



REQUEST FOR PROPOSAL
Implementation of Risk Based
Supervision

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1.0 INTRODUCTION

- 1.1 Firms and individuals are invited to Tender for the provision of consultancy services to assist the Central Bank of Seychelles (CBS) with the implementation of Risk Based Supervision (RBS) to meet the requirements, as detailed within this Request for Proposal (RFP).
- 1.2 This document's copyright is vested with the CBS. Any reproduction or dissemination shall be carried out on a strict "need to know" basis and for the purposes of giving effect to its contents.
- 1.3 The objectives and terms of reference of the project are detailed in Section 4.0 of this RFP.
- 1.4 The intention of CBS is to obtain the deliverables stipulated in Section 4.0 of this RFP.
- 1.5 Information about the CBS is available on its website at www.cbs.sc

2.0 ELIGIBILITY TO TENDER

Firms and individuals wishing to Tender shall ensure that they satisfy the following criteria where applicable:

- (a) Have the legal capacity to enter into a contract;
- (b) Are solvent;
- (c) Not in receivership;
- (d) Not bankrupt or wound up;
- (e) Firms and individuals are independent from CBS;
- (f) Affairs are not administered by a court or judicial officer;
- (g) Business activities are not suspended;
- (h) Do not have a conflict of interest in relation to the Tender;
- (i) Are not the subject of legal proceedings;
- (j) Fulfilled obligations to pay taxes;
- (k) Have not, or any of its directors or officers have not been convicted of a criminal offence related to professional misconduct or making of false statements or misrepresentations as to their qualifications to enter into contract with any party within a period of three years preceding the release of this RFP;

3.0 TIME SCALE

A full response to this RFP is required by or before **3.00 p.m. Seychelles time on Wednesday 07th February, 2018**. The following timescales are anticipated:

Milestone	Date
Release of RFP	November 22, 2017
Submission of Intent to Bid	November 30, 2017
Pre-proposal conference call	December 07, 2017
Deadline for questions	December 14, 2017
Release of answers to questions	December 28, 2017
Deadline for proposals	February 07, 2018
Opening of Technical Bids	February 07, 2018
Decision made and respondents informed of the outcome	April 12, 2018
Contract signed	May 11, 2018

The response to the RFP shall detail how the Firm or individual will commit to the timetable.

4.0 OBJECTIVES AND TERMS OF REFERENCE

The objective of the consultancy is to further develop a RBS framework at CBS, including the supervisory methodologies and supporting documentations, and to enhance the capacity of CBS staff to implement RBS. Pillar II of Basel II (Pillar II) should be integrated within the RBS framework to ensure that banks have adequate risk management and internal controls in place and that the level of capital is commensurate with their risk profile. The RBS framework should build on and enhance existing practices, including the CARMELS bank rating system which needs to be integrated into a comprehensive and systematic risk based supervisory framework appropriate for Seychelles. An overview of the CARMELS bank rating system is provided in Annex (I). The consultancy is expected to assist with enhancing the effectiveness and efficiency of the supervisory process at CBS.

4.1 ALL BIDDERS

Should provide all information as detailed out in Section 6.0.

4.2 SUCCESSFUL BIDDER

The work of the Firm or individual is divided into three phases as follows:

Deliverables	Onsite/Offsite Work
<p><u>Phase 1</u>: This phase involves undertaking a stock-taking exercise of the status in relation to RBS inclusive of Pillar II at CBS and conducting a gap analysis taking into account international standards. This phase will involve meetings with stakeholders and review of relevant documentation. Phase 1 should at a minimum entail the following tasks:</p>	
<p>(a) Conduct a review of CBS' supervisory framework including but not limited to:</p> <ul style="list-style-type: none"> (i) methodology for assessing banks' risks; (ii) supervisory processes; (iii) available skills and expertise; (iv) legal provisions for risk management and capital adequacy. 	Onsite and Offsite
<p>(b) Consider existing reports provided to CBS by consultants and other relevant internal documentation that relate to RBS, inclusive of Pillar II, and take recommendations into account as appropriate when undertaking the deliverables. These include:</p> <ul style="list-style-type: none"> (i) mission report on technical assistance from International Monetary Fund (IMF) on Basel II and Basel III: Implementation Options for the Central Bank of Seychelles – April 2014; (ii) mission report on technical assistance from IMF and AfritacSouth (AFS) on Risk Based Supervision – Money Laundering and Terrorist Financing Risks – September 2015; 	Offsite

