

Prequalification Process
to Identify Bidders for
Potential Cash Investment Management Services for
Term Asset-Backed Securities Loan 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 Term Asset-Backed Securities Loan Facility.
- A vendor response form beginning on page three of 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. Using Adobe Acrobat, 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. Please insert “TALF Prequalification Assistance – Cash Investment Management Role” in the subject line.

February 8, 2021

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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 Term Asset-Backed Securities Loan Facility (“TALF” or the “Facility”).

The Board of Governors of the Federal Reserve System (the “Board of Governors”), with approval of the Treasury Secretary, established the TALF on March 23, 2020, to support the flow of credit to households and businesses. The TALF was designed to support the issuance of asset-backed securities (“ABS”) backed by student loans, auto loans, credit card loans, loans guaranteed by the Small Business Administration, leveraged loans, commercial mortgages, and certain other assets. The vehicle ceased extending new loans as of December 31, 2020.

Under the TALF, the New York Fed lent to a special purpose vehicle (TALF II SPV). The TALF II SPV, in turn, provided nonrecourse funding secured by eligible collateral to eligible borrowers under the [Master Loan and Security Agreement \(MLSA\)](#). The TALF II SPV holds the ABS collateral at its custodian for the three-year tenor of the MLSA loan, unless the ABS collateral is returned in connection with a prepayment, surrendered by the borrower in satisfaction of the loan, or disposed of in connection with a default, or otherwise is returned to the borrower in conjunction with amortization of principal. Principal and periodic interest due to the TALF II SPV on MLSA loans is generally satisfied out of principal and interest payments, respectively, received on the ABS collateral. Generally, any excess interest payments on ABS collateral are returned to the borrower, and principal payments on ABS collateral are generally returned to the borrower in an amount that corresponds to the haircut applied by the TALF to the ABS collateral.

From the inception of the TALF, the Facility’s custodian and administrator, Bank of New York Mellon (“BNYM”), has supported the execution of a limited scope of cash management decisions. The Cash Investment Manager (“CIM”) role that is the subject of this process is distinct from the custody and administration services performed by BNYM. The CIM will be required to interact with BNYM.

Opportunity

The TALF maintains a cash investment account to hold all fees, earnings from MLSA loan interest, and additional investments (referred to as the “Investment Account” in the [Collateral Custody and Administration Agreement](#) with BNYM).¹ Under this agreement, BNYM can execute investments on behalf of TALF at TALF’s instruction but does not provide Cash Management services to TALF.

The assets in the account are used to cover the obligations 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 CIM to manage the TALF’s Investment Account for the remaining duration of the Facility’s life.

As of December 31, 2020, the Facility held a cash investment portfolio of \$12.6 million, primarily swept into a U.S. Government money market mutual fund. The portfolio is expected to increase over the remaining life of the Facility as TALF loans continue to generate income, net of operating expenses.

Following the repayment or resolution of any remaining MLSA loans, the Facility will eventually 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](#).

¹Eligible ABS collateral held 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

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 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 TALF. 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 TALF generates cash flows that include proceeds from outstanding MLSA loans in addition to prior collection of administrative fees. These cash flows and existing cash balances can be invested in eligible assets, which may 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 Bank of New York Mellon.

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:

- 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 TALF’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 TALF.

The services of the CIM may be required for as long as the Investment Account 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 Tuesday, February 23, 2021. Please insert “TALF 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, February 16, 2021. Please insert “TALF 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 “TALF 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. Total fixed-income assets under management (AUM)	CIM currently manages at least \$500 million in total fixed-income assets under management (AUM)		
	Provide value of total fixed income assets under management (in \$ millions) with a breakdown of AUM managed for public section and AUM managed for private sector.		
4. Experience with major custodians	CIM has an active relationship with at least one major U.S. custodian (assets under custody > \$1 trillion) 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 money market instruments, Treasury and Agency securities	CIM has active trading relationships in U.S. Treasury and Agency securities with at least five broker/dealers.		
	List active broker/dealer relationships.		
	Indicate the number of staff who execute fixed income trades for institutional clients.		

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
	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. Customer Service	CIM has a documented process for managing custom service including availability of dedicated staff, training programs, and customer service metrics.		
	Briefly describe the dedicated staff and the training that those staff members have undergone that will allow them to create bespoke solutions tailored to TALF objectives and requirements as well as any customer service metrics that are maintained.		
9. Risk Management Program	CIM has a comprehensive risk management program and a structured risk assessment process..		
	Briefly describe the scope and key elements of the program.		
10. 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.		

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
	<p>Provide an overview of the firm’s cyber security risk management practices along with the cyber security policies, standards and controls.</p> <p>Please describe the firm’s ability to deliver data electronically from its reporting system to the FRBNY in a secure manner.</p>		
11. Business continuity and disaster recovery capabilities	<p>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.</p> <p>Briefly describe the scope and key elements of the program.</p> <p>Please describe the firm's process to identify critical activities needed to execute the CIM services and timeframe for recovering these critical activities.</p>		

Additional comments:

A large, empty rectangular box with a thin black border, intended for providing additional comments.