



Request for Response Office of the State Treasurer and Receiver-General

Address: One Ashburton Place, 12th Floor, Boston, MA 02108
Telephone #: (617) 367-3900; Fax: (617) 367-3645
Internet Address: <http://www.mass.gov/treasury>
RFR File Name/Title: Treasury Custody Services
RFR File Number: TRE RFR CASH CUSTODY 2012
RFR Contact Person: Anjali Wali

I. SUMMARY AND PURPOSE

Steven Grossman, Treasurer and Receiver General of the Commonwealth of Massachusetts, seeks qualified bidders interested in providing custody and safekeeping services for deposits of cash and securities to the Treasurer's Cash Management Division, State Lottery Commission, and Unclaimed Property Division.

Cash Management Division

Certain insurance companies operating within the Commonwealth of Massachusetts are required to make deposits with the Treasurer pursuant to Massachusetts General Laws (MGL) including, but not limited to, Chapter 152, §§ 61 and 62 and Chapter 175, §§ 151 and 185. The Treasurer holds these deposits as security for payment of the insurer's obligations and for the benefit and security of the policyholders. The selected bidder(s) will provide safekeeping and custody on behalf of the Treasurer according to the instructions of the Cash Management Division of the Treasurer's Office.

Particular companies or individuals operating motor vehicles within the Commonwealth of Massachusetts may choose to make deposits with the Treasurer pursuant to Massachusetts General Laws (MGL) Chapter 90, § 34D. The Treasurer holds these deposits as security for payment of the company's or individual's self insurance obligations. The selected bidder(s) will provide safekeeping and custody of these deposits on behalf of the Treasurer according to the instructions of the Cash Management Division of the Treasurer's Office.

State Lottery Commission

In addition to insurance companies operating in the Commonwealth, the Massachusetts State Lottery Commission (MSLC) conducts several games for which the grand/jackpot prizes are paid out in annual installments over a period of twenty years, twenty-six years for Mega Millions, and thirty years for Powerball. The MSLC typically makes the first such payment when the prize is claimed, validated and payment election (cash option or annuitized grand/jackpot prize) is made by the winner, with the balance being paid over 19 years or 25 years for Mega Millions in equal annual installments or 29 years for Powerball with escalating payments each year (graduated annuity). The MSLC utilizes zero coupon U.S. Treasury STRIPS to fund these annual payments. As of June 30, 2011, the MSLC has approximately 1,677 separate accounts with an approximate market value of \$1.405 billion.

To purchase these STRIPS, the MSLC uses a competitive bidding procedure whereby qualified investment firms are notified of the amount and timing of a desired annual payment stream and are asked to make an offer. The winning firm is the one that offers to provide a portfolio of eligible securities that produces the desired cash flow at the lowest total cost. Upon completion of the trade, the MSLC's custody bank delivers cash to the winning firm's bank, and the firm delivers book-entry securities to the MSLC's custodial bank. Typically, there is 1 purchase a month.

Unclaimed Property Division

The Unclaimed Property Division seeks a qualified bidder to hold stocks, bonds and other securities for guaranteed safekeeping. As part of this task, the custodian will settle all transactions either by physical transfer of securities or by electronic transfer through a central depository. The custodian will be required to have proper safeguards in place to protect the possession of all physical securities, the integrity of electronic holdings and the confidentiality of the information relating to the positions held by the Unclaimed Property Division.

II. GENERAL INFORMATION

To the maximum extent possible the Office of the State Treasurer and Receiver-General (the "Treasury") is following the rules and regulations set forth in 801 Code of Massachusetts Regulations ("CMR") 21.00: Procurement of Commodities and Services in this Request for Response ("RFR"). All terms, conditions, requirements, and procedures included in this RFR must be met for a response to be qualified as responsive. A response that fails to meet any material term, condition, requirement or procedure of this RFR may be deemed unresponsive and disqualified. The Treasury reserves the right to waive or permit cure of non-material errors or omissions. The Treasury reserves the right to modify, amend or cancel the terms of the RFR at any time. Unless otherwise specified, all communications, responses, and documentation regarding this RFR must be in English, all measurements must be provided in feet, inches, and pounds and all cost proposals or figures in U.S. Currency. All responses must be submitted in accordance with the specific terms of this RFR. No electronic responses may be submitted in response to this RFR

This RFR is in accordance with the World Trade Organization Government Procurement Agreement.

Copies of this RFR may be obtained electronically at the Treasury website at <http://www.mass.gov/treasury> & on Comm-PASS at <http://www.comm-pass.com/>.

The PMT reserves the right to modify, amend or cancel the terms of this RFR at any time.

III. RFR CALENDAR, INSTRUCTIONS & EVALUATION PROCESS

A. RFR CALENDAR / TIMELINE

The following is the tentative time schedule for the Office of the State Treasurer and Receiver-General's search for a vendor to provide Custody Services. All dates are subject to modification by the Office of the State Treasurer and Receiver-General with notice.

Issuance of RFR	January 9 th , 2012
Bidders Conference Call	January 17 th , 2012
Question Deadline	January 20 th , 2012
Question Response Deadline	January 25 th , 2012
RFR Response Deadline	February 13 th , 2012 X by 3:00 EDT
Oral Presentations (optional)	Week of February 27 th , 2012
Approximate Contract Award Date	March 16 th , 2011

Questions concerning the RFR must be submitted to the RFR Contact Person in writing (NO PHONE CALLS):

Anjali Wali
Office of the State Treasurer and Receiver-General
ATTN: "Cash Custody Services"
One Ashburton Place, 12th Floor
Boston, MA 02108
E-mail Address: awali@tre.state.ma.us

B. RFR INSTRUCTIONS

1. **Response Submission.** The original, eight hard paper copies and a CD of the Bidder's responses and attachments must be delivered in the same sealed package no later than **3:00 P.M. EDT on February 13th, 2012.** The original submission should be signed in blue ink as to make it easily distinguishable from the other copies. The Cost Proposal(s) must be submitted under separate cover in a separate sealed envelope. Failure to meet this requirement will result in disqualification of the bid. Responses and attachments received after this deadline date and time will not be evaluated. A facsimile response will not qualify as a "submission" for deadline purposes in advance of or in lieu of a hard copy submission.

Responses and attachments should be delivered to:

Anjali Wali
Office of the State Treasurer and Receiver-General
ATTN: "Cash Custody Services"
One Ashburton Place, 12th Floor
Boston, MA 02108

2. **Cost Proposal.** The Cost Proposal must be submitted under separate cover from the Technical Proposal in a separate sealed envelope. Failure to meet this requirement will result in disqualification of the bid.
3. **Response Provisions.** When responding to this RFR, financial institutions should take note of the following provisions
 - a. The Treasury reserves the right to request additional information from Bidders responding to this request. Additionally, upon reviewing the responses the Treasury may decide to have certain firms make oral presentations.
 - b. The Treasury reserves the right to reject any and all responses to this request, to waive any minor informality in a response, to request clarification of information from any Bidder responding, and to effect any agreement deemed by the Treasury to be in the Commonwealth's best interest with one or more of the Bidders responding. The Treasury reserves the right to amend or cancel this RFR at any time. All responses and their contents will become the sole property of the Commonwealth upon receipt by it.
 - c. All responses and their contents will become the sole property of the Commonwealth/Treasury upon receipt by it and will not be returned to the Bidder.
 - d. The Treasury will not reimburse any Bidder for any costs associated with the preparation or submittal of any response to this request or for any travel and/or per diem incurred in any presentation of such responses.
 - e. The narrative response should address all items included in each section of the Technical Proposal.
 - f. The written response shall be limited to replies totaling no more than 25 pages, double-sided per component. Any response over 25 pages excluding the requested attachments and exhibits will not be considered. The 25 pages must be single spaced; submitted in 12-point font; with at least three-quarter inch margins left and right and one-inch margins top and bottom. Additionally, the response must be printed on three-hole punched paper.

4. Disqualification of Responses

- a. Late Proposals: Proposals that are received after the deadline date and time shall be automatically disqualified.
- b. Non-responsive Proposals: A response that fails to meet any material term, condition, requirement or procedure of this RFR may be deemed unresponsive and disqualified. The Treasury reserves the right to waive or permit cure of non-material errors or omissions. Non-responsive proposals shall include, but not be limited to those, which fail to address or meet any mandatory item, and those submitted in insufficient number, or in incorrect format.
- c. Collusion: Collusion by two or more Bidders agreeing to act in a manner intended to avoid or frustrate fair and open competition is prohibited and shall be grounds for rejection or disqualification of a proposal or termination of this contract. Bidders will be required to complete a "Certificate of Non-Collusion" as one of the mandatory attachments to this RFR.
- d. Debarred Bidders or Subcontractors: A Bidder, who is currently subject to any Commonwealth or federal debarment order or determination, shall not be considered for evaluation by the PMT. If a Bidder's proposal is dependent upon the services of a named subcontractor and the disqualification of this named subcontractor would materially alter the proposal, then that proposal shall be deemed unresponsive if the named subcontractor is found to be debarred. Proposals that indicate that subcontractors will be used but do not rely on any specifically named subcontractor shall not be deemed unresponsive if the disqualification of a proposed subcontractor will not materially alter the proposal.

C. RFR EVALUATION PROCESS

1. Evaluation Process. The RFR Evaluation Process will be conducted in three phases. A review team consisting of staff from the Office of the State Treasurer and Receiver-General will complete the Phase One Review for all proposal submissions. The purpose of the Phase One Review is to eliminate any bids that are non-responsive to the requirements of the RFR. Bids that are deemed to be qualified based on the Phase One Review will be submitted to the PMT for additional review. The PMT will consist of staff from the Office of the State Treasurer and Receiver-General, State Lottery Commission, and Division of Insurance. The PMT will make a recommendation to the State Treasurer and Receiver-General who will then accept or reject the recommendation. The State Treasurer and Receiver-General will make the final selection decision. **(Phase One, Phase Two, and Phase III of this RFR will be evaluated separately).**
 - a. Phase One Review: Bidders responses will be reviewed based on listed criteria, completeness of response, including mandatory attachments and compliance to submission criteria. Bids that do not comply with these components will be rejected and will not proceed to Phase Two Review. The Treasury reserves the right to waive or permit cure of non-material errors or omissions. Staff at the Office of the State Treasurer and Receiver-General will conduct this portion of the review.
 - b. Phase Two Review: Scoring criteria for the evaluation of the proposals will be as follows

65% Availability of Core Services will include an assessment of services to be provided, time schedules, and reporting options. Scoring of these services will pay particular attention to the integration of the required services into an effective banking services relationship for the Commonwealth.

15% Availability of Optional Services The Office of the Treasurer and Receiver-General is open to new ways to conduct business. Following the PMT's evaluation of a Bidder's responses as to the availability of core services, which are required for the Commonwealth to conduct its business, it will conduct a review of any Optional Services which a Bidder chooses to include in

its bid. “Optional Services” are not specifically delineated within this RFR, but are those which a Bidder considers would be cost-efficient, expedient or innovative services which would assist the Commonwealth to effectively conduct its business as outlined in this RFR.

5% Quality Control will include: a) an assessment of the financial institution’s disaster recovery plan and contingencies and past performances in either real or test environments; b) an assessment of industry standards including but not limited to BAI Critical Quality Indicators; and c) an assessment of the current auditor’s report of internal control.

5% Financial Strength shall be measured based on financial reports submitted and analyses to be completed by Office of the State Treasurer and Receiver-General staff based on data provided in these reports, as well as bank ratings.

5% Treasury Supplier Diversity Program The Office of the State Treasurer and Receiver-General (“Treasury”) is committed to developing and strengthening Minority and Women-Owned Business Enterprises (M/WBEs) and expanding equal opportunity in the primary and any secondary industries affected by this RFR. Consequently, the Treasury requires all responsive Bidders to submit a *Treasury Supplier Diversity Program Plan Form* (“TSDP Plan Form”) with its response. Bidders that clearly demonstrate the intent to further the development of M/WBEs or the existence of a relationship which does further these goals will receive favorable consideration from the PMT. Additionally, a Bidder, which is a Massachusetts SDO certified vendor, may be found “Advantageous,” based on the Bidder’s Massachusetts certification status.

5% Invest in Massachusetts. The Office of the State Treasurer and Receiver-General (“Treasury”) encourages investment in our local economy and is committed to advancing the creation and preservation of jobs in the Commonwealth. Consequently, all responsive Bidders/Proposers must submit with their bids an *Invest in Massachusetts Data Form* (“IMD Form”).

c. **Phase Three Review:** Scoring criteria for the evaluation of the proposals will be as follows.

35% Cost Proposal will be evaluated across all service categories on a unit basis-using fee for services subsequent projection of monthly service costs. These cost factors will be evaluated in concert with the provision of services and the stated objectives of the RFR to evaluate proposals in terms of best value.

65% Phase Two Criteria The total Phase Two score will represent 65% of the Phase Three score.

IV. SPECIFICATIONS, REQUIREMENTS, & COMPONENTS

A. RFR REQUIRED SPECIFICATIONS

1. **Alternatives.** Unless otherwise specified, Bidders should submit responses proposing alternatives that provide equivalent, better or more cost-effective performance than achievable under the stated RFR specifications. These alternatives may include related services that may be available to enhance performance during the period of the contract. The response should describe how any alternative achieves substantially equivalent or better performance to that of the RFR specifications. The Office of the State Treasurer and Receiver-General will determine if a proposed alternative method of performance achieves substantially equivalent or better performance. The goal of this RFR is to provide the best value of commodities and services to achieve the procurement goals of the department. Bidders that propose discounts, uncharged commodities and services or other benefits in addition to the RFR specifications may receive a preference or additional points under this RFR as specified.

Contractors may also propose alternatives for equivalent, better or more cost-effective performance than specified under the Contractor's original response to enable the department to take advantage of enhanced technologies, commodities or services that become available during the term of the contract.