<p>(iii) mission report on technical assistance from IMF and AFS on Implementation of Basel II – March 2016.</p> <p>(iv) mission report on technical assistance from IMF and AFS on Implementation of Basel II – August 2017.</p>	
<p>(c) Undertake a training-needs assessment and design a training program for CBS staff to strengthen the capacity in implementation of RBS inclusive of Pillar II.</p>	Onsite and Offsite
<p>(d) Produce a report on the findings of the reviews and assessment mentioned at subsections (a) to (c) of Phase 1 and recommendations for CBS' consideration on the steps to implement RBS including Pillar II, contextualised for Seychelles. The report should at a minimum include recommendations:</p> <p>(i) that integrate Pillar II within the RBS framework;</p> <p>(ii) on supervisory tools and processes taking into account Seychelles' specificities and CBS' resources</p> <p>a clear and detailed work plan with timelines on the steps to be adopted to implement RBS inclusive of Pillar II;</p>	Offsite
<p>The tasks in Phase 1 are expected to be undertaken within 30 consecutive working days. It is expected that 1 onsite visit will be required for this phase which should not exceed 10 working days.</p>	
<p><u>Phase 2:</u> In this phase, the consultant should make use of the information obtained in Phase 1 and should follow the work plan mentioned at subsection (d) in Phase 1, as agreed by CBS. Phase 2 should at a minimum entail the following tasks:</p>	
<p>(a) Further develop the framework for implementation of RBS inclusive of Pillar II by CBS including supervisory tools and processes that allow risks to be assessed and supervision to be undertaken using a risk based approach, allowing supervisory resources to be optimised. Pillar II should be integrated within the framework, specifically allowing for the evaluation of Internal Capital Adequacy Assessment Process (ICAAP)s and Supervisory Review and Evaluation Process (SREP)</p>	Onsite and offsite

<p>to be undertaken in an effective and consistent manner. The consultant should clearly outline how the supervisory tools and processes developed fit in and relate to existing and planned supervisory processes.</p>	
<p>(b) Prepare the internal procedural manual(s) to be used by CBS for implementation of RBS inclusive of Pillar II, which should include but not be limited to:</p> <ul style="list-style-type: none"> (i) the procedures for implementation of the risk based supervisory tools and processes; (ii) the procedures on evaluation of ICAAP; (iii) the procedures for the Supervisory Review Process (SREP); <p>The documents will be reviewed by and discussed with CBS prior to finalisation.</p>	<p>Offsite in consultation with the CBS team through e-mails, audio or video calls.</p>
<p>(c) Prepare documents to be issued to the banking sector in relation to RBS, including:</p> <ul style="list-style-type: none"> (i) explanation of RBS, including Pillar II; (ii) risk management guidelines; (iii) an ICAAP template; (iv) guidelines for preparation of ICAAP; <p>The documents will be reviewed by and discussed with CBS prior to finalisation.</p>	<p>Offsite in consultation with the CBS team through emails, audio and video calls.</p>
<p>(d) Prepare and implement capacity building program, specifically:</p> <ul style="list-style-type: none"> (i) prepare training materials and training programs for CBS staff; (ii) deliver training to CBS staff on practical implementation of the RBS framework inclusive of Pillar II and in line with the documents mentioned at sub-section (b) and (c) in Phase 2. The Firm or individual is expected to deliver presentations to the CBS team over 3 days and provide hands-on training for implementation of the RBS framework, inclusive of Pillar II, over 5 working days. 	<p>Training materials can be prepared offsite and training is expected to be delivered onsite.</p>

(e) Produce a report on the tasks undertaken in Phase 2.	Offsite
The tasks in Phase 2 are expected to be undertaken within 50 consecutive working days. It is expected that 1 onsite visit will be required for this phase which should not exceed 10 working days.	
<u>Phase 3:</u> This phase will involve the continued support of the Firm or individual to provide guidance on the practical implementation of RBS inclusive of Pillar II. Phase 3 should at a minimum entail:	
(a) Provide CBS with support on practical implementation of RBS including Pillar II. This includes, but is not limited to: (i) review of implementation of the RBS including Pillar II processes and tools providing solutions for improvements as required; (ii) review of the first set of ICAAPs submitted by all banks; (iii) guide CBS as regards SREP further to review of the ICAAPs; (iv) respond to queries from CBS and provide clarifications regarding implementation of RBS including Pillar II.	Review of ICAAPs and ongoing support can be provided offsite, through emails, audio and video calls. Review of the supervisory processes are expected to be undertaken onsite.
(b) Prepare a comprehensive final report which should include but not be limited to: (i) details of work undertaken in phase 3; (ii) areas where further improvements is required and detailed recommendations for improvements.	Offsite
The tasks in Phase 3 are expected to be undertaken over a period of 120 non-consecutive days in consideration of the time required for banks to prepare and submit ICAAPs and will be spread out over a period of 12 months. It is expected that one onsite visit will be required for this phase which should not exceed 10 working days.	

