



State of Georgia

The Office of the State Treasurer ("OST")

Request for Qualified Banks ("RFQB")

Event Name: Banking Services, Merchant Card and Prepaid Card Services, and Investment Services

RFQB Event Number: OST 17/001

Section A. Purpose, Background, Schedule of Events, Proposal Preparation and Evaluation

A.1. Purpose and Intent

The Office of the State Treasurer (hereinafter, "OST") is soliciting proposals from U.S. banks (hereinafter, "Bank" or "Banks") interested in providing Banking Services (Section B), Merchant Card and Prepaid Card Services (Section C), and Investment Services (Section D) to certain State of Georgia state entities. Banks are required to be compliant with State policies, agreements, and guidelines. Compliance (Section A.4) will be an evaluation criterion. The State Treasurer and OST want to optimize the value to the state and the banks by embracing the concept of relationship banking.

This Request for Qualified Banks ("RFQB") is intended to identify interested and qualified Banks which meet or exceed the identified requirements contained herein. This RFQB may result in the selection through competitive negotiations of Banks that will serve as the Primary Banks of specific banking, merchant card and prepaid card processing services and investment services. The intent is to select Banks to which OST will give first consideration to provide banking services, merchant card services and prepaid card services for state entities and priority of placement of certain investment transactions conducted by OST. This selection of the Primary Banks will be for Fiscal Year 2018 and will be reevaluated each year as further explained in Section E. These selections will not affect other Banks participation in the State Bank Fee Program nor in Banks being selected for certain other state accounts and services.

We invite your Bank to submit a proposal to us by 4:30pm EDT on April 12, 2017 for consideration. This procurement is being conducted by the Office of State Treasurer in accordance with O.C.G.A. §§ 50-17-50 et seq. Please be aware that the provisions of the Georgia Procurement Manual do not apply to this procurement. A description of the services needed and other pertinent information follow:

A.2. Background of Georgia Law and Policy

O.C.G.A. 50-17-50 "The State Depository Board, referred to in this article as the "board," is created, consisting of the Governor, the state chief financial officer, the state accounting officer, the commissioner of Banking and finance, the state revenue commissioner, the commissioner of transportation, and the state treasurer, who shall act as administrative officer of the board. A majority of the board shall constitute a quorum, and the acts of the majority shall be the acts of the board. The board, in its discretion, may name and appoint, from time to time, as state depositories of state funds any Bank, trust company, or savings and loan association which has its deposits insured by the Federal Deposit Insurance Corporation."

O.C.G.A. 50-17-51(c) "The board shall prescribe cash management policies and procedures and state agencies shall employ the cash management policies and procedures prescribed by the board. Cash management policies and procedures prescribed by the board shall be designed to maximize the efficient and effective utilization of the state's cash resources for the state as a whole. The board may require state agencies to submit reports and plans

on such forms and at such times as the board may prescribe to determine whether an agency is in compliance with the cash management policies and procedures prescribed by the board. The State Treasurer shall serve as the cash management officer for the state on behalf of the board.”

O.C.G.A. 50-17-52 “The board shall make with depositories the most advantageous contracts for interest to be paid by them to the state for the use of the state's money which may be deposited therein, as provided by this article. In so doing, the board may authorize the State Treasurer to negotiate with depositories explicit fees in payment for the state's banking services. Such fees shall be paid by the State Treasurer from interest earned and shall be subject to the board's approval. In the event, any depository so named shall refuse to make a satisfactory contract with the board as to interest to be paid and fees to be charged, the board shall have authority to remove state funds from such depository.”

A.3. Prohibitions and Termination

As stipulated in the OST Banking Guidelines:

The Bank shall **not** provide services to any State Entity by way of an amendment to “tie-in” with or “piggyback” on an existing contract for banking services with another state entity without prior approval of the State Treasurer.

The Bank may **not** debit an account in the State Bank Fee Program for the payment of Bank service charges without prior approval of the State Treasurer.

Fees for providing merchant card processing services are **not** permitted to be billed by analysis charges to Bank accounts in the State Bank Fee Program without prior approval of the State Treasurer.

Any Bank account may **be terminated** by the State Treasurer acting on behalf of the board should the Bank no longer be qualified as a state depository or should the board otherwise determine to limit the State's financial exposure to a Bank.

A.4. Compliance

The Bank, its employees, agents, and subcontractors shall comply with all applicable federal, state and local laws, rules, ordinances, regulations, orders, and policies now or hereafter in effect when performing services for the State under any agreement or contract pertaining to an award from this RFQB.