2. **Best Value Selection and Negotiation.** The PMT and/or the State Treasurer and Receiver-General may select the response(s) that demonstrates the "Best Value" overall, including proposed alternatives that will achieve the procurement goals of the Office of the State Treasurer and Receiver-General. The PMT and/or the State Treasurer and Receiver-General and the selected Bidder, or Contractor, may negotiate a change in any element of contract performance or cost identified in the original RFR or the selected Bidder's or Contractor's response, which results in lower costs or in a more cost-effective or better value than was presented in the selected Bidder's or Contractor's original response.
3. **Bidder Communication.** Bidders are prohibited from communicating directly with any employees of the Office of the State Treasurer and Receiver-General or any member of the Procurement Management Team ("PMT") regarding this RFR, except as specified in this RFR, and no other individual Commonwealth employee or representative is authorized to provide any information or respond to any question or inquiry concerning this RFR. Bidders may contact the contact person for this RFR in the event this RFR is incomplete or the Bidder is having trouble obtaining any required attachments electronically through Comm-PASS. Failure to observe this rule will result in disqualification.
4. **Brand Name or Equal.** Unless otherwise specified in this RFR, any reference to a particular trademark, trade name, patent, design, type, specification, producer or supplier is not intended to restrict this RFR to any manufacturer or proprietor or to constitute an endorsement of any service. The Office of the State Treasurer and Receiver-General will consider clearly identified offers of substantially equivalent services submitted in response to such reference.
5. **Comm-PASS.** This RFR has been distributed electronically using the Comm-PASS system. RFR attachments that are referenced are incorporated by reference into the RFR and are available as separate files within the Forms tab and Specifications tab of the Comm-PASS Solicitation record. OSD Forms are also available at www.mass.gov/osd under the Related Links section. While Comm-PASS offers optional, value-added, automated [Comm-PASS Subscription Service](#) on an annual-fee basis, all Bidders are solely responsible for obtaining and completing the required attachments that are identified in this RFR and for checking Comm-PASS for any addenda or modifications that are subsequently made to this RFR or attachments. The Commonwealth and its subdivisions accept no liability for and will provide no accommodation to Bidders who fail to check for amended RFRs/Requests for Quotes (RFQs) or any other procurement opportunities and subsequently submit inadequate or incorrect responses. Bidders are advised to check the Last Changed Date field on the Summary page or the Amendment History within the Other Information tab of RFRs for which they intend to submit a response in order to ensure that they have the most recent RFR files. Bidders may not alter (manually or electronically) the RFR language or any RFR component files. Modifications to the body of the RFR, specifications, terms and conditions, or which change the intent of this RFR are prohibited and may disqualify a response.
6. **Comm-PASS SmartBid Subscription.** The Comm-PASS Subscription Service is sponsored by the Operational Services Division. This service offers a prospective Bidder a secure, web-based desktop that contains tools to track and manage postings including solicitation announcements, Request for Responses (RFRs), and Contracts that match the subscriber-designated set of categories and sub-categories on the Commonwealth's Procurement Access and Solicitation System (Comm-PASS). There is a yearly fee for \$275 to access the SmartBid functionality. Comm-PASS Basic Service will provide a subscriber with:
 - a. Secure web-based desktop within Enhanced Comm-PASS for document management.
 - b. A customizable profile reflecting the Bidder's product/service areas of interest.

- c. Refined commodity and service categories and sub-categories.
- d. Full-cycle, automated E-mail alert whenever a solicitation of interest is posted or updated.
- e. Access to On-line Bidder Forums to allow for virtual attendance and participation.
- f. Tools to submit bids electronically to an encrypted Lockbox.

Every public purchasing entity within the borders of Massachusetts may post their solicitations on Comm-PASS at no charge. Comm-PASS has the potential to become the sole site for reviewing and responding electronically to public solicitations in Massachusetts. Fees for the Comm-PASS Subscription Service are based on costs to operate, maintain, and develop the Comm-PASS system.

7. **Conflict of Interest.** Prior to award of any contract, the Vendor shall certify in writing to the procuring agency that no relationship exists between the Vendor and the procuring or contracting agency that interferes with fair competition or is a conflict of interest, and no relationship exists between the Vendor and another person or organization that constitutes a conflict of interest with respect to a state contract. The Office of the State Treasurer and Receiver-General may waive this provision, in writing, if these activities of the Vendor will not be adverse to the interests of the Commonwealth. No official or employee of the Commonwealth who exercises any function or responsibility in the review or approval of the undertaking or carrying out of this project shall, prior to the completion of the project, voluntarily acquire any personal interest, either directly or indirectly, in this contract or proposed contract.

The Bidder shall provide assurance that it presently has no interest and shall not acquire any interest, either directly or indirectly, which will conflict in any manner or degree with the performance of its services hereunder. The Bidder shall also provide assurances that no person having any such known interests shall be employed during the performance of this contract.

8. **Costs.** Costs that are not specifically identified and defined in the Bidder's response, and accepted by a department as part of a Contract, will not be compensated under any Contract awarded pursuant to this RFR. The Commonwealth will not be responsible for any costs or expenses incurred by Bidders responding to this RFR.
9. **Electronic Communication/Update of Bidder's/Contractor's Contact Information.** It is the responsibility of the prospective Bidder and awarded Contractor to keep current the E-mail address of the Bidder's contact person and prospective contract manager, if awarded a contract, and to monitor that E-mail inbox for communications from the PMT, including requests for clarification. The PMT and the Commonwealth assume no responsibility if a prospective Bidder's/awarded Contractor's designated E-mail address is not current, or if technical problems, including those with the prospective Bidder's/awarded Contractor's computer, network or Internet service provider (ISP) cause E-mail communications sent to/from the prospective Bidder/awarded Contractor and the PMT to be lost or rejected by any means including E-mail or spam filtering.
10. **Electronic Funds Transfer (EFT).** All Bidders responding to this RFR must agree to participate in the Commonwealth Electronic Funds Transfer ("EFT") program for receiving payments, unless the Bidder can provide compelling proof that it would be unduly burdensome. EFT is a benefit to both Contractors and the Commonwealth because it ensures fast, safe and reliable payment directly to Contractors and saves both parties the cost of processing checks. Contractors are able to track and verify payments made electronically through the Comptroller's Vendor Web system. A link to the EFT application can be found on the [OSD Forms](http://www.mass.gov/osd) page (www.mass.gov/osd). Additional information about EFT is available on the [VendorWeb](http://www.mass.gov/osc) site (www.mass.gov/osc). Click on MASSfinance.

Successful Bidders, upon notification of contract award, will be required to enroll in EFT as a contract requirement by completing and submitting the *Authorization for Electronic Funds Payment Form* to this department for review, approval and forwarding to the Office of the Comptroller. If the Bidder is already enrolled in the program, it may so indicate in its response. Because the *Authorization for Electronic Funds Payment Form* contains banking information, this form, and all

information contained on this form, shall not be considered a public record and shall not be subject to public disclosure through a public records request.

The requirement to use EFT may be waived by the PMT on a case-by-case basis if participation in the program would be unduly burdensome on the Bidder. If a Bidder is claiming that this requirement is a hardship or unduly burdensome, the specific reason must be documented in its response. The PMT will consider such requests on a case-by-case basis and communicate the findings with the Bidder.

11. **Environmental Response Submission Compliance.** In an effort to promote greater use of recycled and environmentally preferable products and minimize waste, all responses submitted should comply with the following guidelines:
 - a. All copies should be printed double sided.
 - b. All submittals and copies should be printed on recycled paper with a minimum post-consumer content of 30% or on tree-free paper (i.e., paper made from raw materials other than trees, such as kenaf). To document the use of such paper, a photocopy of the ream cover/wrapper should be included with the response.
 - c. Unless absolutely necessary, all responses and copies should minimize or eliminate use of non-recyclable or non-reusable materials such as plastic report covers, plastic dividers, vinyl sleeves and GBC binding. Three-ringed binders, glued materials, paper clips and staples are acceptable.
 - d. Bidders should submit materials in a format that allows for easy removal and recycling of paper materials.
 - e. Bidders are encouraged to use other products that contain recycled content in their response documents. Such products may include, but are not limited to, folders, binders, paper clips, envelopes, boxes, etc. Where appropriate, Bidders should note which products in their responses are made with recycled materials.
 - f. Unnecessary samples, attachments, or documents not specifically asked for should not be submitted.
12. **Estimated Provisions.** The Office of the State Treasurer and Receiver-General makes no guarantee that any commodities or services will be purchased from any contract resulting from this RFR. Any estimates and/or past or current procurement volumes referenced in this RFR are included only for the convenience of Bidders, and are not to be relied upon as any indication of future purchase levels.
13. **HIPPA: Business Associate Contractual Obligations.** Bidders are notified that any department meeting the definition of a Covered Entity under the Health Insurance Portability and Accountability Act of 1996 (HIPAA) will include in the RFR and resulting contract sufficient language establishing the successful bidder's contractual obligations, if any, that the department will require in order for the department to comply with HIPAA and the privacy and security regulations promulgated thereunder (45 CFR Parts 160, 162, and 164) (the Privacy and Security Rules). For example, if the department determines that the successful bidder is a business associate performing functions or activities involving protected health information, as such terms are used in the Privacy and Security Rules, then the department will include in the RFR and resulting contract a sufficient description of business associate's contractual obligations regarding the privacy and security of the protected health information, as listed in 45 CFR 164.314 and 164.504 (e), including, but not limited to, the bidder's obligation to: implement administrative, physical, and technical safeguards that reasonably and appropriately protect the confidentiality, integrity, and availability of the protected health information (in whatever form it is maintained or used, including verbal communications); provide individuals access to their records; and strictly limit use and disclosure of the protected health information for only those purposes approved by the department. Further, the department reserves

the right to add any requirement during the course of the contract that it determines it must include in the contract in order for the department to comply with the Privacy and Security Rules. Please see other sections of the RFR for any further HIPAA details, if applicable.

14. **Minimum Bid Duration.** Bidder responses/bids made in response to this RFR must remain in effect for 120 days from the date of bid submission and thereafter until either the Bidder withdraws the response in writing, a contract is executed or the procurement is canceled, whichever occurs first.
15. **Public Records.** All responses and information submitted in response to this RFR are subject to the Massachusetts Public Records Law, Massachusetts General Laws (M.G.L.), Chapter 66, Section 10, and Chapter 4, Section 7, subsection 26. Any statements in submitted responses that are inconsistent with these statutes will be disregarded.

Bidders are advised that all proposals are deemed sealed, and therefore their contents will be treated as confidential and will not be disclosed to competing Bidders until the evaluation process has been completed and the contract has been awarded.

16. **Reasonable Accommodation.** Bidders with disabilities that seek reasonable accommodation, which may include the receipt of RFR information in an alternative format, must communicate such requests in writing to the contact person. Requests for accommodation will be addressed on a case-by-case basis. A Bidder requesting accommodation may be required to confirm his or her request in writing to the contact person. The request must state that it is based on a disability and specifically identify the accommodation desired. Although entities of the Commonwealth will make all reasonable efforts to accommodate the requests of Bidders with disabilities, they reserve the right to reject unreasonable requests.
17. **Restriction on the Use of the Commonwealth Seal.** Bidders and Contractors are not allowed to display the Commonwealth of Massachusetts Seal in their bid package or subsequent marketing materials if they are awarded a contract because use of the coat of arms and the Great Seal of the Commonwealth for advertising or commercial purposes is prohibited by law.
18. **Prohibition Against Selling or Distributing Information.** Any Bidder awarded a contract under this RFR is prohibited from selling or distributing any information collected or derived from the contract and/or procurement process, including lists of participating or eligible Commonwealth of Massachusetts employee names, telephone numbers, email addresses or addresses.

B. COMPONENTS OF PROCUREMENT

1. **Duration and Renewal Options.** The State Treasurer and Receiver-General intends to enter into a three- (3) year contract with the option of two one- (1) year extensions with the selected Bidder(s) for the services solicited in this RFR. Bidders who offer price guarantees for the life of the contract will be held to that offer or such better terms as are negotiated.

2. **Acquisition Method.**

<input type="checkbox"/> Outright Purchase	<input checked="" type="checkbox"/> Fee for Service
<input type="checkbox"/> License	<input type="checkbox"/> Tax-exempt Lease Purchase
<input type="checkbox"/> Lease Purchase	<input type="checkbox"/> Term Lease
<input type="checkbox"/> Rental (not to exceed 6 months)	<input checked="" type="checkbox"/> Other (specify)

3. **Contract Guidelines.**

<input type="checkbox"/>	Only Office of the State Treasurer and Receiver-General may contract under RFR
<input checked="" type="checkbox"/>	Option to allow other Departments/political subdivisions to contract under RFR
<input type="checkbox"/>	Statewide Contract

4. **Anticipated Expenditures, Funding or Compensation for Expected Duration.** Subject to selected Bidder's quotes and rates, subject to negotiation.

5. **Contract Performance and Business Specifications.**
 - a. **Evaluation and Selection of Contractor.** The Treasury shall have sole authority to evaluate and make the final selection of Bidder(s) pursuant to this RFR. The selection will be made after evaluation of both technical and cost proposals by the PMT and final approval by the State Treasurer and Receiver-General.

 - b. **Change in Terms.** The Treasury reserves the right to modify the specifications identified in the RFR at any time prior to the closing date. The Treasury reserves the right to negotiate with the selected Bidder(s) as to any element of cost or performance, including without limitation, elements identified in the RFR and/or the selected Bidder's response in order to achieve the best value for the Commonwealth. The Treasury reserves the right to request from any Bidder a "best and final offer" as to the Bidder's proposal or cost proposal.

 - c. **Termination or Suspension.** Contractor's services may be terminated or suspended from the Treasury's contract for poor performance, failure to perform, fraud or other cause with two (2) weeks prior written notice by the Treasury. Contractors may be terminated from the contract without cause with thirty (30) days prior written notice. The Contractor may not terminate the contract or performance thereunder except upon a minimum of 180 days written notice to the Treasury. Other terms regarding contract termination are subject to negotiation between the selected Bidder(s) and the Treasury.

 - d. **Permits and Compliance.** The Contractor shall procure and pay for all permits, licenses and approvals necessary to perform the services solicited in this RFR. The Contractor shall comply with all applicable laws, ordinances, rules, orders and regulations related to the performance of the services solicited.

 - e. **Rejection of Proposals.** The Treasury reserves the right to reject any and all proposals submitted under this solicitation.

 - f. **Fees Subject to Office of the State Treasurer and Receiver-General Signatory Authorization.** All fees must be approved by the State Treasurer and Receiver-General or his designee and are subject to verification of performance.