4.3 SERVICES PROVIDED BY CBS

The services that CBS will, upon being provided with sufficient notice, provide to assist with the consultancy, include:

- (i) Transportation to and from the airport and place of residence, and for work-related purposes;
- (ii) Meeting room;
- (iii) Administrative arrangements for meetings;
- (iv) Access to internet at CBS' premises.

4.4 REQUIRED SKILLS AND EXPERIENCE

This assignment is expected to be undertaken by a firm or individual consultant with the requisite academic qualifications, expertise and experience, specifically:

- (i) Minimum qualification - Masters in Banking and Finance or equivalent;
- (ii) A minimum of 10 years of experience in senior regulatory role involving banking;
- (iii) At least 8 years of experience in managing assignments relating to implementation of RBS and Basel capital adequacy standards;
- (iv) Private sector experience in implementation of RBS and Basel capital adequacy standards will be an advantage;
- (v) Experience with small economies will be an advantage;
- (vi) Fluency in English, both written and spoken.

5.0 EVALUATIONS OF BIDS

Evaluation of bids received will be done in the following stages:

1. Preliminary;
2. Technical; and
3. Financial Evaluation.

Only bids passing the preliminary evaluation shall be considered for Technical Evaluation. The Technical Evaluation shall be conducted without reference to financial information. Subsequently only bids passing the Technical Evaluation shall be considered for Financial Evaluation.

A total of 100 scored points shall be awarded of which a weighted 70% of the overall score is assigned to the technical proposal and the other 30% for the financial proposal. The weighted technical and financial scores shall be added together, to give a total score for each proposal.

The proposal with the highest total score shall be the best evaluated bid and shall be recommended for award of contract, subject to any further negotiation required.

5.1 STAGES OF EVALUATION

(i) PRELIMINARY EVALUATION

To pass preliminary evaluation, bids must:

- (a) be correctly submitted as per requirements of this RFP;
- (b) be properly signed;
- (c) meet the eligibility criteria specified in the RFP (Section 2.0); and
- (d) be substantially responsive to the RFP.

Note that no score shall be awarded during this stage.

(ii) TECHNICAL EVALUATION

The criteria that will be considered for the technical evaluation along with the weighting are as follows:

Technical Evaluation Criteria	Weights
Detailed project plan which demonstrates that the objective will be achieved within the timeframe set in section 3.0 and section 4.0.	5%
Methodology - Clear description of the methodologies and the framework which will be used to achieve the desired outcome based on international best practices as per deliverables under Section 4.0.	55%
Ability to demonstrate that the Firm or individual has the resources to perform this exercise.	20%
Ability to demonstrate that the key personnel has the knowledge and experience in undertaking similar assignments for banking institutions and/or other institutions of a similar nature and regulatory institutions, with CVs /relevant references submitted.	20%

(iii) FINANCIAL EVALUATION

Only bids passing the Technical Evaluation with a score of 75% and above shall be considered for Financial Evaluation.

The criteria that will be considered for the Financial Evaluation, along with the weighting are as follows:

Financial Evaluation Criteria	Weights
The proposed cost for the project is competitive.	75%
Detailed breakdown (professional fees, foreign exchange component, travel expenses and out of pocket allowance etc.)	5%
Pricing should be based on a fixed price contract.	5%
Any additional charges e.g. applicable taxes must be stated.	5%
Pricing is to be valid for three months.	5%
Proposed payment schedule and payment terms must be clearly stated.	5%

6.0 RESPONSE TO TENDER

6.1 The response to this RFP must be in the English language, structured and presented in the following sequence:

6.2 Technical

(a) Section I: Cover Letter

The cover letter must be signed by a person or persons authorised to submit the information on behalf of the Firm and should contain the following:

- A confirmation that the Firm or individual intends to bid to provide consultancy on implementation of RBS for CBS.
- A declaration which delineates the ability of the Firm or individual to fulfil the exercise.
- A statement which states the Firm's or individual's independence from CBS.
- A pledge by the Firm or individual not to engage in any corrupt, fraudulent, collusive or coercive practices.