The Bank, its employees, agents, and subcontractors shall comply with all federal, state and local laws regarding business permits and licenses and shall maintain such permits and licenses that may be required to carry out the work performed for the State under any agreement or contract pertaining to an award from this RFQB.

The Bank shall comply with the terms of the State of Georgia Depository and Bank Fee Policy, the Statewide Banking Agreement, the Banking Guidelines, the Statewide Electronic Payments Policy, and all other State policies and procedures that are provided to the Bank, including but not limited to policies and procedures regarding maintenance of confidential information, ethics, and security. A Compliance Report is included as Attachment A.2. This is to be completed, signed, and returned with Bank's proposal.

A.5. Schedule of Events and Definition of Terms

The schedule of events set out herein represents OST's best estimate of the schedule that will be followed. However, delays may occur which may necessitate adjustments to the proposed schedule. If a component of this schedule is delayed, the rest of the schedule may be shifted accordingly. Any changes to the dates up to the closing date of the RFQB will be communicated to the Banks and other banks that have made inquiries to OST prior to the closing date of this RFQB.

Description	Date
Release RFQB	Wednesday, March 15, 2017
Deadline for Questions	Friday, March 24, 2017
Responses to Questions	Monday, April 3, 2017
RFQB Proposals Due	Wednesday, April 12, 2017
Complete Evaluation and Scoring	Tuesday, April 25, 2017
Announce Finalists	Tuesday, April 25, 2017
OST Solicits Fee Proposals for DOR from Finalists	Tuesday, April 25, 2017
Deadline for Questions	Friday, April 28, 2017
Responses to DOR Questions	Friday, May 5, 2017
DOR Proposals Due	Monday, May 15, 2017
OST and DOR Interview Finalists	Monday, May 22 - Thursday, May 25, 2017
Announce Primary Banks	Wednesday, May 31, 2017
OST Begins Bank Evaluations of Selected State Agencies	Thursday, June 1, 2017
OST Negotiates MCS Contracts with Primary Bank(s)	Thursday, June 1 - Thursday, June 29, 2017

Definition of Terms

Please review the following terms:

State Entities – agencies, boards, bureaus, and departments, including colleges in the Technical College System of Georgia utilizing banking services.

User Entities – the state entities, colleges and universities in the University System of Georgia and local governments in the State of Georgia utilizing merchant card services.

Any special terms or words which are not identified in this RFQB document may be identified separately in one or more of the attachments to the RFQB.

A.6. Proposal Preparation and Submission Requirements

By submitting a response to the RFQB, the Bank is acknowledging that the Bank:

1. Has read the information and instructions,
2. Agrees to comply with the information and instructions contained herein.

A.6.1. Restrictions on Communicating with Staff

All communications regarding the RFQB must be directed through the Official Contact named herein, or as defined in this RFQB or as provided by existing work agreement(s) from the issue date of this RFQB until the final award is announced.

A.6.2. Submitting Questions

All questions concerning this RFQB must be submitted in writing via email to the Official Contact identified in Section 10 “Official Contact” of this RFQB. No questions other than written will be accepted. No response other than written will be binding upon the State. All Banks must submit questions by the deadline identified in the Schedule of Events for submitting questions. Banks are cautioned that OST may or may not elect to entertain late questions or questions submitted by any other method than as directed by this section. All questions about this RFQB must be submitted in the following format:

Company Name

Question #1, *Citation of relevant section of the RFQB or Attachments, State the Question*

Question #2, *Citation of relevant section of the RFQB or Attachments, State the Question*

A.6.3. Rejection of Proposals; State’s Right to Waive Immaterial Deviation

OST reserves the right to reject any or all responses, to waive any irregularity or informality in a Bank’s response, and to accept or reject any item or combination of items, when to do so would be to the advantage of the State of Georgia. It is also within the right of OST to reject responses **that do not contain all elements and information requested in this RFQB.**

A.6.4. State’s Right to Amend and/or Cancel the RFQB

OST reserves the right to amend this RFQB prior to the end date and time. Amendments will be made in writing and communicated to the Banks as one or more addenda. EACH BANK IS INDIVIDUALLY RESPONSIBLE FOR REVIEWING ADDENDA AND ANY OTHER POSTED DOCUMENTS AND MAKING ANY NECESSARY OR APPROPRIATE CHANGES AND/OR ADDITIONS TO THE BANK’S RESPONSE. ALL BANKS ARE ENCOURAGED TO FREQUENTLY CHECK THE OST WEBSITE FOR ADDITIONAL INFORMATION. Finally, OST reserves the right to cancel this RFQB in part or in whole at any time.