 - g. **Confidentiality Police Regarding Bidder's Support Staff and/or Vendors.** The Treasury may require Bidders' support staff or outside vendors to sign a confidentiality agreement for the confidential information they will have or have access to.

 - h. **Subcontracting Policies.** Prior approval of the department is required for any subcontracted service of the contract. Contractors are responsible for the satisfactory performance and adequate oversight of its subcontractors. Subcontractors are held to the same reimbursable cost standards as Contractors.

 - i. **Contract Expansion.** If additional funds become available during the contract duration period, the Treasury reserves the right to increase the maximum obligation to some or all contracts executed as a result of this RFR or to execute contracts with Contractors not funded in the initial selection process, subject to available funding, satisfactory contract performance and service or commodity need.

- j. **Concurrent Contracts Running (Renewals and Transitions).** The Treasury shall cancel the contract if funds are not appropriated or otherwise made available to support continuation of performance in any fiscal year succeeding the first year or if satisfactory performance by the Contractor does not ensue. The Treasury will also have the right to sole discretion in exercising an option to renew, which will not be subject to Contractor acceptance or agreement. If at any time the contract is cancelled, terminated or expires, and a contract is subsequently executed with a firm other than the Contractor, the Contractor has the affirmative obligation to assist in the smooth transition of contract services to the subsequent Contractor.
- k. **Pricing: Federal Government Services Administration (GSA) or Veteran's Administration Supply.** The Commonwealth reserves the right to request from the successful Bidder(s) initial pricing schedules and periodic updates available under their GSA or other federal pricing contracts. In the absence of proprietary information being part of such contracts, compliance for submission of requested pricing information is expected within 30 days of any request. If the Contractor receives a GSA or Veteran's Administration Supply contract at any time during this contract period, it must notify the Commonwealth contract manager. The Commonwealth requires the same rate if it is more favorable.
- l. **Pricing: Price Limitation.** The Bidder must agree that no other state or public entity customer within the United States of similar size and with similar terms and conditions shall receive a lower price for the same commodity and service during the contract period, unless this same lower price is immediately effective for the Commonwealth. If the Commonwealth believes that it is not receiving this lower price as required by this language, the Bidder must agree to provide current or historical pricing offered or negotiated with other state or public entities at any time during the contract period in the absence of proprietary information being part of such contracts.
- m. **Submission of Proposal Materials and Oral Presentations.** All materials, representations and submissions made within the proposal and at the oral presentation are subject to becoming part of the contract binding the selected bidder to uphold the materials, representations and submissions made by the selected bidder within the proposal and at the oral presentations.

V. PHASE ONE REQUIREMENTS

Compliance with all criteria listed below is mandatory in order for a bid to be accepted for further review. Lack of compliance will automatically disqualify the Bidder.

A. MINIMUM QUALIFICATIONS. Please provide a separate written response for each requirement below.

Bidders submitting Proposals must meet the following minimum qualifications to be given further consideration. Failure of a Bidder to meet the minimum qualifications applicable to this RFR will result in possible elimination. The Bidder's response to each minimum qualification component should be "yes" or "no" followed by a detailed statement of explanation.

1. **Respondent warrants that it meets all of the minimum criteria applicable to the firm under this RFR as follows.** (Specifically describe how your firm meets the applicable minimum qualifications specified below. If Not Applicable please explain):
 - a. As of September 30, 2011, the Candidate must have the following minimum assets under custody:
 - (i) If responding to Section VI.A - \$500 billion in total assets
 - (ii) If responding to Section VI.B - \$500 billion in total assets
 - (iii) If responding to Section VI.C - \$500 million in total assets

- b. As of September 30, 2011, the Candidate must have a minimum of 10 defined contribution clients.
- c. As of September 30, 2011, the Candidate must have the following minimum experience in the global custody business.
 - (i) If responding to Section VI.A – Ten (10) years
 - (ii) If responding to Section VI.B – Ten (10) years
 - (iii) If responding to Section VI.C – Three (3) years
- d. As of September 30, 2011, the Candidate must have a fully integrated global accounting system that is capable of providing daily valuation.

Phase One of Bidder's response should demonstrate compliance with each of the conditions qualifying an institution to propose as outlined below. The Bidder's response should be "yes" or "no" for each mandatory requirement followed by a detailed statement of explanation.

B. LEGAL AND OTHER REQUIREMENTS. Please provide a separate written response for each requirement below.

1. **Solvency.** Certification that the Bidder has not been in bankruptcy and/or receivership within the last three calendar years.
2. **Corporate Good Standing.** If incorporated, identification of the Bidder's state of incorporation and a statement that it is in good standing in that state and has complied with all filing requirements of the state of incorporation. If the state of incorporation is not Massachusetts, please also include a statement that the company agrees to comply with all filing requirements of the Secretary of Commonwealth within thirty (30) days of contract award if selected.
3. **Licenses and Registrations.** A statement that the Bidder meets all applicable state and federal requirements, and has all the licenses and registrations necessary to perform the contract.
4. **Pending Litigation.** Details of any pertinent judgment, criminal conviction, investigation or litigation pending against the Bidder or any of its officers, directors, employees, agents, or subcontractors of which the Bidder has knowledge or a statement that there are none. The Office of the State Treasurer and Receiver-General reserves the right to reject a response based on this information. If separate responses are required for different divisions or subsidiaries of the Bidder, the Bidder must submit a separate response for each division or subsidiary.
5. **Compliance with RFR Requirements.** A statement that the Bidder agrees to meet every requirement specified or condition set forth in the RFR. (This statement will not be deemed to encompass any requirement or condition for which the RFR indicates that a preference may or will be given by the Office of the State Treasurer and Receiver-General. Any such requirement or condition must be met by only a Bidder seeking the preference.)
6. **Ratings.** If selected to provide any services solicited through this RFR, the financial institution must agree to notify the Office of the State Treasurer and Receiver-General of any changes to its ratings by federal or state regulatory agencies and issuers approved by the State Treasurer and Receiver-General within thirty days of receipt of notification.
7. **Fidelity Bond or Certificate of Liability Insurance.** A copy or proof any fidelity bond or liability insurance policy extending to any or all employees who perform work under the contract are covered.
8. **Cease and Desist.** If selected for any services solicited through this RFR, the financial institution must agree to immediately notify the Office of the State Treasurer and Receiver-General of any cease and desist order issued.

9. **Confidentiality.** The Bidder must submit a statement acknowledging that all materials and information provided to the Contractor by the Office of the State Treasurer and Receiver-General or acquired by the Contractor on behalf of the Office of the State Treasurer and Receiver-General shall be regarded as confidential information in accordance with federal and state law, and ethical standards. The Contractor must take all necessary steps to safeguard the confidentiality of such materials or information. Furthermore, the Bidder agrees to execute a mutually agreed-upon confidentiality statement.

C. MANDATORY ATTACHMENTS AND ENCLOSURES

Phase One of the bidder's response shall include the completed mandatory attachments listed below. Any attachments referenced in this RFR as a document required to be filed can be found in Comm-PASS with this RFR. Many of the required documents referenced in this RFR are also available at the OSD website, www.mass.gov/osd, in the [OSD Forms](#) section.

These documents may be downloaded and printed for you to complete and submit. The EFT Form is the only exception. If you do not understand these instructions or you require additional assistance, please contact the OSD/Comm-PASS help desk at 1-888-627-8283. Note: The mandatory attachments indicated below are in addition to the inclusion of the RFR questions and answers and must be attached to the Bidder's response.

1. **Cover Letter (signed).** The Proposal must include a cover letter, which will be considered an integral part of the Proposal. The cover letter must be signed by at least one individual who is authorized to bind the firm contractually and must include:
 - a. The firm name
 - b. The firm address
 - c. The firm telephone/fax number/email address
 - d. The client contact
 - e. The title or position which the signer of the cover letter holds in the firm
 - f. A statement to the effect that any submissions made by a bidder will be valid for 120 days from the date of submission
2. **Cost Proposal.** The original and eight (8) copies of the fee proposal must be placed in a separate, sealed envelope, clearly identified on the outside as "Fee Proposal submitted by (COMPANY NAME)".
3. **Consultant Contractor Mandatory Submission Form.** Each Bidder must complete and return this form with its response, even if not applicable, in order to be considered responsive.
4. **Commonwealth Terms and Conditions.** The Commonwealth Terms and Conditions shall be incorporated by reference into any contract for services executed pursuant to this RFR. A Bidder is required to execute the Commonwealth Terms and Conditions only once. Complete all blanks and required information fully and accurately without modification.
5. **Standard Contract Form and Instructions.** This must be executed in order to be awarded a contract. This form must be completed and returned as part of the Bidder's RFR response. This document shall not become a final contract unless and until the Office of the State Treasurer and Receiver-General accepts the Bidder's response and the Standard Contract Form is executed by the Purchasing Office of the Office of the State Treasurer and Receiver-General.
6. **Request for Taxpayer Identification Number and Certification (W-9).** The W-9 Form should be completed if the Bidder has not previously conducted business with the Commonwealth Office of the State Treasurer and Receiver-General and been registered on the Commonwealth's Contractor

File or if any information on a W-9 previously filed with the Commonwealth has been updated or changed.

7. **Contractor Authorized Signatory Verification Form.** If the Bidder is a corporation, partnership or other business entity, complete the form as indicated.
8. **Business Reference Form.** Bidders must identify three (3) customer references for which the Bidder has performed similar services as those described in this RFR or customers that can confirm the quality of the Bidder's performance on previous contract work.
9. **Tax Compliance Certification.** The Bidder must demonstrate that it is in compliance with all federal and Commonwealth tax laws, including M.G.L. Chapter 62C, Section 49A. The Bidder must submit an original or photocopy of a Certificate of Tax Compliance in Good Standing, which has been issued by the Department of Revenue within the past year. This Certificate may be obtained by submitting a request to:

Taxpayer Services Division, Certificate Unit
Department of Revenue
PO Box 7066
Boston, Massachusetts 02204
(617) 887-6550

The application must list the tax types for which the business is liable, including such items as meals, room occupancy, sales, use, withholding, corporate income and others as applicable. **The issuance of the certificate normally takes several weeks, so Bidders should also indicate that their request for a certificate is sought in connection with a Commonwealth solicitation (with a deadline).** If the Bidder does not submit the requested tax certificate with the proposal, the Bidder must submit evidence that the application has been filed. Evidence includes: facsimile transmittal, mailing receipt, receipt-stamped application, etc. The Certificate must be issued and provided prior to final execution of the Standard Contract Form.

10. **Treasury Supplier Diversity Program (TSDP) Plan Form.** The Office of the State Treasurer and Receiver-General ("Treasury") is committed to developing and strengthening Minority and Women-Owned Business Enterprises (M/WBEs) and expanding equal opportunity in the primary and any secondary industries affected by this RFR. Consequently, the Treasury requires all responsive Bidders to submit a *Treasury Supplier Diversity Program Plan Form* ("TSDP Plan Form") with its response. Bidders that clearly demonstrate the intent to further the development of M/WBEs or the existence of a relationship which does further these goals will receive favorable consideration from the PMT. Additionally, a Bidder, which is a Massachusetts SDO certified vendor, may be found "Advantageous," based on the Bidder's Massachusetts certification status.

Treasury Supplier Diversity Program Subcontracting Policies. Prior approval of the Treasury is required for any subcontracted service of the contract. The Treasury may define required deliverables including, but not limited to, documentation necessary to verify subcontractor commitments and expenditures with Minority- or Women-Owned Business Enterprises (M/WBEs) for the purpose of monitoring and enforcing any compliance of subcontracting commitments made in a bidder's *Treasury Supplier Diversity Program Plan Form* (TSDP Plan Form). Contractors are responsible for the satisfactory performance and adequate oversight of its subcontractors.

11. **Invest in Massachusetts Plan.** The Office of the State Treasurer and Receiver-General ("Treasury") encourages investment in our local economy and is committed to advancing the creation and preservation of jobs in the Commonwealth. Consequently, all responsive Bidders/Proposers must submit with their bids an *Invest in Massachusetts Data Form* ("IMD Form").
12. **Certificate of Non-Collusion.** Bidders are advised that they are required to certify that the bid that they are submitting has not been arrived at because of any collusive activity. .

13. **Fidelity Bond or Certificate of Liability Insurance.** A requirement to provide proof of any fidelity bond or liability insurance policy extending to any or all employees who perform work under the contract are covered.
14. **Executive Order 504.** Effective January 1, 2009, [Executive Order 504](#) establishes new requirements designed to adopt and implement the maximum feasible measures reasonably needed to ensure the security, confidentiality and integrity of personal information, as defined in [M.G.L. c. 93H](#) and personal data, as defined in [M.G.L. c. 66A](#), maintained by state agencies (herein collectively “personal information”). This requirement only pertains to contracts that require the Contractor’s access to personal information owned or controlled by the contracting agency and systems that contain such data. The Executive Order applies to all state agencies in the Executive Department, including all executive offices, boards, commissions, agencies, departments, divisions, councils, bureaus, and offices, now existing and hereafter established.
15. **EFT Form.** Form found on <https://massfinance.state.ma.us/VendorWeb/eftRegisterfrm.asp>. Each Bidder must print out, complete and return this form with its response.
16. **Disclosure Statement. (Attachment D)** Firms seeking to provide custodial services to the Commonwealth of Massachusetts must complete a disclosure statement providing complete and accurate responses to all questions.

VI. SCOPE OF SERVICES

A. TREASURY CUSTODIAL SERVICES (ATTACHMENT A)

All insurance companies operating within the Commonwealth deposit a security that is equal to all or part of the present value of their outstanding claims under existing insurance contracts. The Commonwealth of Massachusetts Division of Insurance determines the nature and amount of these securities, while the Office of the State Treasurer and Receiver General must establish custody and safekeeping services. As of December 31, 2011, the Treasurer’s Office established 1,700 insurance company sub-accounts with net assets of \$490 million and averaged 25 insurance company security deposits/exchanges per month.

