

# ATTACHMENT 1

## CUSTODY SERVICES QUESTIONNAIRE

- I. Organizational Resources, Client Service Team, & Client Profile
- II. Core Custodial Services
- III. Cash Management
- IV. Technology/Systems Support
- V. Transition Planning & Support
- VI. Securities Lending – Custodial Lending
- VII. Third Party/Principal Securities Lending Program Support
- VIII. Investment Performance Measurement and Analytics.

### **I. Organizational Resources, Client Service Team, & Client Profile**

1. Provide a brief description of the corporate history, primary locations of business, strategic partners and alliances, company structure, and ownership.
2. Provide a brief description of the history and development of your master trust/master custody services and capabilities, including dates of both implementation of key elements and enhancements to the service. Give a brief description of your organization’s overall philosophy. Please further comment on any joint ventures, strategic partners, and alliances.
3. What is the total of all assets held in custody for non-mutual fund clients at December 31, 2017? How many client relationships does this represent?
4. What is the total of all assets held in custody for mutual fund clients at December 31, 2017? How many client relationships does this represent?
5. What is the total revenue derived from master trust/master custody services? What percentage of the bank’s revenue comes from master trust/master custody services? What is the bank’s commitment to master trust/master custody relationships? Summarize your business plan for master trust/master custody services for the next three years. What role does service to the insurance and public fund sectors play in this business plan?
6. Please summarize your client base in the table included below:

Client Type & Size # of Relationships Aggregate Asset Size (\$MM)

- Corporate ALL
- Corporate <\$500MM
- Corporate \$500MM+ - \$1BB
- Corporate \$1BB+ - \$5BB
- Corporate \$5BB+ - \$25BB
- Corporate \$25BB+
- Public Fund ALL
- Public Fund <\$500MM
- Public Fund \$500MM+ - \$1BB
- Public Fund \$1BB+ - \$5BB
- Public Fund \$5BB+ - \$25BB
- Public Fund \$25BB+

# ATTACHMENT 1

## CUSTODY SERVICES QUESTIONNAIRE

Taft-Hartley/Union ALL  
Taft-Hartley/Union <\$500MM  
Taft-Hartley/Union \$500MM+ - \$1BB  
Taft-Hartley/Union \$1BB+ - \$5BB  
Taft-Hartley/Union \$5BB+ - \$25BB  
Taft-Hartley/Union \$25BB+  
Endowments/Foundations ALL  
Endowments/Foundations <\$500MM  
Endowments/Foundations \$500MM+ - \$1BB  
Endowments/Foundations \$1BB+ - \$5BB  
Endowments/Foundations \$5BB+ - \$25BB  
Endowments/Foundations \$25BB+  
Other (e.g. Mutual Funds) ALL  
Other (e.g. Mutual Funds) <\$500MM  
Other (e.g. Mutual Funds) \$500MM+ - \$1BB  
Other (e.g. Mutual Funds) \$1BB+ - \$5BB  
Other (e.g. Mutual Funds) \$5BB+ - \$25BB  
Other (e.g. Mutual Funds) \$25BB+  
TOTAL ALL

How many custodian clients have you gained and lost in each of the past three years for reasons other than mergers and acquisitions? For each account lost, indicate the reason for termination and provide a prior contact name and phone number.

7. Please provide the name, asset size, contact person, and phone number of three existing clients whom we may contact for references. The funds should be of similar size, complexity, and portfolio composition as our fund. Please ensure that two references have assets in excess of U.S. \$10 billion. Please refer to Section 4.2.6 of the RFP regarding Reference Information. References should be supplied on Appendix I.
8. Provide and discuss the most recent credit ratings received on your short-term and long-term debt.
9. Provide and discuss the most recent capital adequacy ratios available (Tier 1 and Tier 2).
10. List all relevant insurance coverage. Please indicate the type, coverage, limitations, expiration and deductible amounts.
11. Has your firm been the subject of any litigation regarding custodial trustee services or regulatory sanctions over the past five years? If so, please describe fully.
12. Please describe any actual or potential conflicts of interest your company would have in providing the services discussed in this RFP.
13. How many personnel are assigned directly to the business unit providing the services required by this RFP (hereinafter referred to as "Business Unit")?