A.6.5. This Section intentionally left blank

A.6.6. Registered Lobbyists

By submitting a response to this RFQB, the Bank hereby certifies that the supplier and its lobbyists are in compliance with O.C.G.A. § 21-5-51 et seq.

A.6.7. This Section intentionally left blank

A.6.8. This Section intentionally left blank

A.6.9. RFQB Review

The RFQB consists of the following:

1. This document, entitled “Banking Services, Merchant Card and Prepaid Card Services and Investment Services”.
2. Any and all documents provided by OST as attachments to the RFQB or links contained within the RFQB or its attached documents.
3. OST Bank Fee Schedule and Pricing Proposal templates for Sections B and C.

Please carefully review all information contained in the RFQB, including all documents available as attachments or available through links. Any difficulty accessing the RFQB or opening provided links or documents should be reported immediately to the Official Contact (See Section A.6.14).

A.6.10. Preparing a Response

When preparing a response, the Bank must consider the following instructions:

1. Use the provided attachments to prepare your response. Enter your responses directly into the appropriate form. Unless otherwise directed, do not insert “see attached file” (or similar statements) into a form to reference separate documents.
2. Restate each question and answer each question in sufficient detail for evaluation while using judgment with regard to the length of your response.
3. Proofread your response and make sure it is accurate and readily understandable.
4. Label any and all files using the corresponding section numbers of the RFQB or any other logical name so that OST can easily organize and navigate your response.

5. Banks are encouraged to limit their responses to fifty (50) single-sided letter sized pages, including their attachments. OST's attachments are excluded from this limitation. The minimum type size should be 10-point Arial.

A.6.11. This Section intentionally left blank

A.6.12. "Hard Copy" and Electronic Copies Required

Bank must provide the following number of copies:

- Five (5) hard copies, with one (1) marked "Original" and with original signatures; and
- One (1) electronic copy (email)

In the event of a discrepancy/conflict between a hard copy and an electronic version, the electronic version will govern.

A.6.13. Electronic Copies

Use commonly accepted software programs to create electronic files. OST has the capability of viewing documents submitted in the following formats: Microsoft Word, Microsoft Excel, portable document format file (PDF), and plain text files with the file extension noted in parentheses (.txt). Unless the RFQB specifically requests the use of another type of software or file format than those listed above, please contact the Official Contact prior to utilizing another type of software and/or file format.

A.6.14. Submitting the Response to Official Contact

Mark the outside of shipping package as follows:

Name of Company
Point of Contact for Company and Phone Number
RFQB# OST 17/001

The Bank's complete response must be received on or before the due date and time at the following location:

Mr. Rhen Cain
Director of Banking Services
State of Georgia
Office of the State Treasurer
200 Piedmont Avenue
Suite 1204, West Tower
Atlanta, GA 30334
rcain@treasury.ga.gov
[Copy to: ostbanking@treasury.ga.gov](mailto:ostbanking@treasury.ga.gov)

Proposals received after the due date and time may not be evaluated.

A.7. Submitting Questions and Proposals

Please submit all questions in connection with the RFQB in PDF format to rcain@treasury.ga.gov on or before 5:00pm Eastern Daylight Time on **March 24, 2017.**

OST expects to respond in writing to all questions and copy all prospective Banks on or before 5:00pm Eastern Daylight Time on **April 3, 2017**.

Please submit a final proposal in response to this RFQB in PDF format to rcain@treasury.ga.gov on or before 4:30pm Eastern Daylight Time on **April 12, 2017.**

Section B. Banking Services – Agencies and State Entities

B.1. Background on this Request for Qualified Banks (RFQB)

The banking services for each agency, board, bureau, and department are to be reviewed every three years in participation with the State Treasurer. Likewise, the banking services for the Technical College System of Georgia institutions and the University System of Georgia institutions are to be reviewed every five years in participation with the State Treasurer.

In the process of approving new bank accounts and/or new banking services and in the State Treasurer's periodic review of state entity banking services, the State Treasurer and/or state entity may request Banks to provide information regarding their experiences with and capability to provide certain more complex banking services as a factor to be considered in the evaluation and approval process. Under this provision of policy, OST is soliciting Requests for Proposals from Qualified Banks (RFQB).