1. **CASH DEPOSITS.** Under the direction of the Cash Management Division, the financial institution selected must:
 - a. Comply with MGL Chapter 152, sections 61 and 62 and Chapter 175, sections 151 and 185, and Chapter 176G, section 26 (see Attachment E).
 - b. Follow the process set forth from the Treasurer's Cash Management Division.
 - c. Hold in safekeeping and maintain cash, certificates of deposits, securities, and other property delivered into its custody.
 - d. Upon instruction by the Treasurer, the financial institution shall receive securities, exchange securities, present maturities for payment, and make delivery of securities that have been released as authorized by the Division of Insurance through the Office of the State Treasurer and Receiver General.
 - e. The firm will collect income due and payable on securities. Upon collection, the firm will, per guidance supplied by the Office of the State Treasurer and Receiver General, distribute the income collected to the underlying insurance company for which the sub-account was established.

- f. The firm will collect principal due and payable on securities. Any principal collected will be distributed only upon instruction from the Office of the State Treasurer and Receiver General.
- g. In the event there are excess balances in the custody account, these balances will be “swept” into an overnight investment vehicle chosen by the Treasury.
- h. The bank shall return to Office of the State Treasurer and Receiver General, or distribute to any other party as directed by the Office of the State Treasurer and Receiver General, property held in account. This direction must be in writing.
- i. Provide pricing and account valuation services.
- j. Provide monthly asset statements and transaction statements.
- k. Provide trade settlement and transaction processing services.
- l. Provide Internet access to all custody accounts.

The selected bidder must be able to maintain all deposits tendered to the Treasurer under the relevant statutes, and be capable of conducting all exchanges required in connection with these provisions. In addition, the selected bidder must be capable of opening multiple sub-accounts as directed by the insurers. As of December 31, 2011, the Treasurer’s Office established 1,700 insurance company sub-accounts with net assets of \$490 million and averaged 25 insurance company security deposits/exchanges per month. These figures are included for reference only and are not intended as a binding representation of the volume of funds and transactions that will be required during the contract term.

The following is a generalized model of the planned custody and safekeeping process as administered by the Cash Management Division of the Treasurer’s Office. The outline below is intended to illustrate the process and related service requirements and does not incorporate all possible variations. It is not intended to limit the scope of services as otherwise described in this section.

Primary Business Partners:

- o The Selected Custodial Institution (to be selected through this procurement)
- o The Insurance Examiner (Division of Insurance)
- o The Supervisor of Cash Management Ops (Office of the State Treasurer and Receiver General)
- o The Insurance Company Representative

Initial Receipt of Deposit:

Each insurance company representative is required to provide the insurance company’s tax identification number to the Custodial Asset Coordinator to establish the sub-account. The sub-account is opened under the name of the insurance company.

The Division of Insurance will determine the amount of securities to be held and determine if the securities presented are acceptable to the Commonwealth.

When depositing securities the insurance company representative must provide the following security information in writing to the Custodial Assets Coordinator at the Treasury:

- o The CUSIP
- o Par Value

- Interest Rate
- Maturity Date

The insurance company representative must indicate whether the security is being held for:

- Special Massachusetts Deposit
- Workers' Compensation Deposit
- General Deposit
- HMO Deposit

The insurance company representative must also provide written wire instructions to provide for return of interest earned on the security. Further, in order to complete/update the Treasury and Bank files the insurance company representative must provide the following information to the Treasury:

- Contact Person
- Telephone/Fax
- Mailing Address

The Custodial Assets Coordinator will forward this information to the financial institution to authorize acceptance of the security. Then, the Custodial Assets Coordinator will notify the insurance company representative to deliver the security. *The financial institution will provide delivery instructions to the insurance company.*

Matured/Maturing Security Exchange or Other Exchanges:

The balance on deposit with the financial institution must not fall below the level prescribed by the Division of Insurance. If a security is maturing, the insurance company representative may initiate a security exchange. The security to be offered in exchange must be approved by the Division of Insurance. Similarly, the proceeds from any matured security will remain in the custodial account until such time as it is replaced with another security as authorized by the Division of Insurance. Further, the insurance company may, at times, wish to exchange one security for another and may do so if the exchange is approved by the Division of Insurance.

In all such cases, the insurance company representative must detail the proposed replacement security transaction in writing to the Custodial Assets Coordinator. Once the Custodial Assets Coordinator determines that the replacement is acceptable and obtains Division of Insurance approval, the financial institution will be notified by the Custodial Assets Coordinator to accept the **replacement** security.

The financial institution notifies the Custodial Assets Coordinator of the receipt of the replacement security. **The notice must occur within two business days.** The Custodial Assets Coordinator then prepares a security confirmation of receipt and request for the matured security release package for Division of Insurance review. The Division of Insurance ultimately approves the release of the matured security. **Once the Division of Insurance has authorized the release of the maturing/matured security, the financial institution may deliver the security as directed by the Office of the State Treasurer and Receiver General. Any security release must be executed within two business days.**

Release of Interest:

The Custodial Assets Coordinator will be responsible for providing the financial institution instructions on the release of interest. This release will be made based on data provided by the

insurance company representative. The financial institution **must** prepare as well as execute the release of the interest earned on the insurance security deposits.

Corporate Action:

The financial institution must immediately notify the Custodial Assets Coordinator of any **mandatory and voluntary** corporate action executed by the issuer or agent of the security. The financial institution must also notify the insurance company representative of any **mandatory and voluntary** corporate action. **The financial institution must be prepared to assist the Custodial Assets Coordinator and/or the insurance company representative with any corporate action request.**

Reporting:

At month end, the financial institution must provide the Custodial Assets Coordinator with a detailed listing of each insurance sub-account name, the security deposit par and market values. **Reports must be sorted by sub-account number. The custodial assets sub-account number will be provided to the financial institution by the Office of the State Treasurer and Receiver General.** The financial institution must be prepared to discuss, review and remediate any discrepancies in the report with the Custodial Assets Coordinator or other Treasury staff. All reports will include book and market values of the securities. In addition to periodic reports of market value, any significant change in the market value of a security must be immediately reported to the Custodial Asset Coordinator.

Further, the Agent must complete any audit confirmation requests received by the Agent regarding any of the sub-accounts promptly (within five business days).

Fees:

The Office of the State Treasurer and Receiver General will not be billed for the fees incurred by the insurance company sub-accounts. Insurance companies will be billed for these services directly by the financial institution. The financial institution must notify the insurance company representative of the schedule of fees at the time the account is established. The financial institution may deduct such charges from the income payments (not principal) to the underlying insurance companies providing that the company is given advance notice of this action.

Describe the methodology in fixing the monthly interest rate for the money market accounts. Also, forecast the interest rate from July 1st, 2012 thru December 31, 2012.

The Office of the State Treasurer and Receiver General intends to seek a competitive rate for the Insurance Custodial deposits.

Relationship Support:

The financial institution will designate a primary manager for this account and must also provide the necessary support staff to insure compliance with the required services.

SELF INSURANCE DEPOSITS

All individuals or corporations with a self insured vehicle operating within the Commonwealth deposit a \$10,000 cashiers check with the Treasury. The Treasurer and Receiver General must establish custody and safekeeping services. As of December 31, 2011, the Treasurer's Office established 527 self insurance sub-accounts with net assets over \$5.3 million.

Under the direction of the Cash Management Division, the financial institution selected must:

- a. Comply with MGL Chapter 90, section 34D (see Attachment E).
- b. Follow the process set forth from the Treasurer's Cash Management Division.
- c. Hold in safekeeping
- d. Upon instruction by the Treasury, the financial institution shall accept the receipt of a self insurers' required deposit in accordance with Massachusetts General Law, and make delivery of cash that have been released as authorized by the Office of the State Treasurer and Receiver General.
- e. The self insurer will collect principal due and interest on all deposits. Any principal collected will be distributed only upon instruction from the Office of the State Treasurer and Receiver General.
- f. Provide monthly asset statements and transaction statements, for par value
- g. Provide Treasury with Internet access to all custody accounts.

The selected bidder must be able to maintain all deposits tendered to the Treasurer under the relevant statutes, and be capable of conducting all exchanges required in connection with these provisions. In addition, the selected bidder must be capable of opening multiple sub-accounts as directed by the Treasurer's Cash Management Division. As of December 31, 2011, the Treasurer's Office established 527 self insurance sub-accounts with net assets over \$5.3 million. These figures are included for reference only and are not intended as a binding representation of the volume of funds and transactions that will be required during the contract term.

The following is a generalized model of the planned custody and safekeeping process as administered by the Cash Management Division of the Treasurer's Office. The outline below is intended to illustrate the process and related service requirements and does not incorporate all possible variations. It is not intended to limit the scope of services as otherwise described in this section.

Primary Business Partners:

- o The Selected Custodial Institution (to be selected through this procurement)
- o The Supervisor of Cash Management Ops (Office of the State Treasurer and Receiver General)
- o The Self Insurance Owner

Initial Receipt of Deposit:

Each self insurance individual or corporation is required to provide the individual social security number or company's tax identification number to the Custodial Asset Coordinator to establish the sub-account. The sub-account is opened under the name of the individual owner or corporation.

When depositing the cashiers check the individual or corporation must provide the following information to the Treasury

- o Contact Person

- Telephone/Fax
- Mailing Address

The Custodial Assets Coordinator will forward this information to the financial institution to authorize acceptance of the deposit.

Release of Interest:

The Custodial Assets Coordinator will be responsible for providing the financial institution instructions on the release of interest. The financial institution **must** execute the release of the interest earned on the deposits. This release will be made based on approval by the Custodial Asset Coordinator or other Treasury staff. All interest releases must be written by check to the individual or company identified by the Treasury.

Release of Deposit:

The Custodial Assets Coordinator will be responsible for providing the financial institution instructions on the release of a deposit. The financial institution **must** execute the release of a deposit upon request by the Custodial Asset Coordinator or other Treasury staff. All releases must be written by check to an individual, company, or party indentified by a court judgement. In the event a Certificate of Deposit is called prior to maturity date, no fee or penalty will be assessed.

Reporting:

At month end, the financial institution must provide the Custodial Assets Coordinator with a detailed listing of each sub-account name, the deposit par values. Any interest accumulated in the account does not require Treasury oversight. **Reports must be sorted by sub-account number. The custodial assets sub-account number will be provided to the financial institution by the Office of the State Treasurer and Receiver General.** The financial institution must be prepared to discuss, review and remediate any discrepancies in the report with the Custodial Assets Coordinator or other Treasury staff.

Further, the Agent must complete any audit confirmation requests received by the Agent regarding any of the sub-accounts promptly (within five business days).

Fees:

The Office of the State Treasurer and Reciever General will not be billed for the fees incurred by the self insurance sub-accounts. The current deposits total \$5.3 million. The financial institution may deduct such charges from the income earned on the deposits.

Describe the methodology in fixing the interest rate for Certificate of Deposit accounts. Also, forecast the interest rate from July 1st, 2012 thru December 31, 2012.

What will be the fee in basis points per Certificate of Deposit?

The Office of the State Treasurer and Receiver General intends to seek a competitive rate for the Insurance Custodial deposits.

Relationship Support:

The financial institution will designate a primary manager for this account and must also provide the necessary support staff to insure compliance with the required services.

B. LOTTERY CUSTODIAL SERVICES (ATTACHMENT B)

The MSLC requirements of this contract are to provide custodial banking services for the receipt, custody, reporting, and redemption of U.S. Treasury STRIPS held in book-entry form. The STRIPS are expected to be held to maturity. The MSLC currently has approximately 1,677 separate custodial accounts, one for every on-line lotto jackpot and instant game grand prize ticket claimed, with an approximate market value of \$1.405 billion. All of the reporting that will be generated by the Custodial Agents Portfolio Accounting will be predicated on the existing allocation of the securities in a master / feeder fund structure. Approximately one hundred and twenty-three (123) strip securities will need to be allocated amongst approximately 1,677 feeders which each represent an individual lottery winner. Each feeder has on average 15 individual security positions. In total, The Custodial Agent Portfolio Accounting will have approximately 21,165 individual accounting entries for the portfolio. The MSLC will conduct 1 transaction per month. The successful institution will need to provide the MSLC with the following custodial services:

1. Portfolio Accounting, Custody, and Safekeeping services under a master/feeder account structure which include receipt, reporting and redemption of US Treasury Strips, deposits of cash and securities, account valuation for approximately 1,677 accounts, monthly asset statements, and internet access.
2. The successful vendor must have a system that identifies each securities purchase within the Master /Feeder Account by the following, but not limited to:
 - Manager (Individual Account Number)
 - Game Name
 - Claim / Win Date
 - Security ID
 - Security Description
 - Maturity Date
 - Shares
 - Market Price
 - Base Cost
 - Market Value
 - Unrealized Gain / Loss
3. A quarterly pre-maturity list. The list must be received fifteen days prior to the maturity of applicable securities, and include (at a minimum) the total amount and account number.
4. The contractor shall wire all maturing funds to a designated MSLC bank account.
5. A monthly investment report sorted by account number detailing, at a minimum, the information listed under #2 above.
6. Quarterly investment report listing securities maturing for quarter detailing, at a minimum, the information listed under #2 above.
7. The contractor shall provide on-line access and have E-mail capability.
8. The Treasury may wish to pursue securities lending or investment swapping. Thus all bidders must have the capability to perform security lending. Disclosure of projected revenue split must be submitted under this RFR in the cost table. Should the Treasury desire to pursue securities lending, a separate agreement will be signed by the Treasury and the bank which will identify terms and conditions. For investment swaps, the Treasury may issue a separate RFR for investment management services to manage the swap of the Lottery's current STRIPS investments for other types of investments in which case, a Pooled Investment Account

Structure would be preferred. If investment swaps was to occur and we wish to switch to a pooled structure, a new RFR may be issued for this type of custodial services

9. Additional services may be requested by the MSLC.
10. The successful bank/firm shall bill the MSLC on a monthly basis in arrears, on a per master account basis.

Fees

The Massachusetts State Lottery is currently billed on a monthly basis by account. The Lottery currently has 1,677 individual accounts. Please indicate the monthly charge per account.

Taxes, Fees, Assessments, Etc. - Vendors must pay all taxes, fees and assessments associated with furnishing the products as part of the contract.

