Investment Company Act of 1940, as amended, and that invest only in U.S. Treasury and Agency securities. The Facility holds these investments in a cash investment account held at State Street.

The CIM is to manage, supervise, execute and direct the investment and reinvestment of assets of the Facility held in the Investment Account. More specifically, the role consists of the following main elements:

- Manage cash flows – work with the Facility’s transaction agent, custodian, and administrator to project cash flows into and out of CPFF investment portfolio assets, and align liquidity availability with projected payment requirements of the Facility;
- Advise on investments – identify cash investment opportunities based on permissible assets and cash flow forecasts, and make investment recommendations on a regular basis;
- Execute investments for the Investment Account – purchase, sell, or exchange permissible assets in accordance with the FRBNY-provided investment management guidelines;
- Manage post-trade obligations – provide settlement instructions to the custodian using standard SWIFT messages or other standard secure message protocol and monitor settlements until completed, including fails tracking with the CPFF’s custodian and the cash investment manager’s trading counterparties; and
- Monitor and report – monitor payments from the Investment Account and report periodically on cash flows of the Investment Account; report on cash portfolio performance. The investment objective is to obtain a return similar to a performance benchmark while meeting required payments of the CPFF.

The services of the CIM may be required for as long as the CPFF investment portfolio holds assets.

Advancing to the RFP Stage

In order to be considered for participation in any upcoming RFP, any interested vendor must:

- Provide the company overview information requested in Table 1,
- Complete the information requested in Table 2 and meet the requirements stated there, and
- Email the completed response to both Table 1 and Table 2 to ny.vendor.submissions@ny.frb.org by no later than 5:00 p.m. Eastern Time on Wednesday, December 23. Please insert “CPFF Prequalification Submission – Cash Management Role” in the subject line.

Applicants can submit additional relevant information in the comment box at the end of this document. Please focus responses on the most relevant information. Do not include general marketing materials in your submission, and be succinct in your responses to the questions. Should FRBNY proceed with an RFP, FRBNY will invite a number of firms (such number to be in FRBNY’s discretion) to participate in the RFP based on an internal review and assessment of applicant responses. FRBNY will request more detailed documentation from firms selected to participate in the RFP to review their ability to meet the requirements specified in the RFP.

Any questions on the prequalification process can be submitted by email to ny.vendor.submissions@ny.frb.org by no later than 5:00 p.m. Eastern Time on Tuesday, December 15. Please insert “CPFF Prequalification Questions – Cash Management Role” in the subject line. FRBNY will endeavor to publish responses promptly. For other assistance with the prequalification process, please contact FRBNY by email at the same email address, with “CPFF Prequalification Assistance – Cash Management Role” in the subject line.

Commitment to Diversity

FRBNY does not permit its vendors to discriminate on the basis of race, color, religion, national origin, sex, sexual orientation, gender identity, age, genetic information, or disability. If selected to participate in the RFP, your firm will be required to provide information about its equal opportunity and diversity processes, including efforts to promote the fair inclusion of women, minorities, and veterans in its workforce.

Vendor Response Form

Table 1. Company Overview.

1. Legal name of company that would provide CIM services.	
2. Number of full-time employees at the company.	
3. Legal name of ultimate parent company, if applicable.	
4. Primary contact for prequalification process.	Name: Title: Phone: Email:
5. If your firm is majority owned by individuals who are minorities, women, or veterans, please indicate. If your firm has been certified diverse, please list certifications. (FRBNY collects this information for analytical purposes; it does not use this information in the selection of vendors for the Facilities.)	Diverse ownership: Certifying organization name: Diverse certification #:

Table 2. Minimum Requirements.

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
1. Registered Investment Adviser under the Investment Advisers Act of 1940	CIM is currently and has for at least five years been registered with the SEC as an Investment Adviser, and it acts in a fiduciary capacity for institutional accounts. If yes, how many years?		
2. Regulatory compliance	None of the firm or its partners or principals has, in the past three years, been subject to civil or criminal charges alleging behavior of a fraudulent, deceptive and/or manipulative nature. ²		

² Checking “no” will not automatically disqualify your firm from consideration for the RFP process. We will take into account the information you provide in the comment box.

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
	Describe any issues, including any explanations that you believe may impact our assessment of your response.		
3. Assets Under Management (AUM)	CIM currently manages at least \$500 million AUM in marketable securities.		
	Provide total assets under management (in \$ millions).		
	Provide total fixed-income assets under management (in \$ millions).		
4. Experience with major custodians	CIM has an active relationship with at least one major U.S. custodian on behalf of an institutional investor client.		
	List the major U.S. custodians with whom your firm has such relationships.		
5. Experience in cash investment management for institutional clients	CIM has experience providing short-term liquid fixed-income strategies to institutional clients.		
	Briefly describe your firm’s experience with institutional clients with respect to managing investments in U.S. Treasury and Agency securities and MMMFs, running generic short-term strategies, and designing and managing bespoke short-term strategies.		
6. Trading capabilities – experience in trading	CIM has active trading relationships in U.S. Treasury and Agency securities with at least five broker/dealers.		

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
money market instruments, Treasury and Agency securities	List active broker/dealer relationships.		
	Indicate the number of staff who execute fixed income trades for institutional clients.		
	Please describe any programs that your firm may have to increase utilization of any broker/dealers that are women, minority or veteran owned.		
7. Protection of Facilities' information	CIM maintains policies and corresponding controls to preserve confidentiality of client information.		
	Briefly describe your firm's procedures for limiting and controlling access to customer information on a need-to-know basis.		
8. Onboarding as a new Cash Investment Manager	CIM has experience and capabilities transitioning as a new CIM in the last five years.		

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
	<p>Provide how many times has your firm transitioned as new CIM within the last five years including types of clients and AUM by year.</p> <p>Briefly describe your general onboarding process for CIM services, including a description of expected timeframes and steps related to transitioning as a new CIM.</p>		
9. Minimum Revenue Threshold	<p>CIM has minimum revenue expectations for this engagement³.</p> <p>Please describe your revenue expectations.</p>		
10. Risk Management Program	CIM has a robust risk management program.		

³ Checking “yes” will not automatically disqualify your firm from consideration for the RFP process. We will take into account the information you provide in the comment box.

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
	Briefly describe the scope and key elements of the program.		
11. Cyber security	CIM maintains cyber security policies, standards, risk management practices, and corresponding controls to prevent/mitigate cyber-attacks and protect the confidentiality, integrity, and availability of client data.		
	Provide an overview of the firm’s cyber security risk management practices along with the cyber security policies, standards and controls.		
	Ability to deliver data electronically from your reporting system to the FRBNY in a secure manner.		
12. Business continuity and disaster recovery capabilities	In the event of a disaster situation or other material business interruption, CIM has in place and has periodically tested a business continuity and disaster recovery program reasonably designed to i) safeguard and access data and ii) maintain operations.		

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
	Briefly describe.		

Additional comments:

A large, empty rectangular box with a thin black border, occupying most of the page below the 'Additional comments:' label. It is intended for providing additional information or comments.