As the selection of the Primary Banks will be for Fiscal Year 2018 and will be reevaluated each year as further explained in Section E, the services and item volumes provided in this RFQB are for the State Entities whose banking relationships OST will evaluate in Fiscal Year 2018. This encompasses the bank accounts and bank services for 14 State Agencies and approximately 106 State Bank Fee Program accounts. The Banks should follow the instructions in Attachment B.1. and complete the Bank Fee Schedule in Attachment B.2.

For the purpose of your proposal, OST considers the State Bank Fee Program to be one State Entity. Further, all State Entity bank relationships with your Bank are to be one consolidated banking relationship. If your Bank offers tiered pricing for volume sensitive services, list your lowest prices based on the aggregate state volumes for all services.

Once the finalists for Primary Bank selections have been named, they will receive the banking templates and attachments with which to bid on the banking for the Department of Revenue and the prepaid card program for the Risk Management Services Division of the Department of Administrative Services.

Important: To accommodate the Banks in determining annual prices on a calendar year basis, OST is moving the State Bank Fee Program to a calendar year basis. The Banking Guidelines and the Master Fee Schedules will be due by each December 15 and be in effect for the following calendar year. The prices each Bank submits for this RFQB will be in effect through December 31, 2017 unless committed for an extended period of time.

As OST expands the Consolidated Treasury Accounts Structure (CTAS) program with additional banks and State Entities participating, overnight sweep programs will be increasingly important to the state. The CTAS flowchart for accounts that have already been converted to CTAS is outlined in Attachment B.3. These accounts are not included in this RFQB. The State Accounting Office (SAO) has provided CTAS Reconciliation File Format requirements in Attachment B.4.

Please note that a calendar of proposed Banking Evaluations is provided in Attachment B.5.

Section C. Merchant Card Services (MCS) and Prepaid Card Services (PCS)

I. Merchant Card Services (MCS)

In addition to State Entities, local governments may also participate in the State's master contracts for Merchant Card Services. All state and local entities are collectively referred to as User Entities.

C.1. Background

Effective and efficient management of the State's cash resources requires expeditious revenue collection, aggregation, and investment of available balances and timely payments. The use of credit cards, debit cards, and electronic transfers of funds and information is a customary and economical business practice to improve cash management that the State considers and uses whenever appropriate.

The State has had two Merchant Card Services contracts in place since 2012. Local governments also participate in the State's master contracts for Merchant Card Services. State entities and local governments have benefited from economies of scale with lower pricing. These contracts have also facilitated the acceptance of merchant cards by state entities and local governments. Administration has been simplified by making acceptance procedures more consistent. The State currently has a separate contract with American Express.

The Statewide Electronic Payments Policy requires that state entities, as defined in the Statewide Electronic Payments Policy, must use the statewide agreements entered into by OST. State colleges and universities under the auspices of the Board of Regents and local governments have the option to participate.

For the twelve-month period of January 1, 2016 through December 31, 2016 the merchant card total statewide volume was 8,546,970 items and \$ 480,826,775. The resulting awards of the contracts will not guarantee a certain volume. The state expects to select more than one card provider.

For your information, the Department of Education (DOE) has administrative responsibility for 3 schools for the visually and hearing impaired. These schools have a limited stored value card program with Heartland School Systems that is exempt from this solicitation.

C.2. Needs and Objectives

OST has identified the following needs of User Entities as the primary objectives to be met by the Master Services Agreements for financial transaction card acceptance and processing services:

- Enhance customer convenience;
- Achieve operational efficiencies;
- Minimize costs;
- Expedite funds availability;
- Reduce bad check losses; and
- Increase collection rates

The objectives of OST in issuing this RFQB are to:

- Establish Master Services Agreements with selected Banks that will provide for and govern acceptance of all major financial transaction cards at individual User Entities with varying requirements and which will eliminate the need for additional procurement processes by those entities.
- Solicit information and proposals specific to the implementation and support of financial transaction card payment acceptance at User Entities.
- Provide solutions to the particular requirements of User Entities regarding accounting practices, information requirements associated with some payments, and the recovery of prices associated with card acceptance.
- Take advantage of the combined charge volumes of the User Entities which may use a single Bank and establish a pricing structure which takes into account the economies of scale of these combined volumes.

- Establish one or more relationships with Banks under master services agreements which will enable OST to enhance and expand the card acceptance program to new User Entities and implement new technologies and payment applications on a pilot and production basis.
- Minimize the expense of the User Entities in acquiring new processing equipment.

The Banks will be expected to support future User Entity implementations with requirements that fall within the scope of this RFQB and the related RFQB document. It is understood that additional User Entities will be supported under the same terms and conditions. During the past decade, the payment processing industry has made significant advances utilizing technology and integrated processing to offer faster, more computerized delivery of services. User Entities are exploring various innovative service delivery approaches, many of which may at some point in the near future involve electronic commerce. The State expects the Banks to stay abreast with this industry's trends and to actively work with User Entities as they explore electronic commerce options.

The Banks must provide for timely and smooth transition of the required services for current participants in the State's existing programs. The State's two current contracts expire on March 30, 2018 and April 25, 2018. Delays in executing an agreement caused by contract negotiations or other factors could result in a bank experiencing lost opportunities with business being awarded to another provider. The Banks will also be expected to identify additional opportunities for financial transaction card acceptance by User Entities during the term of the contracts.

C.3. Proposal Certification and Bank's General Information

Please see Attachment C.1. for the Proposal Certification.

Each Bank must complete Section 1 in the Attachment C.2. file entitled **Bank General Information Form.**

C.4. Term of Contract

OST is requesting proposals for Merchant Card Services. The objective of this RFQB is to identify Banks to provide statewide financial transaction card acceptance services to User Entities under a Master Services Agreement for a period of three (3) years with 2 one-year extensions. By mutual agreement between OST and each Bank, the Master Services Agreement may be extended for additional contract periods. The contract(s) may be amended in writing from time to time by mutual consent of the parties. Please submit your Bank's Master Services Agreement with your proposal.

C.5. This Section intentionally left blank

C.6. RFQB Qualification Factors

This section defines the desired format for responses and the requirements and related services for the Merchant Card Services RFQB. Banks are required to complete and then submit their responses and any forms or worksheets identified below. These forms or worksheets together with any and all other documents submitted in response to this RFQB will be considered the Bank's response.

OST has determined that it is best to define its own needs, desired operating objectives, and desired operating environment. OST will not tailor these needs to fit a particular solution a Bank may have available; rather, the Bank shall propose to meet OST's needs as defined in this RFQB. All claims shall be subject to demonstration. Banks are cautioned that conditional responses, based upon assumptions, may be deemed non-responsive.

C.6.1. Qualifications – Introduction

All of the specifications, requirements and/or service levels identified in this RFQB are minimum performance criteria and/or qualification factors that OST will use to identify qualified Banks. Each Bank must indicate its willingness and ability to satisfy these requirements in the appropriate worksheets.

C.7. Technical Proposal

Technical Proposal Introduction

All of the items described in this section are service levels and/or terms and conditions that the State expects to be satisfied by the selected Supplier. Each Supplier must indicate its willingness and ability to satisfy these requirements in the appropriate worksheets.

C.7.1. Mandatory Requirements

As specified with each requirement listed in the **Mandatory Questions**, the Bank must indicate whether its response meets the individual requirements by marking either a "YES" or "NO" in the response block provided.

A Pass/Fail evaluation will be utilized for all mandatory requirements. Ordinarily, to be considered responsive, responsible, and eligible for consideration, all questions identified as mandatory must be marked "YES" to pass. Attachment C.3.

C.7.2. Mandatory Questions

As specified with each requirement listed in the **Mandatory Questions**, the Bank must indicate how it proposes to meet the individual requirement and provide a supporting narrative. To be considered responsive, responsible, and eligible for consideration, any and all requirements identified in the Mandatory Questions must be met. There may be rare instances in which an item within the Mandatory Questions does not create an individual requirement which must be met, but, instead, merely requires a response. All requirements labeled "Mandatory Questions" must be met by the Bank. Failure to meet any mandatory requirements may result in disqualification of the Bank's response. The narrative description, along with any required supporting materials, will be evaluated in accordance with Section C.9 "Proposal Evaluation" and Section E. "Evaluation, Scoring, and Selection".

C.7.3. Additional Questions

All items labeled "Additional Questions" represent information that is requested by OST. Banks are encouraged to provide a thorough narrative description. Answers along with any requested supporting materials will be evaluated in accordance with Section C.9 "Proposal Evaluation" and Section E. "Evaluation, Scoring, and Selection". Attachment C.5.

C.7.4. General Account Questions

All items labeled "General Account Questions" represent information that is requested by OST. Banks are encouraged to provide a thorough narrative description. Answers along with any requested supporting materials will be evaluated in accordance with Section C.9 "Proposal Evaluation" and Section E. "Evaluation, Scoring, and Selection". Attachment C.6.

C.8. Cost/Pricing

The purpose of this RFQB is to identify responsible and qualified Banks which meet or exceed the identified requirements contained herein. This RFQB will result in selections through competitive proposals and negotiations. The State's present Transaction Fee on its two current contracts ranges from 1.7 to 2.0 cents per transaction.

Please complete the Pricing Proposal, which is provided as Attachment C.7.

C.9. Proposal Evaluation

As information, prior experiences demonstrating accurate and timely reporting, compliance with contract provisions, and quality customer service in connection with a contract with OST will be a factor in evaluating any proposal.

C.10. Pricing (Processing and Equipment)

Each Bank is required to submit a pricing proposal as part of its response. The pricing proposal will be evaluated in accordance with Section C.9. "Proposal Evaluation" and Section E "Evaluation, Scoring, and Selection". By submitting a response, the Bank agrees that it has read, understood, and will abide by the following instructions/rules:

- a. The submitted pricing proposal must include all prices of performing pursuant to the resulting contract;
- b. Pricing proposals containing a minimum order/ship quantity or dollar value, unless otherwise called for in the RFQB, will be treated as non-responsive and may not be considered for award;
- c. In the event there is discrepancy between the Bank's unit price and extended price, the unit price shall govern;
- d. The prices quoted and listed in the pricing proposal **shall not be raised but may be lowered** throughout the term of the resulting contract, unless otherwise noted in the RFQB or contract.

OST's intent is to structure the price format in order to facilitate comparison among all Banks and foster competition to obtain the best market pricing. Each Bank is cautioned that failure to comply with the instructions listed below, submission of an incomplete offer, or submission of an offer in a different format from the one requested may result in the rejection of the Bank's proposal.

All Banks are requested to separate equipment pricing proposals from service pricing proposals. A Bank may offer multiple price packages to account for different methods of acquiring the use of the Banks' equipment. A Bank can qualify pricing methods through footnotes to indicate a relationship between equipment and service packaged deals.

The State requests that all Banks enter information directly into the Pricing Proposal, which is Attachment C.7. Enter numbers on each price form in "number" (two-place decimal), not "currency" or another format unless otherwise stated. That is, omit dollar signs, commas, and any other non-essential symbols. (e.g., \$7.90 should be entered as 7.90) Prices must be in US Dollars. Enter "n/a" to indicate not applicable or "0" if there is no charge. Cells left blank will be interpreted as "no offer".

C.11. This Section intentionally left blank

C.12. Merchant Card Gateway

OST is requesting a merchant gateway provider to process merchant card transactions on behalf of State entities and local jurisdictions. This will be included with the awards for Merchant Card Services.

The following are minimal requirements:

- Currently approved/certified by the selected Merchant Card Services providers.
- Compliant with PCI-DSS by an independent auditor
- Compliant with Standards for Attestation Engagements (SSAE 16) Type II by independent auditor
- Provide next-day funding of transactions that reconcile to the daily batch file transmitted to a User Entity
- All fees charged to customers; provide fee structure for credit/debit/e-check
- Current Disaster Recovery or Business Continuity Plan

II. Prepaid Card Services (PCS)

Information and pricing for Prepaid Card Services will be solicited from banks that are selected as finalists. (See Section E). In the event that one or more Primary Banks do not offer Prepaid Card Services acceptable to the procuring State Entities, OST may request offers from other participants in this RFQB.

Section D. Deposits and Investments

D.1. Background

OST is charged with minimizing net Bank service fees. This process involves ensuring Bank service charges remain competitive (hence the Banking services portion of this RFQB) and offsetting those fees with an ECR determined Earnings Allowance or actual investment income on invested balances.

This Investment section of the RFQB will focus on the investment earnings of such invested balances. This RFQB includes both backward-looking historical investment activity, (i.e. “prior results”) between State Bank Fee Program Banks and OST, and the solicitation for non-binding investment proposals.

The prior results of investment activity over the last 36 months has been calculated by OST and shared with State Bank Fee Program Banks. The score for each Bank was calculated based on three criteria: the average daily balance of deposits and investments with OST, the risk-adjusted value added by each Bank, and introductions to third-party providers of repurchase agreements that were made by a Bank. The initial calculation is as of December 31, 2016. These results will be weighted and scored for inclusion in the overall RFQB selection of Primary Banks.

The solicitation for future proposed investment options will be structured as described below. Respondents will be asked to provide indications of the types of investments that each Bank would offer OST, as well as amounts and specific product structures (e.g., collateralized, pricing indexes, etc.). The responses for future investment offerings will be considered and included in the overall selection of Primary Banks.

Respondents should note that this Investment section of the RFQB will be used to aid in the selection of Primary Banks. Future investment activities with OST will not be conditioned upon selection of Banks as Primary Banks. OST will continue to bid all investment activities with multiple bidders, and will make selection of investment business based upon market conditions in full compliance with OST investment policy.

Historical Benefit

- **Bank Relationship Benefit Calculation**
 - OST will calculate its risk-adjusted return for each Bank using 36-month balances as of December 31, 2016
 - The return will be calculated based on three criteria:
 - i. The average daily balance of investments and interest bearing accounts at each Bank (including repurchase agreements, deposits, CDs, and CP)
 - ii. The risk adjusted value added by each Bank relative to overnight U.S. Treasury repo
 - iii. Introductions to third-party providers that added risk-adjusted investment return to OST

Forward Looking Benefit (Submitted by Banks)

In addition to the prior results, OST will consider any new investments offered and favorable adjustments to current investment balances. The following are types of investments that OST is seeking:

- **Negotiated Investment Deposits**
 - OST prefers a rate that is tied to an index such as LIBOR, Fed Funds, or the Overnight Bank Funding Rate (OBFR) on deposit balances.
 - OST seeks collateralized bank deposits and non-collateralized deposits that are in accordance with OST investment policy.
 - OST seeks a late-day settlement account at a competitive rate that allows OST the flexibility to change the balance by as much as \$50 million to \$100 million each day.

Please advise if your Bank will increase the rate on collateralized deposits for OST upon implementation of the Multibank Pledging Pool ("Secured Asset Program") should your Bank's required collateral level be reduced to 50% or lower. If so, please give an indication of the expected increase in yield.

- **Overnight Repurchase Agreements**
 - OST prefers flexibility to:
 - i. Change overnight repo balances daily
 - ii. Change repo balances intraday up until 12:00 PM
- **Term Repurchase Agreements**
 - OST prefers term repurchase agreements collateralized by non-traditional securities, in particular U.S. corporate securities (financials rated A or better and non-financials rated BBB or better)
- **Collateralized Certificates of Deposits**
- **Commercial Paper**
 - Rated A1/P1 or higher
- **Third Party Repo Introductions**
 - Introducing OST to highly-rated counterparties (preferably with a short-term rating of A-1 or higher) willing to negotiate to provide overnight and/or term repo with OST.

Banks must use Attachment D.1. to submit their proposed forward looking benefits. D.1. is a table that contains the different types of investments OST is seeking. Banks should fill out attachment D.1. with the following information on the proposed investments they could offer OST:

1. The amount (if any) offered to OST of each investment type
2. The rate offered to OST on each type of investment
3. The index (if any) used to determine the rate
4. The type of collateral (if any) used to secure the investment
5. Specific details relating to the tenor of investment (for CP, CDs, and term repo)
6. Indicate if there is flexibility to changes balances day-to-day (for deposits and repo)
7. Indicate if there is flexibility to change balances intraday (for deposits and repo)
 - a. Indicate the latest time OST could change balances
 - b. Indicate the maximum amount that OST could change the balance
8. Ability and willingness to make introductions to non-broker/dealer potential third-party repo counterparties.

Section E. Evaluation, Scoring, and Selection

E.1. Proposal Evaluation, Negotiations, and Award

The objective of the evaluation process is to identify the proposals which represent the best value to the State. All timely proposals will be evaluated in accordance with the following steps. Based on the results of the initial evaluation, OST may or may not negotiate other factors as further described in the RFQB. In the event negotiations of other factors occur, the revised proposals will be reevaluated. Once the evaluation process has been completed (and any negotiations OST desires to conduct have occurred), the apparent successful Banks will be required to enter into discussions with OST to resolve any exceptions to OST's selection, contracts, or other agreements.

In the event that a Bank is identified as a potential Primary Bank, Bank and OST will negotiate any necessary contracts or agreements that comply with Georgia law, regulations, policies, and procedures. In the event that contract or agreement negotiations are deemed by OST to be unsuccessful, OST reserves the right to reject Bank's proposal.