The Massachusetts' State Lottery intends to seek a competitive rate for Custodial Services

C. UNCLAIMED PROPERTY CUSTODIAL SERVICES (ATTACHMENT C)

Electronic and Online Resources

The custodian must be able to provide on-line access to account information, account balance, activity detail, security description, corporate action information, reorganizations, sales and transfers of securities and disbursements. The custodian will also provide:

1. transactions, transfers, wires, DTC, of securities or cash requested by e-mail or other electronic means
2. historical and current information on-line
3. the ability to print information from on-line source
4. the ability to customize information requests i.e. search deposits only, specific range of dates
5. a secure site to prevent intrusion from third parties and protect information
6. provide information as to any existing automated reconciliation programs which would enable the Treasurer's Office to have the ability to reconcile Unclaimed Property Holder Reports to custodian issued monthly accounts statements

Services

The custodian must also provide knowledgeable staff available by phone and e-mail during normal business hours (9:00 AM to 5:00 PM EST, Monday – Friday) with prompt response times to inquiries by the Unclaimed Property Division within 24 hours. The custodian will also provide:

1. upon initiation of services the custodian will accept all cash and securities from our current custodians and or the Treasurer's Office, including cash and securities deposited to our current custodians after commencement of this agreement. The custodian is expected to waive initial and subsequent transaction costs associated with the transfer of cash and securities with current custodians and or the Treasurer's Office..
2. ability to accept calls from Unclaimed Property clients, during normal business hours, regarding the transfer and delivery of securities to owners (avg. is less than five calls a month)

3. ability to provide reports of received securities, cash and fed fund wires weekly (on average 1,500 securities based holder reports are received per year)
4. transfer or re-register securities in the owners name and make delivery to the owner in 21 days or less upon request (an average of 6,890 claims requiring the re-registration of securities in the original owners name are processed per year)
5. provide monthly statements detailing transactions and securities held (hard copy)
6. ability to research unpublished and unknown items received by the Unclaimed Property Division
7. ability to hold mutual funds, equity based derivatives, Dividend Reinvested Plan shares (DRP)
8. ability to transfer in and reconcile mutual fund assets and Dividend Reinvestment Plan shares (DRP) held with outside firms
9. sweep cash into money market instrument for short-term investments
10. ability to tag/track securities by date of receipt and provide semi-annual reports of securities grouped by date of receipt
11. provide sub accounts grouping securities by date of receipt (a separate sub-account segregated by year of receipt will be required)
12. provide a list of securities (semi-annually), available for sale with cusip #, symbol, current value, value per share according to criteria provided by the Unclaimed Property Division. (criteria to be determined)
13. ability to provide Transition Management Services
14. ability to execute and settle sales or purchases of securities
15. must monitor and collect proceeds from bond maturity and calls
16. must monitor, collect and reconcile dividend payment, interest payments, stock splits, tenders or other activities associated with a reorganization or corporate action
17. upon completion of the contract the custodian must transfer all cash and securities to the successor, including securities deposited after the contract date intended for the Unclaimed Property Division. The custodian will also provide the successor with all information related to the services of the prior administration of the program and respond to any questions, related to the prior administration of the program, from the Unclaimed Property Division or successor within a 24 hour period. The custodian is expected to provide these services at no additional fee.
18. ability to provide a daily market value report for each account updated for the previous day's close of business.

Support of Third Party Activities

1. The custodian may be asked to provide certain services related to securities lending with a third party. The custodian is expected to provide these services as part of the core custody services for no additional fee.
2. The custodian may be asked to transfer, DTC, hold securities intended for a DVP account or other activities in relation to the sale or purchase of securities and derivatives with a third party. The

custodian is expected to provide these services as part of the core custody services for no additional fee.

Fees

1. Fees may be provided in either a fixed cost or per transaction cost basis.
2. Fees stated on a per transaction basis should be inclusive of ALL fees charged in the course of providing the required services and should be individually presented for each varying security type (stock, global stock, mutual fund, DRP and so forth)
3. Fixed cost fee proposals shall include all services provided under this agreement.

Attachment A

TREASURY CUSTODIAL SERVICES

Completion of Attachment A constitutes the technical proposal section of the RFR for Treasury Custodial Services. The purpose of the technical proposal is to demonstrate the qualifications, competence, and capacity of the custodial bank seeking to provide safekeeping and custody services to the State Treasurer's Office in conformity with the requirements of this Request for Response. This section and any required attachments/schedules will comprise the technical proposal and must be answered in its entirety.

PLEASE NOTE: The Cost Proposal must be separate from the Technical Proposal (see Part III) and submitted in a sealed envelope separate from the Technical Proposal. **NO DOLLAR UNITS OR TOTAL COSTS MAY BE INCLUDED IN THE TECHNICAL PROPOSAL.** Any specific reference to costs within the Technical Proposal may be grounds for disqualification of the proposal.

The technical proposal must address all points outlined below and should be prepared simply and economically, providing a straightforward, concise description of the bidder's capability to satisfy the requirements of the RFR.

CUSTODIAL INSTITUTION QUESTIONNAIRE

A. FIRM OVERVIEW

1. Provide an overview of your proposed management of the custodial contract. This narrative should provide detail on all services identified in this RFR.
2. Give a brief history of your organization including the following:
 - Year of organization
 - Year of initiation of proposed business(es)
 - Nature of firm's ownership
 - Nature of relationships with affiliated companies or joint ventures
 - Organizational issues/changes within the last three years
3. Provide schematic illustrations or organizational charts identifying the various organizations and business partners and their interrelationships that you propose in providing services required in the RFR.
4. Describe the current structure of your organization. Provide an organizational chart(s) showing the relationships and authority within the Master Trust/Custody Service unit and within the organization. Provide a copy of your most recent annual report and comment on any planned organizational changes subsequent to the report, in particular, the possibility of a merger with another organization.
5. For the most recent five fiscal years and next year's projection, identify by year the amount of money your organization has invested (and expects to invest) in technology and information systems' development.
6. What were your organization's long-term and short-term credit ratings December 31, 2011, December 31, 2010, December 31, 2009 and December 31, 2008? Please provide the rating from all services (Standard & Poor's, Moody's, etc.) that reviewed your organization's financial standing at each of the above dates.

B. PROFESSIONAL STAFF

1. How many professional staff are devoted exclusively to the delivery of Master Trust/Custody services? Describe the numbers and their functions. What is the ratio of professionals to number of client accounts? What approach to account administration is used (i.e., relationship manager, account teams, account administrator with support group)? Describe your servicing process.

2. If duties integral to the Master Trust/Custody product are provided by outside vendors, provide the names and principal business location of each vendor, the length of the relationship, and the services they perform.
3. Provide an organizational chart and identify the key individuals and specific responsibilities of those who would be assigned to this account. Describe their responsibilities and provide biographies on each person.

C. INTERNAL CONTROLS

1. Provide a brief overview of the internal control environment of your organization.
2. Provide a detailed summary of your firm's internal control structure. Does the firm conduct periodic risk assessment? Provide a copy of ADV (Parts I and II) and/or SAS 70 or other internal control review documentation, preferably prepared by an independent third party.
3. Does your organization employ an internal audit department? If so, to whom does this department report?
4. Have you had a material breach of internal control procedures over the past five years? If yes, how was it discovered and by whom? What corrective steps were taken?
5. What level of management evaluates the audit reports and recommends actions to correct any issues?

D. ACCOUNTING SERVICES

1. Discuss your procedures for tracking failed trades and reporting failed trades to clients and investment managers.
2. Outline your operational procedures for settling income trades, both book-entry and physical, and actual settlement date processing.
3. Describe whether funds are available for reinvesting on contractual settlement date of trades.
4. State whether your organization's process for accruing dividends and interest is automated or manual and indicate the primary source of the data. Are there specific transactions for which your system cannot accrue?
5. Describe the controls in place for ensuring wire transfers are made in a timely and accurate manner. What are acceptable means for communicating wire transfers? Provide a schedule of cut-off times for both repetitive and nonrepetitive wire transfers.
6. Confirm your organization's ability to meet the accounting and reporting requirements outlined in this RFR. What type of report customization is available and what is the process for obtaining additional specialized reports?
7. Please report in "business days" your best estimates of the following deliverables:
 - a) First mailing of accounting and position information to investment managers for reconciliation purposes
 - b) Final portfolio accounting information
 - c) Final performance information
 - d) Final plan reporting
 - e) Final plan performance
 - f) Issue financial statements and supporting detail
8. Describe your on-line system for accessing accounting and custody information. What information is not available to clients on-line? Discuss custom reporting flexibility and limitations, and the compatibility of your organization's system with Excel and other PC-based software. Identify any hardware or software requirements of your system.

9. How long is information retained on the system and how long is information retained in long-term storage?
10. What is the lag time between trade execution, posting of the transaction to the accounting system, and availability of on-line transaction data?
11. Provide an example of standard monthly accounting statements and reports. Also, provide samples of customized reports done for an existing client(s) for a similar type of account(s). Include enough pages of each report to demonstrate its use. Please indicate whether or not these reports are available on-line.
12. Does your organization's system have the ability to provide daily cash activity and balance information, notification of wire transfers, and daily cash collateral/securities lending reports on-line?
13. What provisions are made for training of client staff in the use of the client information delivery system? What technical support and client service resources will be dedicated to this account for the purposes of installing, upgrading, supporting, troubleshooting, and maintaining your on-line client information delivery product(s)?
14. How many staff members does the financial institution expect to designate to the Commonwealth Custodial Assets Division between the hours of 9 AM-5 PM, Monday-Friday?
 - _____ Total
 - _____ Senior Management
 - _____ Other
15. Identify whether the following medium can be used to transact business:
 - Telephone: _____
 - Fax: _____
 - On-Line PC/Modem: _____
 - Internet: _____
 - Other (specify): _____
16. Briefly describe the process by which the account will be valued, and the frequency. Include in this description all pricing information sources/tools to be utilized. In the event this pricing service is not available, how and when will you price services?
17. General ledger and program accounting: Provide an overview of your accounting system.
18. Account reconciliation: How would you internally maintain and reconcile separate accounts for each participant?
19. Does your organization have a separate investment manager liaison group that handles the reconciliation process? If so, please describe the structure of the group and how it communicates with the accounting group. If not, please describe how investment manager relationships are handled?
20. Please describe the role your organization plays in the investment manager reconciliation process. What specific procedures are performed on the reconciliations prepared by managers? Are the reconciliations completed pre or post report mailing?
21. What information delivery system do you offer investment managers? How is this system different from the information delivery system used by clients? If this is a different system, why? Are managers offered the capability to view their accounts on a real-time basis?
22. How do investment managers communicate trade instructions to your organization for settlement? What are the instruction deadlines?
23. Does your organization monitor tolerance levels for pricing discrepancies with investment managers? How are pricing challenges resolved? Please comment on procedures when follow-up is required as a result of discrepancies identified during the reconciliation process.

24. Describe the customer service assistance that will be available to the Custodial Assets Coordinator.
25. How does your organization plan to release interest on the Self Insurance Deposits?

E. SAFE KEEPING OF ASSETS

1. Describe your sub-custodian network. Provide a list of your organization's sub-custodians; include name, location/country, date the relationship commenced, and average fail rate.
2. Describe whether the assets held by your organization or sub-custodian is segregated in such a manner that they are not subject to creditor claims.
3. Discuss the frequency of custodian to sub-custodian reconciliations for cash and shares.

F. QUALITY CONTROL INDICATORS

1. Provide a report showing system down time for the past year.
2. Do you have a system that provides data on posting errors by your organization? If yes, provide results for the past three years.
3. Describe your quality control steps to assure accuracy in executing and posting transactions. Has there been any transaction that was not properly or fully executed that was not fully resolved within the business day for the last three years? If yes, explain.
4. Provide analysis of trends in quality performance, incorporating quantitative benchmarks or ratings, if available. If such data is not available, what steps are taken to monitor trends?

G. DISASTER RECOVERY

1. Describe your disaster recovery plan and procedure. Specifically, what back-up and recovery capabilities are in place in case of a catastrophic systemic malfunction and/or serious non-systemic emergencies (e.g., fire, floods...)? How many times in the last three years has a systems outage, malfunction, or failure occurred in systems or communications that caused a delay in service to one or more clients?
2. What type of back-up facility or "hot site" does the organization have for all primary systems used in providing services outlined in this proposal. Include location(s).
3. What are your security procedures that protect customer information, especially with respect to unauthorized access to data? Please describe in detail all security measures.

H. TRANSITION/CONVERSION PROCESS FOR TREASURY CUSTODIAL SERVICES

1. Provide a detailed task listing and schedule on how you will approach the conversion process, including actions required on the part of the client and the time frame to complete each task assuming a September 30 transition date. If additional time is required for the transition, please propose a modified transition date. Clearly describe the conversion process (i.e., who is responsible for coordinating activities, who must participate, what activities must occur, etc.). Detail the type and amount of resources required from the client.
2. What dedicated resources (personnel, equipment, training, consultants, etc.), procedures, and controls will you provide or recommend in the transition/conversion period to ensure that the conversion process is completed successfully in a timely and accurate manner? What is the experience level of the conversion staff?
3. Give a detailed description of your last comparable conversion, including the details of specific problems that occurred and the solutions instituted.

4. Provide a summary of the problems that you might reasonably expect to occur during this conversion and your approaches to those anticipated problems.
5. How do you process transactions that are pending during the transition/conversion period?
6. Describe training you would provide to the client's staff during conversion.
7. Describe the process for transfer of physical securities and appropriate client files.
8. What unique aspects of your Institution's Custodial Services distinguish your firm from your competitors and how are they relevant to the Commonwealth's Custodial Account?

I. TRANSITION/CONVERSION PROCESS FOR SELF INSURANCE ACCOUNTS

9. Provide a detailed task listing and schedule on how you will approach the conversion process, including actions required on the part of the client and the time frame to complete each task assuming a September 30 transition date. If additional time is required for the transition, please propose a modified transition date. Clearly describe the conversion process (i.e., who is responsible for coordinating activities, who must participate, what activities must occur, etc.). Detail the type and amount of resources required from the client.
10. What dedicated resources (personnel, equipment, training, consultants, etc.), procedures, and controls will you provide or recommend in the transition/conversion period to ensure that the conversion process is completed successfully in a timely and accurate manner? What is the experience level of the conversion staff?
11. Give a detailed description of your last comparable conversion, including the details of specific problems that occurred and the solutions instituted.
12. Provide a summary of the problems that you might reasonably expect to occur during this conversion and your approaches to those anticipated problems.
13. How do you process transactions that are pending during the transition/conversion period?
14. Describe training you would provide to the client's staff during conversion.
15. Describe the process for transfer of Certificates of Deposits and appropriate client files.
16. What unique aspects of your Institution's Custodial Services distinguish your firm from your competitors and how are they relevant to the Commonwealth's Custodial Account?

Attachment B

LOTTERY CUSTODIAL SERVICES

Completion of Attachment B constitutes the technical proposal section of the RFR for Lottery Custodial Services. The purpose of the technical proposal is to demonstrate the qualifications, competence, and capacity of the custodial bank seeking to provide safekeeping and custody services to the State Treasurer's Office in conformity with the requirements of this Request for Response. This section and any required attachments/schedules will comprise the technical proposal and must be answered in its entirety.

PLEASE NOTE: The Cost Proposal must be separate from the Technical Proposal (see Part III) and submitted in a sealed envelope separate from the Technical Proposal. **NO DOLLAR UNITS OR TOTAL COSTS MAY BE INCLUDED IN THE TECHNICAL PROPOSAL.** Any specific reference to costs within the Technical Proposal may be grounds for disqualification of the proposal.

The technical proposal must address all points outlined below and should be prepared simply and economically, providing a straightforward, concise description of the bidder's capability to satisfy the requirements of the RFR.

CUSTODIAL INSTITUTION QUESTIONNAIRE

A. FIRM OVERVIEW

1. Provide an overview of your proposed management of the custodial contract. This narrative should provide detail on all services identified in this RFR.
2. Give a brief history of your organization including the following:
 - Year of organization
 - Year of initiation of proposed business(es)
 - Nature of firm's ownership
 - Nature of relationships with affiliated companies or joint ventures
 - Organizational issues/changes within the last three years
3. Provide schematic illustrations or organizational charts identifying the various organizations and business partners and their interrelationships that you propose in providing services required in the RFR.
4. Describe the current structure of your organization. Provide an organizational chart(s) showing the relationships and authority within the Master Trust/Custody Service unit and within the organization. Provide a copy of your most recent annual report and comment on any planned organizational changes subsequent to the report, in particular, the possibility of a merger with another organization.
5. For the most recent five fiscal years and next year's projection, identify by year the amount of money your organization has invested (and expects to invest) in technology and information systems' development.
6. What were your organization's long-term and short-term credit ratings December 31, 2011, December 31, 2010, December 31, 2009 and December 31, 2008? Please provide the rating from all services (Standard & Poor's, Moody's, etc.) that reviewed your organization's financial standing at each of the above dates.

B. PROFESSIONAL STAFF

1. How many professional staff are devoted exclusively to the delivery of Master Trust/Custody services? Describe the numbers and their functions. What is the ratio of professionals to number of client accounts? What approach to account administration is used (i.e., relationship manager, account teams, account administrator with support group)? Describe your servicing process.

2. If duties integral to the Master Trust/Custody product are provided by outside vendors, provide the names and principal business location of each vendor, the length of the relationship, and the services they perform.
3. Provide an organizational chart and identify the key individuals and specific responsibilities of those who would be assigned to this account. Describe their responsibilities and provide biographies on each person.

C. INTERNAL CONTROLS

1. Provide a brief overview of the internal control environment of your organization.
2. Provide a detailed summary of your firm's internal control structure. Does the firm conduct periodic risk assessment? Provide a copy of ADV (Parts I and II) and/or SAS 70 or other internal control review documentation, preferably prepared by an independent third party.
3. Does your organization employ an internal audit department? If so, to whom does this department report?
4. Have you had a material breach of internal control procedures over the past five years? If yes, how was it discovered and by whom? What corrective steps were taken?
5. What level of management evaluates the audit reports and recommends actions to correct any issues?

D. ACCOUNTING SERVICES

1. Discuss your procedures for tracking failed trades and reporting failed trades to clients and investment managers.
2. Outline your operational procedures for settling income trades, both book-entry and physical, and actual settlement date processing.
3. Describe whether funds are available for reinvesting on contractual settlement date of trades.
4. State whether your organization's process for accruing dividends and interest is automated or manual and indicate the primary source of the data. Are there specific transactions for which your system cannot accrue?
5. Describe the controls in place for ensuring wire transfers are made in a timely and accurate manner. What are acceptable means for communicating wire transfers? Provide a schedule of cut-off times for both repetitive and nonrepetitive wire transfers.
6. Confirm your organization's ability to meet the accounting and reporting requirements outlined in this RFR. What type of report customization is available and what is the process for obtaining additional specialized reports?
7. Please report in "business days" your best estimates of the following deliverables:
 - g) First mailing of accounting and position information to investment managers for reconciliation purposes
 - h) Final portfolio accounting information
 - i) Final performance information
 - j) Final plan reporting
 - k) Final plan performance
 - l) Issue financial statements and supporting detail
8. Describe your on-line system for accessing accounting and custody information. What information is not available to clients on-line? Discuss custom reporting flexibility and limitations, and the compatibility of your organization's system with Excel and other PC-based software. Identify any hardware or software requirements of your system.

9. How long is information retained on the system and how long is information retained in long-term storage?
10. What is the lag time between trade execution, posting of the transaction to the accounting system, and availability of on-line transaction data?
11. Provide an example of standard monthly accounting statements and reports. Also, provide samples of customized reports done for an existing client(s) for a similar type of account(s). Include enough pages of each report to demonstrate its use. Please indicate whether or not these reports are available on-line.
12. Does your organization's system have the ability to provide daily cash activity and balance information, notification of wire transfers, and daily cash collateral/securities lending reports on-line?
13. What provisions are made for training of client staff in the use of the client information delivery system? What technical support and client service resources will be dedicated to this account for the purposes of installing, upgrading, supporting, troubleshooting, and maintaining your on-line client information delivery product(s)?
14. How many staff members does the financial institution expect to designate to the Commonwealth Custodial Assets Division between the hours of 9 AM-5 PM, Monday-Friday?
- _____ Total
- _____ Senior Management
- _____ Other
15. Identify whether the following medium can be used to transact business:
- Telephone: _____
 - Fax: _____
 - On-Line PC/Modem: _____
 - Internet: _____
 - Other (specify): _____
16. Briefly describe the process by which the account will be valued, and the frequency. Include in this description all pricing information sources/tools to be utilized. In the event this pricing service is not available, how and when will you price services?
17. General ledger and program accounting: Provide an overview of your accounting system.
18. Account reconciliation: How would you internally maintain and reconcile separate accounts for each participant?
19. Does your organization have a separate investment manager liaison group that handles the reconciliation process? If so, please describe the structure of the group and how it communicates with the accounting group. If not, please describe how investment manager relationships are handled?
20. Please describe the role your organization plays in the investment manager reconciliation process. What specific procedures are performed on the reconciliations prepared by managers? Are the reconciliations completed pre or post report mailing?
21. What information delivery system do you offer investment managers? How is this system different from the information delivery system used by clients? If this is a different system, why? Are managers offered the capability to view their accounts on a real-time basis?
22. How do investment managers communicate trade instructions to your organization for settlement? What are the instruction deadlines?

23. Does your organization monitor tolerance levels for pricing discrepancies with investment managers? How are pricing challenges resolved? Please comment on procedures when follow-up is required as a result of discrepancies identified during the reconciliation process.
24. Describe the customer service assistance that will be available to the Custodial Assets Coordinator.

E. SAFE KEEPING OF ASSETS

1. Describe your sub-custodian network. Provide a list of your organization's sub-custodians; include name, location/country, date the relationship commenced, and average fail rate.
2. Describe whether the assets held by your organization or sub-custodian is segregated in such a manner that they are not subject to creditor claims.
3. Discuss the frequency of custodian to sub-custodian reconciliations for cash and shares.

F. QUALITY CONTROL INDICATORS

1. Provide a report showing system down time for the past year.
2. Do you have a system that provides data on posting errors by your organization? If yes, provide results for the past three years.
3. Describe your quality control steps to assure accuracy in executing and posting transactions. Has there been any transaction that was not properly or fully executed that was not fully resolved within the business day for the last three years? If yes, explain.
4. Provide analysis of trends in quality performance, incorporating quantitative benchmarks or ratings, if available. If such data is not available, what steps are taken to monitor trends?

G. DISASTER RECOVERY

1. Describe your disaster recovery plan and procedure. Specifically, what back-up and recovery capabilities are in place in case of a catastrophic systemic malfunction and/or serious non-systemic emergencies (e.g., fire, floods...)? How many times in the last three years has a systems outage, malfunction, or failure occurred in systems or communications that caused a delay in service to one or more clients?
2. What type of back-up facility or "hot site" does the organization have for all primary systems used in providing services outlined in this proposal. Include location(s).
3. What are your security procedures that protect customer information, especially with respect to unauthorized access to data? Please describe in detail all security measures.

H. TRANSITION/CONVERSION PROCESS

1. Provide a detailed task listing and schedule on how you will approach the conversion process, including actions required on the part of the client and the time frame to complete each task assuming a September 30 transition date. If additional time is required for the transition, please propose a modified transition date. Clearly describe the conversion process (i.e., who is responsible for coordinating activities, who must participate, what activities must occur, etc.). Detail the type and amount of resources required from the client.
2. What dedicated resources (personnel, equipment, training, consultants, etc.), procedures, and controls will you provide or recommend in the transition/conversion period to ensure that the conversion process is completed successfully in a timely and accurate manner? What is the experience level of the conversion staff?
3. Give a detailed description of your last comparable conversion, including the details of specific problems that occurred and the solutions instituted.

4. Provide a summary of the problems that you might reasonably expect to occur during this conversion and your approaches to those anticipated problems.
5. How do you process transactions that are pending during the transition/conversion period?
6. Describe training you would provide to the client's staff during conversion.
7. Describe the process for transfer of physical securities and appropriate client files.
8. Describe the process for transfer of Certificates of Deposits and appropriate client files.
9. What unique aspects of your Institution's Custodial Services distinguish your firm from your competitors and how are they relevant to the Commonwealth's Custodial Account?

Attachment C

UNCLAIMED PROPERTY CUSTODIAL SERVICES

Completion of Attachment C constitutes the technical proposal section of the RFR to provide Custody Services for the Unclaimed Property Division. The purpose of the technical proposal is to demonstrate the qualifications, competence, and capacity of the custodial bank seeking to provide safekeeping and custody services to the State Treasurer's Office in conformity with the requirements of this Request for Response. This section and any required attachments/schedules will comprise the technical proposal and must be answered in its entirety.

PLEASE NOTE: The Cost Proposal must be separate from the Technical Proposal (see Part III) and submitted in a sealed envelope separate from the Technical Proposal. **NO DOLLAR UNITS OR TOTAL COSTS MAY BE INCLUDED IN THE TECHNICAL PROPOSAL.** Any specific reference to costs within the Technical Proposal may be grounds for disqualification of the proposal.

The technical proposal must address all points outlined below and should be prepared simply and economically, providing a straightforward, concise description of the bidder's capability to satisfy the requirements of the RFR.

CUSTODIAL INSTITUTION QUESTIONNAIRE

A. FIRM OVERVIEW

1. Provide an overview of your proposed management of the custodial contract. This narrative should provide detail on all services identified in this RFR.
2. Give a brief history of your organization including the following:
 - Year of organization
 - Year of initiation of proposed business(es)
 - Nature of firm's ownership
 - Nature of relationships with affiliated companies or joint ventures
 - Organizational issues/changes within the last three years
3. Provide schematic illustrations or organizational charts identifying the various organizations and business partners and their interrelationships that you propose in providing services required in the RFR.
4. Describe the current structure of your organization. Provide an organizational chart(s) showing the relationships and authority within the Master Trust/Custody Service unit and within the organization. Provide a copy of your most recent annual report and comment on any planned organizational changes subsequent to the report, in particular, the possibility of a merger with another organization.
5. For the most recent five fiscal years and next year's projection, identify by year the amount of money your organization has invested (and expects to invest) in technology and information systems' development.
6. What were your organization's long-term and short-term credit ratings December 31, 2011, December 31, 2010, December 31, 2009 and December 31, 2008? Please provide the rating from all services (Standard & Poor's, Moody's, etc.) that reviewed your organization's financial standing at each of the above dates.

B. PROFESSIONAL STAFF

1. Provide an overview of your proposed management of the custodial contract. This narrative should provide detail on all services identified in the Scope of Services/Specifications portion of the RFR.
2. Provide organizational charts identifying the key individuals (or lead/management individuals) within your organization that would deliver specific services to Treasurer's Office.

3. How many staff members does the financial institution expect to designate to the Commonwealth Custodial Assets Division between the hours of 9:00 AM-5:00 PM, Monday-Friday?

- _____ Total
- _____ Senior Management
- _____ Other

4. Identify whether the following medium can be used to transact business

- Telephone: _____
- Fax: _____
- On-Line PC/modem: _____
- Internet: _____
- Other (specify): _____

C. INTERNAL CONTROLS

1. Describe your internal control systems and procedures and how often they are reviewed and revised. Are there written internal controls?
2. Have you had a material breach of internal control procedures over the past five years? If yes, how was it discovered and by whom? What corrective steps were taken?

D. ACCOUNTING SERVICES

1. Outline your operational procedures for settling trades, both book-entry and physical and settlement date processing
2. What are your primary sources for pricing securities?
3. Describe how your organization prices difficult to price securities? (i.e. infrequently traded stocks or bonds)
4. Briefly describe the process by which the account will be valued, and the frequency. In the event this pricing service is not available, how and when will you price services?
5. Describe the procedures your institution will use to provide confirmation of DTC and Fed Wire Deliveries.
6. Discuss your procedures for tracking failed transactions and reporting failed transactions to the client.
7. Describe your ability to provide the Treasurer's Office with the value of a property at the point of transfer from the custodian institution to the claimant or transfer agent.
8. Account reconciliation: How would you internally maintain and reconcile separate sub accounts?
9. What level of management evaluates the audit reports and recommends actions to correct any issues?
10. Provide samples of reports that would be available to the Abandoned Property Division on an ad-hoc basis and for required monthly reports.
11. Are any of the reports available in formats that can be downloaded to access/excel worksheets? Are any standard reports available in other medium such as CD-ROM?

E. SAFE KEEPING OF ASSETS

1. Describe the physical security systems of your organization's vault and custody areas.
2. Briefly discuss your organization's policy and procedures for assuring that clients assets are properly held in safekeeping and positions are accurately maintained electronically. Include information on segregation

of assets and distinctions between physical and book entry positions. How often does your organization reconcile the accounting positions to the custody positions? At what point are clients notified of exceptions?

F. QUALITY CONTROL INDICATORS

1. Describe your organization's quality assurance program.
2. Describe your quality control steps to assure accuracy in executing and posting transactions. Has there been any transaction that was not properly or fully executed that was not fully resolved within the business day for the last three years? If yes, explain.
3. Provide a report showing system down time for the past year.
4. Do you have a system that provides data on posting errors by your organization? If yes, provide results for the past three years.

G. DISASTER RECOVERY PROCESS

1. Describe your disaster recovery plan and procedure. Specifically, what back-up and recovery capabilities are in place in case of a catastrophic systemic malfunction and/or serious non-systemic emergencies (e.g., fire, floods...)? How many times in the last three years has a systems outage, malfunction, or failure occurred in systems or communications that caused a delay in service to one or more clients?
2. What type of back-up facility or "hot site" does the organization have for all primary systems used in providing services outlined in this proposal. Include location(s).
3. What are your security procedures that protect customer information, especially with respect to unauthorized access to data? Please describe in detail all security measures.

H. TRANSITION CONVERSION

1. Provide a task listing and schedule of how your organization will approach the conversion process, including involvement of personnel from the Treasury.
2. Information systems/workstations: Briefly describe the various on-line workstations available to the Unclaimed Property Division (PC modem/based, Internet) and their functionality. Identify any hardware or software requirements of your system.
3. List any other significant technology enhancements/planned initiatives that your organization has initiated that would be of benefit to the Treasury.
4. Describe any on-line reports or system inquiry functions that would be available to the Abandoned Property Division.
5. Describe the customer service assistance that will be available to the Unclaimed Property Division.
6. What unique aspects of your institution's custodial services distinguish your firm from its competitors and how are they relevant to Unclaimed Property Division's custodial account?

Attachment D

COMMONWEALTH OF MASSACHUSETTS DISCLOSURE STATEMENT

FIRM: _____
ADDRESS: _____

Firms seeking to provide custodial services (the “engagement”) to the Commonwealth of Massachusetts must complete a disclosure statement providing complete and accurate responses to the questions below. Firms selected to provide custodial services to the Commonwealth have a continuing obligation to update responses to these questions, in writing, immediately upon any change to such responses. The questions in this Disclosure Statement should be read broad, and any perceived ambiguity should be resolved in favor of disclosure. Any questions concerning the disclosures required should be directed to the Commonwealth.

1. Describe in detail your firm’s organization structure, and identify any controlling stockholders, parents, subsidiaries, affiliates, partners, general partners, or principals (all such individuals or entities hereinafter collectively referred to as the “firm”.)
2. Identify any relationship of the firm, its joint ventures, consultants, lobbyists, subcontractors, agents, or placement agents that relate in any way to the engagement.
3. Aside from the engagement, describe any services provided by the firm to the Commonwealth.
4. Aside from the services described in response to question number 3, above, describe any services provided by the firm to the Office of the Treasurer or any trust, board, commission, or authority of which the Treasurer is a member or trustee. (A list of such entities is attached as Exhibit II.)
5. Aside from the services described in response to question numbers 3 and 4, above, describe any services provided by the firm to the Commonwealth of Massachusetts or any of its political subdivisions.
6. Did or will the firm provide or share, agree to provide or share, or arrange to provide or share any compensation or benefit, direct or indirect, to any individual or entity for assisting the firm in:
 - a) obtaining the engagement or
 - b) performing the services required by the engagement.

If the answer to question number 6 is “yes”, provide for each the individual or entity.

- a) the name and address of such individual or entity;
 - b) a description of the assistance provided; and
 - c) the compensation or benefit.
7. Does the firm have any ongoing relationship, arrangement, or agreement with any individual or entity with respect to sharing compensation for services to:
 - a) PRIM;
 - b) any trust, board, commission, or authority of which the Treasurer is a member or trustee; or
 - c) the Commonwealth of Massachusetts or its political subdivisions.

If the answer to question number 7 is “yes”, provide for each such individual or entity.

- a) the name and address of such individual or entity;
- b) a description of the relationship, arrangement, or agreement; and
- c) the compensation shared.

Signed under the pains and penalties of perjury this _____ day of _____, 2011.

Signature: _____

Name: _____
(Print)

Title: _____

Attachment E

GENERAL LAWS OF MASSACHUSETTS

Chapter 90: Section 34D. Registration application; cash deposit in lieu of liability bond or policy; satisfaction of judgment.

Section 34D. The applicant for registration may, in lieu of procuring a motor vehicle liability bond or policy, deposit with the State Treasurer cash in the amount of ten thousand dollars or bonds, stocks or other evidences of indebtedness satisfactory to said Treasurer of a market value of not less than ten thousand dollars as security for the payment by such applicant or by any person responsible for the operation of such applicant's motor vehicle with his express or implied consent of all judgments rendered against such applicant or against such person in actions to recover damages for bodily injuries, including death at any time resulting therefrom, judgments rendered as aforesaid for consequential damages consisting of expenses incurred by a husband, wife, parent or guardian for medical, nursing, hospital or surgical services, or for indemnity, in connection with or on account of such bodily injuries or death, and judgments rendered as aforesaid for contribution as a joint tortfeasor in connection with or on account of such bodily injuries, sustained during the term of registration by any person other than a guest occupant of such motor vehicle or any employee of the owner or registrant of such motor vehicle or of such other person responsible as aforesaid who is entitled to payments or benefits under the provisions of chapter one hundred and fifty-two, and arising out of the ownership, operation, maintenance, control or use of such motor vehicle upon the ways of the Commonwealth or in any place therein to which the public has a right of access, to the amount or limit of at least ten thousand dollars on account of any such judgment; provided, however, that if the applicant for registration is engaged in the business of leasing motor vehicles under any system referred to in section thirty-two C, such applicant shall deposit with said Treasurer additional security in the amount or value of at least one thousand dollars for the payment by such applicant or by any person responsible for the operation of such applicant's motor vehicle with his express or implied consent, including such consent imputed under section thirty-two E, of all judgments rendered against such applicant or against such person in actions to recover damages for injury to property and judgments rendered as aforesaid for indemnity, or for contribution as a joint tortfeasor, sustained during the term of registration by any person, and arising out of the ownership, operation, maintenance, control or use upon the ways of the Commonwealth of such motor vehicle, to the amount or limit of at least one thousand dollars on account of any such judgment and provided further that no such deposit shall be required in the case of vehicles leased for a term of more than thirty days and the depositor shall in writing authorize the State Treasurer to pay over to the insurer assigned a claim under section thirty-four N any and all amounts, including without limitation the reasonable costs of investigating and settling any such claim and such other reasonable expenses expended by it to satisfy a claim for personal injury protection made against it by any person, other than the depositor or members of his household, who is entitled to such payments as a result of the unavailability of personal injury protection benefits on said depositor's motor vehicle. The depositor shall be entitled to the interest accruing on his deposit and to the income payable on the securities deposited and may from time to time with the consent of the State Treasurer change such securities. Upon presentation to the State Treasurer by an officer qualified to serve civil process or an execution issued on any such judgment against the registrant or other person responsible as aforesaid, said Treasurer shall pay, out of the cash deposited by the registrant as herein provided, the amount of the execution, including costs and interest, up to but not in excess of ten thousand dollars. If the registrant has deposited bonds, stocks or other evidences of indebtedness, the State Treasurer shall, on presentation of an execution as aforesaid, cause the said securities or such part thereof as may be necessary to satisfy the judgment to be sold at public auction, giving the registrant three days' notice in writing of the time and place of said sale, and from the proceeds of said sale the State Treasurer shall, after paying the expenses thereof, satisfy the execution as herein before provided when a cash deposit has been made. Any payment upon an execution by the State Treasurer in accordance with the provisions of this section shall discharge him from all official and personal liability whatever to the registrant to the extent of such payment. The State Treasurer shall, whenever the amount of such deposit from any cause falls below the amount required by this section, require, at the option of the registrants, the deposit of additional cash or securities up to the amount required by this section or a motor vehicle liability bond or policy as provided in this chapter. Money or securities deposited with the State Treasurer under the provisions of this section shall not be subject to attachment or execution except as provided in this section. The State Treasurer shall deposit any cash

received under the provisions of this section in a savings bank or the savings department of a trust company or of a national bank within the Commonwealth, or on paid-up shares and accounts of and in co-operative banks, or shall use such cash to purchase share accounts in federal savings and loan associations located in the Commonwealth.

Chapter 152: Section 25A. Purchase of insurance; self-insurance; reinsurance; deductibles

Section 25A. In order to promote the health, safety and welfare of employees, every employer shall provide for the payment to his employees of the compensation provided for by this chapter in the following manner: ^a

(1) By insurance with an insurer or by membership in a workers' compensation self-insurance group, established pursuant to the provisions of sections twenty-five E to twenty-five U, inclusive, or

(2) Subject to the rules of the department, by obtaining from the department annually a license as a self-insurer by conforming to the provisions of one of the two following subparagraphs and also to the provisions of subparagraph (c) if required. Every employer desiring to be licensed as a self-insurer shall make application for such license on a form provided by the department. The application shall contain: (1) a sworn itemized statement of the assets and liabilities of the applicant; (2) a payroll report for the preceding fiscal year of the applicant; (3) a detailed description of the nature and kind of business carried on.

(a) By keeping on deposit with the State Treasurer in trust for the benefit and security of employees such amount of securities, not less in market value than twenty thousand dollars, as may be required by the department, said securities to be in the form of cash, bonds, stocks or other evidences of indebtedness as the department may require, and to be used, liquidated and disbursed only upon order of the department for the purposes of paying the benefits provided for by this chapter. The department shall, at least semiannually, determine the liabilities of a self-insurer both incurred or to be incurred because of personal injuries to employees under this chapter. The department shall require an additional deposit or further security when the sum of the self-insurer's liability both incurred or to be incurred exceeds the deposit or any required reinsurance, or permit a decrease of said deposit provided the value of said deposit in no case shall be less than twenty thousand dollars. The department may permit a substitution of securities in place of those deposited. Interest, dividends and other income from said deposit or deposits shall be payable to the employer who deposited them, unless and until the department shall direct otherwise. The deposit or deposits may be returned to the employer if the employer shall insure with an insurer under paragraph (1) of this section, or qualify as a self-insurer under subparagraph (b) of this section, or if he shall cease to transact business in the Commonwealth; provided, that in any case he satisfies the department that he is not under any obligation to pay compensation under this chapter, or, if the department so requires, he furnishes the department with a single premium non-cancellable policy, insuring him against any liability that may have arisen under this chapter or with a bond executed as surety by some company authorized to transact the business of workers' compensation insurance in this Commonwealth, in an amount and form approved by the department, guaranteeing the payment of any liability on his part that may have arisen under this chapter. No deposit so deposited shall be assignable or subject to attachment or be liable in any way for the debt of the self-insurer. If an employer engaged in interstate or foreign commerce certifies that the laws of the United States provide for liability for injury to or death of its employees, the deposit shall be returned to the employer less such amount as determined by the department as necessary to satisfy against liability that may already have arisen under this chapter; and provided that such determination by the department shall be reviewable by the superior court for the county in which the employer resides, or, in the case of a corporation, where said corporation has a usual place of business.

(b) By furnishing annually a bond running to the Commonwealth, with some surety company authorized to transact business in the Commonwealth as surety, in such form as may be approved by the department and in such amount not less than twenty thousand dollars as may be required by the department, said bond, however, to be upon the condition that if the license of the principal shall be revoked or if the principal shall cease to transact business in the Commonwealth or if the department shall refuse to renew the license or if the principal shall insure with an insurer, the principal shall upon demand deposit with the State Treasurer an amount of securities equal to the penal sum of the bond or a single premium non-cancellable policy issued by some insurance company authorized to transact the business of workers' compensation insurance in this Commonwealth, insuring him against any liability that may have arisen under this chapter or a bond executed as surety by some company authorized to transact the business aforesaid in this Commonwealth, in an amount and form approved by the department, guaranteeing the payment of any liability on his part that may have arisen under this chapter. The department shall, at least semiannually, determine the liabilities of a self-insurer both incurred or to be incurred because of personal injuries to employees under this chapter. The department may at any time require an additional bond, similarly conditioned, or further security or permit a decrease in the amount of said bond provided the amount of the bond or the bonds in no case

shall be less than twenty thousand dollars. The liability of the surety shall not exceed in the aggregate the penal sum or sums stated in any such annual bond or bonds or in any endorsements giving effect to any such increase or reduction. The department may permit a substitution of a new bond or bonds for the bond or bonds, which have been furnished and shall return the old bond or bonds to the self-insurer as soon as a new annual bond has been obtained.

(c) As a further guarantee of a self-insurer's ability to pay the benefits provided for by this chapter to injured employees, every self-insurer shall make arrangements satisfactory to the department, by reinsurance, to protect it from extraordinary losses or losses caused by one disaster.

Such reinsurance shall be in such amounts and form as the department may approve and shall be effected with a company as provided in section twenty of chapter one hundred and seventy-five, provided the minimum amount shall be not less than five hundred thousand dollars. Such reinsurance shall provide that the use or disposition of any money received by a self-insurer or former self-insurer under any such reinsurance shall be subject to the approval of the department, and no such money shall be assignable or subject to attachment or be liable in any way for the debt of the self-insurer unless incurred under this chapter. The provisions of this paragraph shall not apply to common carriers by railroad, which are subject to the provisions of the Federal Employers Liability Act.

(3) The department may make rules governing self-insurers, and may revoke or refuse to renew the license of a self-insurer because of the failure of such self-insurer promptly to make payments of compensation provided for by this chapter, or for any other reasonable cause. Any person aggrieved by the action of the department in refusing to grant a license or in revoking, or refusing to renew, a license of a self-insurer under this section or by the action of the department in requiring an additional deposit or further security under subparagraph (a) of this section, or in requiring a further bond or security for an additional sum under subparagraph (b) of this section may demand a hearing before the department, and if, after said hearing, the department denies his petition, he may within ten days after receipt of a notice stating reasons for such denial, file a petition in the Superior Court for Suffolk County for a review thereof; but the filing of such a petition shall not suspend the action of the department unless a stay thereof shall be allowed by the justice pending a final determination by the court. The court shall summarily hear the petition and may make any appropriate order or decree.