# ATTACHMENT 1

## CUSTODY SERVICES QUESTIONNAIRE

- a. Management/Administrative;
  - b. Relationship Management;
  - c. Accounting/Service Delivery;
  - d. Technical/Analytical;
  - e. On-site personnel;
  - f. Other; and
  - g. Total
14. How do you propose to service our organization? What regular communications processes do you propose to support this structure?
15. NYSIF requires ongoing, on-site training of their staff on the custodian's on-line tools and systems. How do you propose to provide additional structured training sessions? (Please provide specifics on locations and format of sessions). How often would you conduct these training sessions?
16. What process is in place to ensure continuous coverage of our relationship in the absence of primary members of the service team and on-site personnel team (as provided)?
17. Comment on the personnel turnover your organization has experienced in the administration and client service area in the past three years. Please differentiate between individuals leaving the firm and those moving to other departments within the firm. Describe your efforts to attract and maintain qualified administrators and client service officers. Regarding personnel turnover either as a result of leaving the firm or moving to other departments, how does the firm handle the training of replacements for existing client relationships?
18. List the names of the key client service personnel who will be assigned to this account. Provide a professional biography for each person listed and each officer of the Business Unit reporting line. Include the names of other organizations for which they have performed related duties.
19. Describe the Business Unit and personnel who would service NYSIF's external and internal managers. Discuss how these individuals would interface with our client service personnel.
20. Describe the Business Unit and personnel who would provide NYSIF with regular accounting and reconciliation services. Discuss how these individuals would interface with our client service personnel. What are the general required qualifications of your client service accountants?
21. How do you propose to coordinate the delivery of service with staff located in different geographic locations?
22. Identify the number of accounts of the Business Unit for each line of business identified by the following column titles. Report aggregate values of their total assets in your custody in U.S.\$ millions as of December 31, 2017 and the preceding five years:

Business Unit ACCOUNTS AND ASSETS

# ATTACHMENT 1

## CUSTODY SERVICES QUESTIONNAIRE

Master Trust/Custody  
Tax-Exempt  
Year Accounts Value  
2012  
2013  
2014  
2015  
2016

23. Provide the number of tax-exempt 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. Describe the circumstances behind each lost account identified.

### TAX-EXEMPT MASTER TRUST/CUSTODY ACCOUNTS

Gained  
Lost  
Year Accounts Value Accounts  
Value  
2013  
2014  
2015  
2016  
2017

24. Provide the following information for the five largest public fund and five largest insurance fund custody accounts of the Business Unit in descending order by total asset values as of December 31, 2017.

### BUSINESS UNIT'S LARGEST FIVE PUBLIC FUND ACCOUNTS BY TOTAL ASSET VALUE AS OF December 31, 2017

Total Asset Value  
(U.S.\$ Million)  
Start Year

### BUSINESS UNIT'S LARGEST FIVE INSURANCE FUND ACCOUNTS BY TOTAL ASSET VALUE AS OF December 31, 2017

Total Asset Value  
(U.S.\$ Million)  
Start Year

25. Please provide (in SAMPLE REPORTS/OTHER MATERIALS) a listing of all public fund and insurance clients currently retaining your institution for master trust/master custody services. Please identify the name, total assets (U.S.\$ Millions) at 12/31/2017, relationship start year, whether clients utilize your securities lending program, and whether clients utilize your performance analytics services.

# ATTACHMENT 1

## CUSTODY SERVICES QUESTIONNAIRE

26. List each country for which you are custodian of assets for clients of the Business Unit and provide the following information: The name of the depositories and agents, which your organization uses directly and with which you have a signed agreement.
27. If more than one is used in any market, list each of them. Please provide this information in SAMPLE REPORTS/OTHER MATERIALS.
28. Please provide summary data as of 12/31/2017 in the following format:
  - a. Total number of countries in which assets are custodied;
  - b. Total number of depositories, agents, or sub-custodian banks used directly (with a signed agreement); and
  - c. Total market values of foreign assets held for U.S. investors.
29. Describe how your firm will ensure compliance with applicable laws and regulations including the best practices coded into the Sarbanes-Oxley Act. Who in your organization is responsible for monitoring compliance and how does that individual and/or group communicate compliance-related information to your clients?
30. What services distinguish you from your competitors?