E.2. Selection Terms and Conditions

The selections that OST expects to make as a result of this RFQB will be based upon the RFQBs, the successful Banks' final responses as accepted by OST and their specific terms and conditions. The "successful Banks' final responses as accepted by OST" shall mean: the final pricing and technical proposals submitted by the selected Banks and any subsequent revisions to the selected Banks' pricing and technical proposals, the terms and conditions due to negotiations, written clarifications or changes made in accordance with the provisions of the RFQB, and any other terms deemed necessary by OST. No objection or amendment by the Banks to the RFQB requirements or the terms and conditions shall be incorporated by reference into the selections unless OST has explicitly accepted the Bank's objection or amendment in writing. If a Bank has any questions, comments or concerns concerning the selections, please express them.

Please review OST's selection terms and conditions prior to submitting a response to this RFQB. Banks should plan on the terms and conditions contained in this RFQB being included in any selection resulting from this RFQB.

Therefore, all prices associated with complying with these requirements should be included in any pricing quoted by the Banks. The terms and conditions may be supplemented or revised before execution and are provided to enable Banks to better evaluate the prices associated with the RFQB and potential resulting contract(s) or agreement(s).

E.3. Exceptions to Selections

By submitting a proposal, each Bank acknowledges its acceptance of the RFQB specifications and the terms and conditions without change except as otherwise expressly stated in the submitted proposal. If a Bank takes exception to a provision, the Bank must state the reason for the exception and state the specific language it proposes to include in place of the provision. Any exceptions to the selection must be submitted as an attachment to the Bank's response. Proposed exceptions must not conflict with or attempt to preempt mandatory requirements specified in the RFQB.

In the event the Bank is selected as a Finalist, the Bank will be required to enter into discussions with OST to resolve any differences before the Primary Banks are determined. These discussions are to be finalized and all exceptions resolved within the period of time identified in the schedule of events. Failure to resolve any issues will lead to rejection of the Bank. OST reserves the right to proceed to discussions with the next-best ranked Bank.

OST reserves the right to modify the terms and conditions to be consistent with the apparent successful offer and to negotiate other modifications with the apparent successful Bank. Exceptions that materially change the terms or the requirements of the RFQB may be deemed non-responsive by OST, in its sole discretion, and rejected. Exceptions which grant the Bank an impermissible competitive advantage, as determined by OST, in its sole discretion, will be rejected. If there is any question whether a particular exception would be permissible, the Bank is strongly encouraged to inquire via written question submitted to the Official Contact prior to the deadline for submitting written questions as defined by the Schedule of Events.

Once the finalists for Primary Bank selections have been named, they will receive the banking templates and attachments with which to bid on the banking for the Department of Revenue and the prepaid card program for the Risk Management Services Division of the Department of Administrative Services.

See Attachment E.1. for the five-step process that OST will follow in evaluating, scoring, and selecting Banks.

Request for Qualified Banks

Attachments

Section A. List of RFQB Attachments

The following documents make up the RFQB. Any difficulty locating or accessing the following documents should be immediately reported to the Official Contact.

1. The Office of the State Treasurer (OST) RFQB (this document)
2. Compliance Report

Section B. List of RFQB Attachments

The following documents apply to Section B. of the RFQB. Any difficulty locating or accessing the following documents should be immediately reported to the Official Contact.

1. Instructions to banks
2. Bank Fee Schedule for Banking Services
3. CTAS Flowchart
4. State Accounting Office (SAO) CTAS Reconciliation File Formats
5. Calendar of Proposed Banking Evaluations for State Bank Fee Program participants

Section C. List of RFQB Attachments

The following documents apply to Section C. of the RFQB. Any difficulty locating or accessing the following documents should be immediately reported to the Official Contact.

1. MCS Proposal Certificate
2. MCS Bank General Information Form
3. MCS Mandatory Requirements
4. MCS Mandatory Questions
5. MCS Additional Questions
6. General Account Questions
7. MCS Price Proposal
8. MCS Present Card Systems Locations and Volumes
9. MCS Present Card Systems Equipment List

Section D. List of RFQB Attachments

The following documents apply to Section D. of the RFQB. Any difficulty locating or accessing the following documents should be immediately reported to the Official Contact.

1. Investments – Forward Looking Benefit

Section E. List of RFQB Attachments

The following documents apply to Section E. of the RFQB. Any difficulty locating or accessing the following documents should be immediately reported to the Official Contact.

1. Evaluation, Scoring and Selection

Thank you again for your interest in the State of Georgia's Banking Services, Merchant Card and Prepaid Card Services, and Investment Services and for submitting a proposal for this business.