(4) (a) The Commissioner of Insurance shall require each insurer issuing a policy under this chapter to offer, as a part of the policy or as an optional endorsement to the policy, deductibles, including reasonable small deductibles optional to the policyholder for benefits payable under this chapter. Deductible amounts offered shall be fully disclosed to the prospective policyholders in writing in amounts determined by the Commissioner. The policyholder exercising the deductible option shall choose only one deductible amount.

(b) If the policyholder exercises the option and chooses a deductible, the insured employer shall be liable for the amount of the deductible for benefits paid for each compensable claim of work injury suffered by an employee or, at the option of the policyholder, an aggregate deductible as determined by the Commissioner. The insurer shall pay all or part of the deductible amount, whichever is applicable, to a compensable claim, to the person or medical provider entitled to the benefits conferred by this chapter and then seek reimbursement from the insured employer for the applicable deductible amount. The payment or nonpayment of deductible amounts by the insured employer to the insurer shall be treated under the policy insuring the liability for workers' compensation in the same manner as payment or nonpayment of premiums.

(c) Optional deductibles shall be offered in each policy insuring liability for workers' compensation that is issued, delivered, issued for delivery, or renewed under this chapter on or after a date to be determined by the Commissioner, unless an insured employer and insurer agree to renegotiate a workers' compensation policy in effect, so as to include a provision allowing for a deductible.

(d) Premium reductions for deductibles shall be determined by the Commissioner of Insurance.

(e) This subsection shall not apply to employers who are approved to self-insure against liability for workers' compensation or group self-insurance funds for workers' compensation established pursuant to the provisions of this chapter.

(f) The Commissioner of Insurance may promulgate regulations to enforce the provisions of this section.

Chapter 152: Section 61. Bond for foreign company; other security.

Section 61. Every foreign insurance company transacting the business of workmen's compensation insurance in the Commonwealth shall furnish a bond running to the Commonwealth, with some surety company authorized to transact business in the Commonwealth as surety, for such term and such amount and in such form as may be approved by the Commissioner of Insurance, the bond being conditioned upon the making of the deposits required by the following section. The annual license of such a company shall not be issued or renewed until it has filed with the Commissioner a bond as aforesaid covering a future period at least as long as that covered by the license. In place of a bond as aforesaid the company may furnish other security, upon a like condition, satisfactory to the Commissioner.

Chapter 152: Section 62. Deposits by foreign companies; payment of obligations.

Section 62. Every such foreign insurance company shall, within five days after its withdrawal from the transaction of business in the Commonwealth or after the revocation of its license issued by the Commissioner of Insurance or of his refusal to renew it, deposit with a trustee to be named by the department an amount equal to twenty-five per cent of its obligations incurred or to be incurred under workmen's compensation policies issued to employers in the Commonwealth; and within thirty days after such withdrawal, revocation of or refusal to renew a license, such company shall deposit with said trustee an amount equal to the remainder of such obligations incurred or to be incurred, the amount of which obligations shall be determined by the department. The amounts so deposited shall be available for the payment of the said obligations of the company to the same extent as if the company had continued to transact business in the Commonwealth, and the trustee so receiving said deposits shall pay such obligations at the times and in a manner satisfactory to the department. (*Amended by 1986, 662, Sec. 40.*)

Chapter 169: Section 2. Bond; amount; condition.

Section 2. Every person subject to section one, before engaging or becoming financially interested or continuing to engage or be financially interested in the business of receiving deposits of money for the purpose of transmitting the same or equivalents thereof to foreign countries, shall make, execute and deliver to the State Treasurer a bond in a sum equal to twice the average weekly amount of money or equivalents thereof transmitted to foreign countries by such person, as determined by the Commissioner of Banks, hereinafter called the Commissioner, but in no event shall the sum of the bond be less than fifty thousand dollars; provided, however, that a person carrying on business at more than one location need post only one such bond which shall be in the sum of fifty thousand dollars or twice the average total weekly amount of money or equivalents thereof transmitted to foreign countries from all locations, whichever is greater; and, provided further, that the sum of such bond shall be increased on order of the Commissioner at any time to such amount as shall be shown by examination to be necessary. Such bond shall be conditioned upon the faithful holding and transmission of any money or equivalents thereof which shall have been delivered to such person for transmission to a foreign country and, in the event of the insolvency or bankruptcy of the principal, upon the payment of the full amount of such bond to the assignee, receiver or trustee of the principal, as the case may require, for the benefit of such persons as shall have delivered money or equivalents thereof to said principal for the purpose of transmitting the same to a foreign country.

Chapter 169: Section 3. Bond; requirements; issuance and revocation of license; trust fund for depositors.

Section 3. Except as otherwise expressly provided herein, the provisions of this section shall apply to the bonds required by section two. Each such bond shall be executed by the person of whom it is required, as principal, and a surety company, approved by the Commissioner, as surety. In lieu of the aforesaid surety, the person may deposit and the State Treasurer shall accept as security for the fulfillment of the provisions of the bond, money, bonds of the United States, of the Commonwealth or of any municipality thereof or, if approved by the Commissioner, other bonds, certificates of deposit issued by a savings bank, cooperative bank, credit union, trust company, federal savings bank, federal savings and loan association, federal credit union or national bank, or savings accounts in such institutions. The money or securities so deposited shall be held upon the conditions specified in the bond. If securities be deposited in lieu of an approved surety and be accepted, the State Treasurer shall require the depositor to maintain such deposit at a value equal to the amount fixed as the penalty

of the bond and he may, in his discretion, permit the substitution of securities for money, or of money for securities, in whole or in part, or of money or securities for an approved surety, or of a bond for money or securities deposited or the withdrawal of securities deposited and the substitution of others of equal value in their place and, if the total value of the securities becomes substantially impaired, he shall require the deposit of money or additional securities sufficient to cover the impairment in value. No bond required by section two shall be accepted until it has been first examined and approved by the Commissioner and the State Treasurer and, upon such approval by the State Treasurer, it shall be filed in his office. Upon notice of such approval by the State Treasurer, the Commissioner shall issue a license authorizing said person to carry on the business of receiving deposits of money for the purpose of transmitting the same or equivalents thereof to foreign countries. Such license shall be for a period of one year from July first. No person shall engage or become financially interested or continue to engage or be financially interested in the aforesaid business without such authority. The fee for such license shall be determined annually by the Commissioner of Administration under the provisions of section three B of chapter seven. The license shall not be transferred or assigned. It shall not authorize the transaction of business at any place other than that described in the license, except with the written approval of the Commissioner. Immediately upon the receipt of the license issued by the Commissioner, the licensee named therein shall cause the license to be posted and at all times conspicuously displayed in the place of business for which it is issued, so that all persons visiting such place may readily see the same. It shall be unlawful for any licensee to post the license or permit the license to be posted upon premises other than those described therein or those to which it has been transferred with the written approval of the Commissioner, or knowingly to deface or destroy any such license. The money and securities deposited with the State Treasurer as herein provided and the money which in case of breach of the bond shall be paid by any licensee or surety thereon, shall constitute a trust fund for the benefit of such persons as shall deposit money with the licensee for transmission as aforesaid and such beneficiaries shall be entitled to an absolute preference as to such money or securities over all general creditors of the licensee. The license shall be revocable at all times by the Commissioner for cause shown and in the event of such revocation or a surrender of the license, no refund shall be made in respect to any license fee paid. Every license shall be surrendered to the Commissioner within twenty-four hours after written notice to the holder that the license has been revoked. In case of revocation or surrender of, or failure to renew, a license, the money and securities and the bond, if there be one, shall continue to be held by the State Treasurer for a period of one year from the date of such revocation, surrender or failure to renew and until the expiration of sixty days after final judgment in any action or suit commenced prior to the end of said period, unless otherwise directed by the order or judgment of a court of competent jurisdiction.

Chapter 175: Section 151. Conditions of admission; general provisions.

Section 151. No foreign company shall be admitted and authorized to do business until--

First, It has deposited with the Commissioner a certified copy of its charter or deed of settlement and a statement of its financial condition and business, in the form prescribed by section twenty-five, and signed and sworn to as provided in said section, and has paid for the filing of such copy and statement the fees prescribed by section fourteen.

Second, It has satisfied the Commissioner that (1) it is fully and legally organized under the laws of its state or government to do the business it proposes to transact; (2) it has the combined amounts of capital and surplus required or prescribed by the Commissioner under section forty-eight for the classes of business it proposes to transact; (3) it has made a deposit with the State Treasurer or with the proper board or officer of some other state in exclusive trust for the benefit and security of all its policyholders in the United States in an amount satisfactory to the Commissioner; (4) it has made a deposit with the State Treasurer in exclusive trust for the benefit and security of its policyholders in the Commonwealth in an amount satisfactory to the Commissioner; that (5) any capital, surplus, guaranty fund or guaranty capital and assets, other than contingent, are well invested and available for the payment of losses in the Commonwealth, that the company is in a sound financial condition and that business policies, methods and management are sound and proper; and (6) that it insures in a single risk wherever located an amount no larger than ten percent of its surplus to policyholders except as provided in section twenty-one.

Third, It has filed with the Commissioner a power of attorney constituting and appointing the Commissioner or his successor its true and lawful attorney, upon whom all lawful processes in any action or legal proceeding against it

may be served, and therein shall agree that any lawful process against it which may be served upon its said attorney shall be of the same force and validity as if served on the company, and that the authority thereof shall continue in force irrevocable so long as any liability of the company remains outstanding in the Commonwealth. The power of attorney shall be executed by the president and secretary of the company, or other officers duly authorized thereto, under its corporate seal, and shall be accompanied by a certified copy of the resolution of the board of directors of the company making said appointment and authorizing the execution of said power of attorney which shall be in a form prescribed by the Commissioner. The service of such process shall be made by leaving the same in duplicate in the hands or office of the Commissioner. One of the duplicates of such process, certified by the Commissioner as having been served upon him, shall be deemed sufficient evidence thereof, and service upon such attorney shall be deemed service upon the principal.

Fourth, It has obtained from the commissioner a license stating that it has complied with the laws of the commonwealth and specifying the kinds of business it is authorized to transact, which the commissioner may refuse to issue if he is of the opinion that such refusal will be in the public interest. Every such license shall expire on June thirtieth of each year, unless sooner revoked or suspended as provided in section five, but may be renewed by the commissioner on or before said date upon written application of the company, subject to all the provisions of this chapter excepting the provisions of the first and third clauses of this section, applicable to the issue of a new license.

Chapter 175: Section 185. Deposits by companies.

Section 185. The State Treasurer in his official capacity shall take and hold in trust deposits made by any domestic company for the purpose of complying with the laws of this Commonwealth or of any other state or country to enable such company to do business in such state or country, and also in like manner take and hold any deposit made by a foreign company or foreign fraternal benefit society under any law of this Commonwealth; provided, that bonds need not be accepted by the Treasurer unless in registered form and of denominations satisfactory to him. The company or society making such deposit shall be entitled to the income thereof, and may from time to time, with the consent of the Treasurer, when not forbidden by the law under which the deposit is made, change in whole or in part the securities composing the deposit for other approved securities of equal par value.

The State Treasurer may, upon written request of any domestic company, return to it the whole or any portion of any deposit held by him on behalf of such company, if he is satisfied that the deposit or the portion thereof requested to be returned is subject to no liability and is no longer required to be held by any provision of law of this Commonwealth or of any such other state or country or for the purpose of the original deposit. He shall return to any foreign company or foreign fraternal benefit society the whole or any portion of any deposit held by him on behalf of such company or such society, upon the written order of the Commissioner.

A company or society which has made such deposit, or its trustees or resident manager in the United States, or the Commissioner, or any creditor of such company or society may at any time bring, in the Supreme Judicial Court for the County of Suffolk, a suit in equity against the Commonwealth and other parties properly joined therein to enforce, administer or terminate the trust created by such deposit. The process in such suit shall be served on the State Treasurer, who shall appear and answer on behalf of the Commonwealth and perform such orders and decrees as the court may make thereon.

Chapter 176G: Section 26. Deposit maintained with acceptable trustee acceptable to commissioner

Section 26. (a) Except as provided in subsections (b) and (d), each health maintenance organization shall maintain a deposit with a trustee acceptable to the commissioner through which a custodial or controlled account is utilized of cash, securities or any combination of these or other measures that are acceptable to him, which is to be used exclusively to protect the interests of policyholders, enrolled members, and the general public and which at all times shall have a value of not less than \$1,000,000.

(b) Each health maintenance organization approved by the commissioner before January 1, 2004 shall provide evidence of and maintain at all times a deposit as described in subsection (a) in the amount of \$500,000 not later

than July 1, 2004. Not later than January 1, 2005, the health maintenance organization shall provide evidence of and maintain a deposit in the amount of an additional \$500,000 to constitute the required \$1,000,000 deposit.

(c) All income from the deposit shall be an asset of the health maintenance organization. A health maintenance organization that has made a securities deposit may withdraw that deposit or any part thereof after making a substitute deposit of cash, securities or any combination of these or other measures of equal amount and value. The commissioner shall approve any securities before they are deposited or substituted.

(d) The commissioner may reduce or eliminate the deposit requirement if the health maintenance organization deposits with the state treasurer, insurance commissioner or other official body of the state or jurisdiction of domicile, for the protection of policyholders, enrolled members and subscribers of such health maintenance organization and the general public, cash, acceptable securities or surety, and delivers to the commissioner a certificate to such effect, duly authenticated by the appropriate entity holding the deposit.

(e) If in the opinion of the commissioner the deposit requirement as established above would be inadequate to protect the interests of enrolled members, the deposit shall be appropriately adjusted in order to protect the interests of policyholders, enrolled members and subscribers of the health maintenance organization and the general public.

(f) The deposit shall be an admitted asset of the health maintenance organization in the determination of net worth pursuant to section 25. The commissioner may use the deposit for administrative costs directly attributable to any receivership, administrative supervision, rehabilitation or liquidation pursuant to section 20. If the health maintenance organization is ordered into receivership, administrative supervision, rehabilitation or liquidation, the deposit shall be an asset subject to the provisions of section 20.