- A statement attesting to the fact that the Firm or individual is not debarred from participating in the procurement proceedings, and a declaration that the Firm or individual shall not give, confer, procure, or promise or offer to give or confer, or to procure or attempt to procure, directly or indirectly anything of value to an employee of CBS, to influence his or her action in a procurement process or in the execution of a contract.
- Details of the designated person, if different from the authorised person who have signed the cover letter, who may represent the bidder in the bid opening process.

(b) Section II: Response to Statement of Work

The Response to the Statement of Work should describe the methodologies that will be employed and the approaches that will be taken to complete the work and include a project plan which shows the phasing of the work to be accomplished and products to be delivered in accordance with the deliverables under Section 4.2 and in line with the set timeframes under Section 4.2.

(c) Section III: Attachments

This section should contain supporting documentation referenced in any other sections of the proposal. At a minimum, attachments will include:

- the resumes of the team members and outsourced personnel, including subject matter experts proposed for the work;
- a description of similar work performed for other organisations
- a glossary of the specialised terminology used in the proposal;
- the names of at least three references for whom similar projects have been conducted and who can be contacted by the CBS (Firm name, address, telephone number and point of contact information are required).

6.3 Pricing

Tenderers are requested to submit their financial proposal in Seychelles Rupees as per Annex (II). Pricing information should not

appear in any other section of the proposal and must be submitted in a different envelope which should be sealed. Pricing is to be valid for three months.

7.0 TERMS OF CONTRACT

- 7.1 Advance payment, where applicable, shall not exceed 25% of the total consideration payable under the contract.
- 7.2 Final payment shall only be made once all the deliverable requirements stipulated in the contract have been satisfied.
- 7.3 Detailed contract for formal agreement, based on standard terms and conditions submitted, will be issued following the award of contract.

8.0 RESPONSE INSTRUCTIONS

- 8.1 Tenderers shall submit the Intent to Bid form as per Annex (III), by **4.00 p.m. Seychelles time on Thursday 30 November, 2017** in line with Section 3.0.
- 8.2 The full RFP response must be structured as detailed in Section 6.0. Chapters should adopt the numbering sequence shown. Bids shall be placed in two separately sealed envelopes and labelled technical and financial proposals respectively, indicating the contact details of the Tenderer on these envelopes. The envelopes containing the technical and financial bids should be placed in an outer envelope, with no indication of the Tenderer's identity, sealed and marked with **"TENDER FOR IMPLEMENTATION OF RISK BASED SUPERVISION PROJECT"** and addressed to:

The Chairperson
Procurement Committee
Central Bank of Seychelles
P.O. Box 701, Independence Avenue
Victoria
Mahé
Seychelles

Besides submitting by post, the Tender envelope may otherwise be deposited at the reception of the CBS. The Tender documents should also be available in electronic format either on USB drive or CD. In the case of electronic submission, technical and financial bids should be on a different USB drive or CDs. These should be sealed inside the respective envelopes.

- 8.3 Enquiries regarding this RFP and the project may be directed to the point of contact below:

Mr. Naadir Hassan
Head of Financial Surveillance Division
Central Bank of Seychelles
P.O. Box 701, Independence Avenue
Victoria
Mahé
Seychelles
Telephone: +248 4282080
Email: naadir.hassan@cbs.sc
Cc Email: aaron.leong-pon@cbs.sc

- 8.4 An acknowledgement of receipt of Tender will be sent to each Tenderer.
- 8.5 Tender documents, whether mailed or hand-delivered, must reach the CBS no later than **3.00 p.m. Seychelles time on Wednesday 07th February, 2018** in line with Section 3.0.
- 8.6 Tenders submitted in facsimile form will not be accepted.
- 8.7 For clarification purposes, questions will be entertained and will be addressed as per the timescales in Section 3.0.
- 8.8 All Tenderers will be informed of the outcome of their bids as per Section 3.0.
- 8.9 The Tenderer shall bear all costs associated with the preparation and submission of its bid and the CBS will in no case be responsible or liable for those costs, regardless of the conduct or outcome of the bidding process.
- 8.10 The CBS may reject any or all bids any time prior to the award of contract.

9.0 OTHER INFORMATION

The CBS' procurement activities are governed by its Procurement Policy. An abridged version is accessible at <http://www.cbs.sc/Publications/procurement.jsp> where more information can be obtained on the procurement process. This includes procedures for withdrawal/modification of bid submission, bid evaluation, complaints handling, contract award, etc.