### **II. Core Custodial Services**

31. What is/are the name(s) of the working unit(s) that process U.S. trades and settlements and provide investment accounting data? Describe their reporting relationship and level of responsibility to the Business Unit.
32. Discuss your settlement performance for processing trades, i.e. settlement rate, failed trades, average age of failed trades, etc. by country for the last three years. What is your current total fail rate for sales and purchases? Discuss your procedures for a daily proof of settlements of U.S. trades reported by your depositories, agents, and sub-custodians. Discuss your procedures for tracking failed U.S. trades, reporting failed trades to the client and to the investment manager, and how they are resolved.
33. Discuss your operational procedures for settling purchases and sales. Include in your discussion actual settlement date processing and contractual settlement date processing.
34. Discuss your policy and procedures for assuring that each client's assets are properly held in safekeeping and positions are accurately maintained in your accounting records. Include information on segregation of assets and distinctions between physical and book entry positions.
35. How do you determine your responsibility, as well as your agent's responsibility, for compensation for losses to client accounts due to errors in processing?
36. What are your primary and supplemental pricing sources? Please provide a full schedule of all primary and supplemental pricing sources by asset class in SAMPLE

# ATTACHMENT 1

## CUSTODY SERVICES QUESTIONNAIRE

REPORTS/OTHER MATERIALS. Describe your method of receipt and input of prices for stocks, bonds, options, derivative products, convertibles, real estate, limited partnerships, and futures contracts including how frequently prices are updated. Are all procedures for all asset classes consistent with your accounting systems?

- a. Do asset valuations include accrued income and pending transactions?
  - b. How are valuation differences resolved between the investment manager and the master custodian? Please detail your materiality level or standards that prompt you to research pricing differences.
  - c. How do you price securities not available from a pricing service, such as private placements?
  - d. Can the client specify alternative pricing sources?
  - e. What procedures are in place, if any, to investigate unusual or significant pricing changes from the previous pricing period?
  - f. How do you resolve pricing discrepancies with your clients?
  - g. What is your policy on updating or changing prices?
  - h. Is daily pricing available?
37. Describe your systems and procedures for securing and providing clients with proxy information and facilitating voting.
38. Please describe your process of providing advanced record dates for proxy votes and cut-off dates for proxies.
39. Describe your procedures for ascertaining entitlements and accruals for corporate actions (stock splits, stock dividends, spin-offs, mergers/acquisitions, tenders, calls, warrants, maturities, etc.).
40. Describe in detail your process for providing notice to clients of corporate actions requiring their decisions and notification from then prior to processing, including:
- a. Methods of notifying clients
  - b. Methods of receipt of instruction from clients
  - c. Procedures for implementing client elections
41. Describe the services your firm provides for securities and bankruptcy litigation; can your firm file a proof of claim for such actions? Please detail your firm's procedure for ensuring timely delivery of class action and bankruptcy proof of claims to allow clients adequate time to process these claims.
42. Does your firm take in historical data from prior custodians to facilitate the continuous filing of proof of claim? What limitations and added costs (discuss all) does your process have?
43. Does your firm, if services are terminated, continue to file proofs of claim for class action activity covering periods for which your custodial services were retained? What limitations and added costs (discuss all) does this process have?

# ATTACHMENT 1

## CUSTODY SERVICES QUESTIONNAIRE

44. Describe your process and procedures for interfacing with the investment managers serving your custody clients, including the following:
  - a. Dedicated staff positions and responsibilities;
  - b. Mode and means of trade instruction communication and validation;
  - c. Mode, timing, and content of daily and monthly reports;
  - d. Inquiry and problem resolution processes;
  - e. Reconciliation and audit processes (please detail process and provide information on acceptable tolerance levels allowed); and
  - f. Ability to reflect daily transactions and holdings for external assets under custody, in reporting both ad-hoc and established report formats.
45. How does your service to your clients' internal investment managers differ from that provided to their external managers?
46. What are your standard cut-off times for receiving and processing booked trades into your pricing and accounting systems?
47. Describe your procedures for processing trade instructions. Provide a flow chart, which depicts:
  - a. Inter-unit information and transactional process. This information should contain a summary of the following information elements which NYSIF would have access to in further detail upon request:
  - b. Name and reporting responsibilities of working units performing the processing;
  - c. Electronic receipt of securities trade instructions;
  - d. Other modes of receiving trade instructions and parties using them;
  - e. Trade validation procedures;
  - f. Degree of automation of each method of trade validation
  - g. Is manual intervention possible, if required;
  - h. Provisions for electronic trade instructions;
  - i. Asset transfers, pending trades, including details as to when you price the portfolio for performance measurement given the occurrence of asset transfers; and
  - j. Procedures utilized to ensure that client-imposed/specified authorization requirements are met.
48. Provide information regarding your procedures for establishing entitlements/accruals for dividends and interest for all asset types.
49. Describe the process by which you validate the information for entitlements/accruals from your primary sources. List the alternate sources and procedures used for enriching the accrual establishment database. Distinguish between automated, semi-automated, and manual steps.
50. Describe your procedures for payable date credit. Identify all exclusions in your response.

# ATTACHMENT 1

## CUSTODY SERVICES QUESTIONNAIRE

51. Provide information regarding the timing and procedures for posting income receipts to client accounts. What are your sources of information? How is it received?
52. Provide information regarding your procedures for establishing entitlements/accruals for capital changes.
53. Describe in detail your process for U.S. and non-U.S. capital changes, including:
  - a. Sources of information on terms and elections;
  - b. Methods of notifying clients;
  - c. Timing of notice (please note availability of same day notice);
  - d. Methods of receipt of instruction from clients;
  - e. Timing required;
  - f. Policy for posting capital change transactions;
  - g. Procedures for implementing client elections;
  - h. Method and mode of relaying instructions to sub-custodians;
  - i. Procedures for controlling sub-custodians' timely and appropriate action;
  - j. Describe your on-line reporting capabilities for capital changes; and
  - k. Discuss your procedures for posting capital changes to client accounts.
54. How will failed trades be reflected in your monthly reports? Please detail for the following:
  - a. U. S. domiciled securities; and
  - b. Non-U.S. domiciled securities.
55. Describe your process for account overdrafts resulting from failed trades.
56. Describe the security identifier or identifiers used in your system for domestic and international securities. Describe how Dummy security identifiers are used. Is there client-directed flexibility in their use, or lack thereof?
57. Discuss turn around time and flexibility in development of both new and revised monthly reports. Provide one or more samples (in SAMPLE REPORTS/OTHER MATERIALS) of customized reports developed for clients in the past and describe your flexibility in developing them.
58. Discuss your ability to deliver holdings and transaction reports, both on-line and paper, sorted at the lowest level of security type detail.
59. How long can you maintain data in a format readily available to be accessed by the client?
  - a. Describe your client data archiving policy and procedures.

# ATTACHMENT 1

## CUSTODY SERVICES QUESTIONNAIRE

### III. Cash Management

60. What U.S. and non-U.S. investment vehicles are available for overnight investment? What alternatives are available in countries where short-term investments are not available? Which can be accessed automatically by a “sweep”? Provide a description of each vehicle in SAMPLE REPORTS/OTHER MATERIALS including: investment philosophy, objectives and guidelines, performance measurement techniques, investment performance, current and historic costs of investment management and fees. Describe your process of maintaining full investment (a daily “sweep”) of U.S. currency balances for plans invested globally, including:
- a. Investment vehicles available to sweep (discussed in this section as STIF for “short-term investment funds”);
  - b. How sweep ties into trust accounting and cash forecast;
  - c. Process and timing of notification of investment managers of available cash;
  - d. Timing requirements for notification of cash needs;
  - e. Treatment of unexpected receipts after investment cut-off;
  - f. Identification of automated procedures and manual procedures; and
  - g. Client and investment manager electronic access to information including: cash sweep (investment) transactions;
  - h. Details of the day’s cash remittances and disbursements;
  - i. Detail supporting calculation of day’s deposit to or withdrawal from STIF; and
  - j. Please explicitly describe all fees related to sweep and idle investment of funds.
61. Describe your cash forecast system.
- a. What information/reports are available to customers from this system?
  - b. How far into the future (number of days) is information available?
  - c. How do you measure accuracy/confidence of forecasts?
62. Does your Business Unit deliver electronic feeds for daily cash and transactions? When would feeds be available to our accounting office?
63. Discuss your capabilities for transmitting wires on behalf of our fund. Discuss your capabilities for receiving wires to our fund. Discuss any limitations on transmissions or receipts.
64. What processes are in place to authenticate wire transfers and maintain security over wire transfers? Please describe both standard levels of authentication (levels of approval and cash template creation, etc.) as well as the maximum capabilities of your automated system.
65. Please discuss all future and in-progress developments in this area.
66. Please discuss your ability to maintain separate wire accounts for individual portfolios to facilitate the tracking of cash movement. Is this a standard practice for you? If not, please

# ATTACHMENT 1

## CUSTODY SERVICES QUESTIONNAIRE

describe how you would provide NYSIF with ready access to transactional information directly linked to specific portfolios.

### **IV. Technology/Systems Support**

67. Describe your technology support organization. Include in your description responsibilities, reporting lines and staffing.
68. How do you handle new and/or special projects? What will be the priority process? How do you plan to coordinate these types of requests?
69. Describe the major systems supporting the custody service, which includes accounting, settlement, safekeeping, reporting, performance, and securities lending. What is your current capacity (ability to process additional electronic instructions, etc.)? Describe any major system architecture changes and differentiators from competing institutions.
70. What has been your investment in systems development and technology for the Business Unit in the past five years? Specify the enhancements made and the dollars and percentage of Business Unit revenues committed. What is your planned investment in systems development for the Business Unit this year and each of the next five years? Specify the anticipated enhancements that will be made and percentage of Business Unit revenues that will be allocated.
71. Describe the ability of Business Unit to provide data feeds utilizing FTP or related protocols. Recognizing NYSIF's requirement for a consolidated data extract, please discuss any major implementations of customized data extract delivery projects for current and prior clients.
72. Does your organization have the ability to provide data in SWIFT 15022 (2003) format? If not, is your organization able and willing to conform to SWIFT messaging?
73. Please comment on your ability to receive, issue, and process data in SWIFT ETD (Electronic Trade Directions) format. Please clearly describe any and all limitations.
74. Describe the security measures taken for your systems, users and access points. Include remote access, application access, and software access. Discuss your ability to provide encrypted data feeds. Include in SAMPLE REPORTS/OTHER MATERIALS descriptions of your major systems' backup procedures and a synopsis of your contingency plan(s).
75. Describe the major components of the business continuity plan for the Business Unit and the firm. Provide the following information in SAMPLE REPORTS/OTHER MATERIALS:
  - a. Summaries of all pertinent plan documentation as an attachment.
  - b. Specific examples of continuity plan implementation.
  - c. Results of continuity plan testing.

# ATTACHMENT 1

## CUSTODY SERVICES QUESTIONNAIRE

76. Briefly describe the Business Unit's disaster recovery plan. Provide the following information in SAMPLE REPORTS/OTHER MATERIALS:
- a. Summaries of all pertinent plan documentation as an attachment.
  - b. Specific examples of disaster plan implementation.
  - c. Results of disaster recovery plan testing.

### **V. Transition Planning & Support**

77. What group or unit will serve as the transition team in planning and implementing the transition of our account? Identify the individuals and specify the team leader and the roles each member will serve in the transition. Also, describe their experience and how they are related to the Business Unit. Include the team members' professional biographical information.
78. Explicitly describe your formal transition planning process. Provide (in SAMPLE REPORTS/OTHER MATERIALS) a sample of documentation and a proposed timeline/transition plan for the anticipated transition events. How would the transition of our account differ from a "typical" transition?
79. What planning and training would you need to conduct with?
- a. NYSIF's staff;
  - b. relevant state agencies;
  - c. NYSIF's outside investment managers;
  - d. NYSIF's internal investment managers;
  - e. NYSIF's current master custodian;
  - f. your depositories, agents and sub-custodians; and
  - g. NYSIF's third party securities lending providers.
80. Provide a detailed description of your last comparable conversion judging similarity by relative plan size and complexity. Include details of specific problems that occurred, and the solutions implemented, timeline, etc.
81. What resources are required of the client during the transition period? Include in your response both NYSIF personnel and time resources anticipated.
82. What lead-time is required for a typical large client transition and how might our transition be different?
83. What is the role of the transition team during implementation? Will our ongoing service team be involved in the transition? Will there be overlap with the transition team?
84. How would you prepare your accounting and performance measurement databases and systems for processing our investments? Discuss the following:
- a. What information would you load into your system in advance?

# ATTACHMENT 1

## CUSTODY SERVICES QUESTIONNAIRE

- b. Can you back-load performance data for accounts, composites, and benchmarks? Clearly describe any and all limitations to your abilities in this area.
  - c. How could you receive that data and in what format?
  - d. For what period would you conduct parallel processing in order to develop history, test procedures, and establish entitlements/accruals?
  - e. How far in advance would you begin processing trades to prepare for live processing of settlements by the conversion date?
  - f. What is your policy for treatment of accruals earned before the conversion date?
85. How would you conduct the transfer of securities and cash from a prior custodian to control the risk of loss of assets and assure that all securities are received and accounted for properly?
86. Please describe your communications style, strategy and a detailed sense of the process by which assets would be transitioned with external managers, third party lenders, and NYSIF staff?

### **VI. Securities Lending – Custodial Lending**

87. Describe your securities lending program, Include a brief history. Describe the organization and its structure, including:
- a. Number of employees;
  - b. Names of key staff and their experience;
  - c. Staff turnover in the last 3 years;
  - d. Size of program (total assets currently lent, clients in lending program);
  - e. Significant development over the past 3 years;
  - f. Client turnover for each of the last 3 years; and
  - g. Style/strategy of program (matched versus unmatched; philosophy on term loans).
88. On average over the last 3 years, what percent of eligible securities were on loan and what was the average spread earning for each of the following asset types?
- a. Domestic equities;
  - b. Government bonds;
  - c. Corporate bonds;
  - d. International equities;
  - e. Mortgage-backed securities; and
  - f. U.S. agencies.
89. Describe the asset categories and country locations in which you lend securities. Identify when you started in each category and what factors you consider before lending in a particular category. Provide a list (in SAMPLE REPORTS/OTHER MATERIALS) of markets and asset categories in which you currently perform securities lending functions as of 12/31/2017.

# ATTACHMENT 1

## CUSTODY SERVICES QUESTIONNAIRE

90. What are your procedures for recalling loaned securities, when they are sold from the portfolio?
91. How do you limit the number or incidence of failed trades?
92. Does the increased probability of settlement problems in certain markets enter into your decision to loan securities in those markets? Comment on failed trades, the expected frequency, how they are handled and any trade settlement protection or compensation that you provide, including your policy and procedures with respect to buy-ins.
93. Have you or your clients ever sustained a loss as the result of your lending activities? If yes, provide an explanation of the loss, loss mitigation efforts and the magnitude of the loss.
94. What are the terms of indemnification available to your clients? Describe in detail your indemnification policy against losses to lending participants.
95. Describe your errors and omissions insurance coverage and any other insurance coverage your firm carries for securities lending clients.
96. Describe how you apportion loans across multiple lending clients. Describe any and all instances where the queue may be “overridden”.
97. Describe your initial and ongoing credit analysis program. How are credits monitored and what actions are taken after credit downgrades? How many brokers are authorized to borrow in your program? In SAMPLE REPORTS/OTHER MATERIALS, please provide a list of your current borrowers, and a copy of the company’s standard securities lending agreement(s) or securities borrowing agreement(s) between the company and the borrowers under which the company lends securities on behalf of its customers. Please also provide a description of your credit review process and how often the names are reviewed. How are dealer, bank, or other lending limits determined and who makes those decisions?
98. Our fund requires that all loaned securities be collateralized at an agreed-upon margin and marked to market daily. Describe the monitoring procedures in place for ensuring the appropriate collateral levels are maintained, which pricing sources you use and how often portfolios are priced.
99. Discuss your standard and custom collateral portfolio guidelines for a separate collateral pool managed by your firm under this agreement. Who will be responsible for the management of that portfolio at your firm? Please provide biographies for these individuals.
100. Discuss your accounting for the loan and the collateral.
101. Describe your securities lending reporting capabilities. Provide (in SAMPLE REPORTS/OTHER MATERIALS) a sample of your standard daily, monthly, quarterly, and annual reports. Are these reports also available electronically? Please ensure that reports are provided that detail the following areas:

# ATTACHMENT 1

## CUSTODY SERVICES QUESTIONNAIRE

- a. Collateral;
  - b. Securities on loan;
  - c. Cash collateral reinvestment holdings; and
  - d. Consolidated asset/liability exposure.
102. Describe initial and ongoing credit analysis for assets purchased with cash collateral. How are credit limits set? Where do these credit analysts reside within your organizational structure and to whom do they report?
103. Describe and provide detailed information (in SAMPLE REPORTS/OTHER MATERIALS) on cash collateral reinvestment options for:
- a. Separately managed accounts;
  - b. Commingled funds;
  - c. Guidelines;
  - d. Size of fund; and
  - e. Number of participants.
104. Discuss the process of marking to market the reinvestment portfolio. How often is this performed? What pricing sources are utilized? How do you price securities that do not have a readily available price?
105. Discuss your firm's risk management tools/systems related to securities lending. Please provide sample reports/outputs of your system in SAMPLE REPORTS/OTHER MATERIALS.
106. Describe your compliance process related to your securities lending program. Please provide sample reports in SAMPLE REPORTS/OTHER MATERIALS.
107. Please discuss all fees related to your program.

### **VII. Third Party/Principal Securities Lending Program Support**

108. Do you currently support third party or principal lending programs for any of your custody clients? If so, for how many clients? How long have you been supporting third party lending? Please provide a list (in SAMPLE REPORTS/OTHER MATERIALS) of all third-party lending agents and/or principal borrowers with whom you are currently working with or have worked with in the past.
109. Do you have a dedicated group responsible for third party lending support? If so, where does this group fall within your organization (custody, securities lending, other)?
110. Describe the method of coordination between your firm as custodian and third-party agents and/or borrowers. Please describe any and all resources and electronic tools made available to assist with lessening operational risks associated with third party lending. Will our lending agents and consultants have access to your on-line systems? Please describe any and all limitations in the support your firm can offer.

# **ATTACHMENT 1**

## **CUSTODY SERVICES QUESTIONNAIRE**

111. Are you willing to provide contractual settlement for securities/portfolios being loaned by a third-party agent or borrowed by a principal borrower? Do you make a distinction between domestic and international securities?
112. How are holdings information and transactions communicated between parties (SWIFT, ISITC, e-mail, fax, etc.)? What system(s) do you use to support your clients' third-party lending programs? Is it the same system that is used for your proprietary securities lending business?
113. Can you provide holdings data with all sells backed out with T+1 data? Please describe any limitations on providing this service.
114. How is operational risk minimized for your clients using third party agents? Please detail your daily reconciliation procedures.
115. How are recalls, corporate actions, and income collections handled for securities out on loan?
116. What is the timeframe for the recall of securities on loan? How does your firm reduce the likelihood of sell fail costs and overdraft charges through the prompt receipt of securities? Please describe your current process and any initiatives to improve this operational aspect of your support to our program.
117. Recognizing NYSIF's requirement for same day notification (within 24 hours) of corporate actions, how do you ensure that our third-party lenders receive this level of timeliness in the notification of corporate actions?
118. What systems, electronic or otherwise, are available to provide automated notifications to interested parties? Are corporate actions notifications handled on the same system? Are these notifications available to our lending agents?
119. How much time do you allow third party lenders to return securities from being on loan once the client or investment manager has communicated its response to the corporate action?
120. Discuss your policy and resolution procedure relative to failed trades. Who assumes responsibility for settlement failures?
121. Would you supply or build any required interfaces between your systems and third-party lending agents or principal borrowers? If so, how long will it take to establish all necessary interfaces? At what cost? Please comment on your ability to build and provide fully customized daily availability feeds to multiple lending agents.
122. Please discuss custodial fees, wire fees, systems development costs and any other fees or costs associated with third party lending, and which parties have responsibility for those fees.

# **ATTACHMENT 1**

## **CUSTODY SERVICES QUESTIONNAIRE**

123. Are the fees for third party lending transactions the same as those charged for the custodian-lent portfolio? If not, please detail the differences and explain why the fees would not be the same.
124. What safeguards do you have that prevent your internal securities lending area from lending securities designated for our third-party lenders? How does your firm ensure the confidentiality of our third-party lenders' data?
125. What are your standard Fed, DTC, and wire instruction deadlines to process trade activity for a third-party lender? (Please provide details for faxed, electronic, or other instructions).
126. Please comment on your ability to receive and process SWIFT ETD (Electronic Type Definitions) instructions from our lenders. Please clearly describe any and all limitations.
127. What procedures do you have in place for chasing DTC or late principal and interest payments as well as compensation on such funds?
128. Please comment on how you would coordinate the transition of the securities lending portfolio if a change in custodian occurred. Would securities need to be recalled? Explicitly describe any limitations you foresee in transitioning the lending program. Provide a detailed description of all support which would be offered to NYSIF's staff related to the lending program in the event of a transition.

### **VIII. Investment Performance Measurement and Analytics**

129. Describe your performance measurement and analytics organization. What is the typical staff-to-client ratio? What are the average number of years of professional performance measurement and analytics experience? How do you propose to coordinate the delivery of service with staff located in different time zones and geographic locations?
130. Describe the resources available to support the staff analyzing the data.
131. Discuss your products in terms of content, timeliness and delivery method. Please comment on your abilities to report on the performance of alternative investments in addition to traditional asset classes.
132. Describe the types of performance attribution analysis reports you provide.
133. In **SAMPLE REPORTS/OTHER MATERIALS**, please provide sample copies of performance measurement, performance attribution, and analytics reports for a domestic equity portfolio, an international equity portfolio, fixed income portfolio and a consolidation of all portfolios. For each sample report, identify the portfolio characteristics that are tracked. What is the earliest date after the end of the reporting period each is available?
134. In what delivery formats are reports available? (Hard copy, electronic, etc.) With what frequency do you produce each report and when does the client receive them? Identify which of the reports are the result of:

# **ATTACHMENT 1**

## **CUSTODY SERVICES QUESTIONNAIRE**

- a. Internal development; and
- b. External development.

135. Are performance measurement and analytics available on an on-line system? If so:

- a. Can raw data be downloaded? (Raw data would include portfolio aggregate statistics as well as security-specific characteristics, such as rate of return, risk, P/E ratios, dividends, yields, and similar items.)
- b. Can a report writer be used to customize reports?
- c. How soon after the end of the reporting period will the data be available on-line?
- d. What performance measurement, performance attribution, and analytical information is available on-line?
- e. What additional external or internal performance measurement and analytical databases are accessible?
- f. What historical period is available on-line?

136. Describe your ability to calculate, blend and monitor custom benchmarks.

137. Discuss the delivery mode and timing of your ability to provide raw data and rates of return to clients' performance measurement vendors.

138. Do you measure performance using trade date or settle date for cash and asset transfers?

139. Please discuss your rate-of-return reconciliation processes and tolerance levels.