ANNEX (I) SUMMARY OF CARMELS

In 2015, the CBS received technical assistance on RBS with focus on Anti-Money Laundering/Counter Financing of Terrorism and the mission identified that the CAMELS rating framework, which was being used, was not sufficiently risk sensitive as most of the parameters were judgmental, leaving scope for over or under estimation of risk. The mission proposed that the framework be revised to CARMELS, whereby the component "R" represents risk management systems and "S" represents systems and control. Risk management incorporates the risk management architecture, and risk governance and control systems to deal with all material risks. Systems and controls focuses on the internal/external audit and compliance functions, the functioning of the Audit Committee, reporting to Board and supervisors and adequacy of disclosures.

Under the CARMELS system, each of the components is to be rated on a scale of 1 to 100, in ascending order of performance quality. Different parameters have been identified for each component, with marks allotted to each parameter. The total marks obtained by a bank against a component would indicate the level of performance of the bank in that area. Based on marks allotted to the components, each component is to be rated as 1, 2, 3, 4, or 5. The composite rating for a bank is then computed as a summary measure, calculated from the weighted averages of the component ratings.

The CARMELS is an integral tool in the RBS process which will assist with assessing the risk faced by supervised institutions and undertake supervision as appropriate. As part of the consultancy, CBS requires assistance to further develop and implement this tool, including translating it into risk matrices and embedding it into an enhanced risk based supervisory framework.

Work undertaken thus far in relation to CARMELS include:

- a database which captures the parameters for computation of ratings of each components of CARMELS. Quantitative data is updated on a monthly basis in the database (MS Excel) and other parameters are completed after completion of an examination;

- the existing onsite CAMELS manual has been updated to reflect changes in CARMELS parameters and new manuals have been prepared for the R and S component;
- a manual has been drafted for interpretation and definition of ratios used in the system.

Below are examples of some parameters for the Capital component of CARMELS. Note that there are other parameters included in the assessment of the Capital component that have not been included in the example. In consideration of all the parameters, the Capital component is attributed a weighting of 15%.

Capital (15)				
Parameters	Formulae	Range of marks	Mark	Marks awarded
Risk Assets (RA) (5)	$\left\{ \frac{\text{Risk Weighted Assets}}{\text{Total Assets}} \right\} \times 100$	1. If RA < 60%	5	
		2. If RA > 60-70%	4	
		3. If RA > 70-80%	3	
		4. If RA > 80-90%	2	
		5. If RA > 90 %	1	
Capital to Risk-Weighted Assets Ratio (C) (20)	$\left\{ \frac{\text{Tier 1 and 2 Capital}}{\text{Total Risk Weighted Assets}} \right\} \times 100$	1. If C > 14%	20	
		2. If C > 12-14%	15	
		3. If C > 10-12%	5	
		4. If C < 10%	0	
The robustness of business plan and capital planning exercises.			5	
Efficacy of the system to assess capital in relation to the bank's risk appetite and risk profile.			5	

ANNEX (II) FINANCIAL FORM

Name:					
Firm:					
Key Staff Involved					
Ref :	Key staff name	Position / Profession	Remunerati on rate (SR) man hours	Invol veme nt	Cost (SR)
1.1					
1.2					
1.3					
1.4					
1.5					
1.6					
TOTAL FOR KEY STAFF REMUNERATION					
Other Cost					
Ref :	Item	Item rate	Qty	Cost (SR)	
2.1	Detailed accommodation & subsistence allowance				
2.2	Detailed subsistence allowance				
2.3	Other travel miscellaneous expenses				
2.4	Other additional charges (specify)				
TOTAL FOR OTHER COST					
TOTAL COST					
3.1 Payment Schedule					

Authorised Signature

Date

Full name:

ANNEX (III) INTENT TO BID FORM

Mail To:

Mr. Naadir Hassan
Head of Financial Surveillance Division
Central Bank of Seychelles
P.O. Box 701, Independence Avenue,
Victoria
Mahé
Seychelles
Telephone: +248 4282080
Email: naadir.hassan@cbs.sc
copy: aaron.leong-pon@cbs.sc

Request for Proposal for Implementation of Risk Based Supervision

This letter serves as a notification that we will be responding to the stated Tender for the Implementation of Risk Based Supervision project. The proposal that we shall submit shall be subject to the terms and conditions set forth in the Tender documents. The following information identifies our firm or individual contact details:

Firm or individual	
Name:	
Address:	
Representative	
Name:	
Position:	
Telephone Number:	
Fax Number:	
Email Address:	

Authorised Signature: