



OFFICE OF THE
ARIZONA STATE TREASURER

KIMBERLY YEE
TREASURER



RFP 24-01 Master Custody Services
Questions and Answers

Questions are listed in the order received. State's responses are in **RED**.

1. **Question:** Please confirm if Arizona State Treasurer's Office is requesting a Flat Fee proposal and/or a Variable by Volume Fee Proposal.

ASTO Response: ASTO is requesting fixed Bundled and/or Unbundled Pricing. If there are price breaks by volume of transactions, please specify. Please also refer to RFP Section 4, page 18, and Section 8, Exhibit A: Pricing page 63, for additional information.

2. **Question:** Does the "original" hard copy need wet signatures?

ASTO Response: ASTO will accept electronic/Adobe signatures in addition to wet signatures when it references the "original" printed copy of the proposal and "original" signatures. See RFP Section 3, page 15 and Section 5, pages 22, 24.

3. **Question:** In the 'ASTO Background' section of the RFP, when the account volumes are listed (i.e., 775 and 564), are those actual accounts open with the current custodian? Or are those the number of participants? If they are the number of participants, please provide the separately managed account volumes the current custodian has open for each pool.

ASTO Response: The identified references in Section 1, page 2 of the RFP are Participant Accounts. Transfer Agent keeps track of Participants while the Current Custodian keeps track of assets, funds, and provides fund accounting.

4. **Question:** Please provide a list of security holdings for each pool.

ASTO Response: Please refer to the Market Value reports via this link:
<https://www.aztreasury.gov/market-value-reports>

5. **Question:** Please confirm that all holdings in each pool are USD based. If there are non-USD holdings, please provide the list by country.

ASTO Response: All holdings within each pool are USD denominated.

6. **Question:** Please confirm the number of annual transactions (buy/sell) in each pool.



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ARIZONA STATE TREASURER

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ASTO Response: Please refer to the “Purchase and Sales FY 2023 Client Summary” support below, which represents investment trading activity per pool, not participant activity per pool.

Fund	Name	Buy	Sell
ATZ4	ST OF AZ POOL 203 MID CAP	2,750	1,260
ATZ5	ST OF AZ POOL 204 SMALL CAP	2,138	1,950
ATZ6	ST OF AZ POOL 500 LGIP MED	316	122
ATZ7	ST OF AZ POOL 500 LGIP MED	442	16
ATZ8	ST OF AZ POOL 700 LGIP MD FF&C	460	26
ATZ9	ST OF AZ POOL 201 LARGE CAP	2,809	786
ATZA	ST OF AZ POOL 2 ST AGCY FF&C	555	8
ATZB	ST OF AZ POOL 3 ST AGCY INT.	2,001	55
ATZD	ST OF AZ POOL 3 ST AGCY EXT.	229	128
ATZE	ST OF AZ POOL 4 ST AGCY GOV.	344	5
ATZF	ST OF AZ POOL 5 LGIP	1,356	15
ATZG	ST OF AZ POOL 7 LGIP FF&C	963	54
ATZH	ST OF AZ POOL 10 ST OPERATING	133	58
ATZI	ST OF AZ POOL 12 CAWCD MED TRM	325	8
ATZJ	ST OF AZ POOL 15 ST OPER FUND	1,778	19
ATZL	ST OF AZ POOL 16 ECDHB	267	10
ATZM	ST OF AZ POOL 10 ST OPER INT	700	7
ATZN	ST OF AZ POOL 123 ST FIXED INC	181	69
ATZP	AZ ENDOW TR POOL 301 LARGE CAP	51	14
ATZQ	AZ ENDOW TR POOL 303 MID CAP	49	12
ATZR	AZ ENDOW TR POOL 304 SMALL CAP	54	23
ATZS	AZ ENDOW TR POOL 305 FIXED INC	71	30

7. Question: Please confirm the average daily cash balance that is swept into a STIF vehicle.

ASTO Response: The daily average STIF cash balances swept is \$111M with different sweep vehicles per pool mandate (i.e. Agency, Full Faith and Credit etc.).

8. Question: Please confirm how many cash accounts ASTO currently uses.

ASTO Response: From a pool/demand deposit account (DDA) perspective, ASTO uses 21 cash accounts, plus an additional DDA for the participant transactions.



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9. **Question:** Please provide the volume of incoming and outgoing cash wires annually.

ASTO Response: For Calendar Year 2023, Incoming Wires were \$49.7B; Outgoing Wires were \$52.0B.

10. **Question:** Please confirm the type of securities (i.e., fixed income, equities) are held in the LGIP pool.

ASTO Response: Please refer to RFP Section 1, pages 4-5 under the "Local Government Investment Pools" section. Additionally, please refer to the Market Value reports via this link: <https://www.aztreasury.gov/market-value-reports>

11. **Question:** Please confirm the total AuM, type of securities (i.e., fixed income, equities) and number of accounts that are held in the Separately Managed Account Pools, listed on pages 7 and 8.

ASTO Response: Total Assets Under Management ("AUM") ranges from \$30-\$32 billion in the past two years. Please refer to the following link for AUM and other data: <https://www.aztreasury.gov/market-value-reports> For the Separately Managed Account Pools (Participants) listed in RFP Section 1, page 7 and 8, Pool 12 has 19 sub-accounts and Pool 16 has 2 sub-accounts.

12. **Question:** Is there any derivatives exposure? If so, please provide the type of position, how many open positions and the typical annual trade activity by position type.

ASTO Response: No, there are not any derivatives exposure. The ASTO does tri-party repurchase agreements for overnight cash with 102% collateral in either Treasuries or Agencies. Please note, volume can be as high as \$7 billion in a single day.

13. **Question:** Which General Ledger application do you currently use?

ASTO Response: ASTO currently utilizes CGI Advantage and CloudSuite Financials & Supply Management.

14. **Question:** Per question 1, on page 65, please provide additional detail on the type of attribution analysis that is needed (i.e., policy level, by plan, by asset class characteristics, stock level, etc.).



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ARIZONA STATE TREASURER

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ASTO Response: Each fund should be able to be broken out separately, and presented in the aggregate, to look at allocations, attributions, performance at policy level, pool level, by asset class characteristics, issuer level, and benchmark comparison.

15. Question: Per questions 3 & 4 on page 66, please provide which benchmarks you are using for comparisons.

ASTO Response: Please refer to the BOI report for examples via this link: <https://www.aztreasury.gov/board-of-investment-reports>

16. Question: Please confirm what level of Compliance Monitoring you require (i.e., fully outsourced, daily, monthly, quarterly).

ASTO Response: The Compliance Report is required daily by 9:00AM AZ MST to ASTO. *See also* RFP Section 8, Exhibit B: Scope of Work, page 71.

17. Question: Please confirm how many accounts require Compliance Monitoring.

ASTO Response: All 22 pools, and any additional pools opened in future periods, require daily Compliance Reporting. *See also* RFP Section 8, Exhibit B: Scope of Work, page 71.

18. Question: Does Arizona State Treasurer's Office want a Securities Lending estimate at this time?

If so, please advise on the following questions:

- a) What's your current fee split?
- b) Please provide an excel based asset list including security name, industry standard asset identifier (CUSIP/SEDOL/ISIN), shares/par value, price, market value to provide a full securities lending revenue estimate.
- c) Please provide accepted cash collateral reinvestment guidelines.
- d) Please provide accepted noncash collateral guidelines.
- e) Please provide any restrictions associated with securities lending, such as borrower restrictions, percentage on loan restrictions, asset classes or markets restricted from securities lending.
- f) Please advise if you have a policy on proxy voting.
- g) Please indicate your interest in discussing solutions to optimize cash and short-term investments through a AAA-rated Treasury repo facility



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ASTO Response: No, ASTO is not currently participating in Securities Lending agreements.

19. Question: Please provide a specific list of accounts within each pool that require daily valuations verses those that do not.

ASTO Response: All investments need daily pricing. Participant accounts within non-endowment investment pools would reflect daily valuations.

20. Question: For the portfolios that require daily value and/or calculation of a daily NAV, please provide the details for each NAV including a schematic of the accounts included in the calculation and the timing to receive the NAV each day.

ASTO Response: Please refer to RFP Section 1, pages 1-5 as well as the BOI report at pages 3-34 for examples via this link: <https://www.aztreasury.gov/board-of-investment-reports>
ASTO currently receives the NAV daily in the evening before 4:00PM AZ MST.

21. Question: If daily audited valuation is not required, is plan accounting, either dollar allocation or unitization required?

ASTO Response: Unitized Plan Accounting is required for the Endowments (PLETF & AETF). Non-Endowment pools require daily pricing and valuation as participant accounts can be liquidated daily. Please refer to Endowment Participant Reporting within the BOI report pages 40-42 for examples via this link: <https://www.aztreasury.gov/board-of-investment-reports>
Please also refer to RFP Section 8, Exhibit B, page 67.

22. Question: Re file "RFP 24-01 Master Custody Services"

- a) That file references the "State Agency Funds", "Local Government Investment Pools", "Permanent Land Endowment Trust Fund" and "Arizona Endowment Trust Fund" (each individually a "Fund").
 - i. Is there currently a separate custody agreement for each individual Fund?
 - If not, please explain (e.g., is there one custody agreement covering all the Funds, or custody agreement(s) covering some of the Funds)?
 - ii. What is the counterparty for each of the current custody agreement(s) (i.e., is it the Board(s) of the Fund(s)?
 - iii. What is the legal name, and EIN, that is being used for the current custody accounts?
 - iv. Do each of the Funds have the (a) same EIN, and (b) same Board administering and managing such Fund? If not, please explain.



OFFICE OF THE
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ASTO Response: The responses to this are not necessary to the RFP and any of these specific data points will be discussed with the awardee.

23. Question: Please provide the number of participant phone calls received in 2023 by month.

ASTO Response: On average, there are 30 participant phone calls received on a weekly basis (120/month).

24. Question: How may a participant complete a transaction (telephonic, online, mail, fax)? Please provide the total number of participant online transactions versus manual transactions (mail, fax, telephonic) annually, by month. What are the primary reasons for participants using manual transactions as opposed to online transactions?

ASTO Response: For LGIP transactions, 95% are booked online. On average, 25 LGIP transactions are booked daily: 23 booked by the participant online, and 2 by ASTO online. However, the remaining LGIP transactions from distributions are sent to the current custodian to book via Excel. The same allocation is applicable for all Agency transactions. On average, 100-125 Agency transactions are recorded daily. Regarding participants using manual transactions as opposed to online transactions, if the participant chooses not to have Web Portal access or due to segregation of duties (Agencies specifically), the funds need to be processed manually via a master data file.

25. Question: Please provide the approximate number of security trades per month by asset type.

ASTO Response: Please refer to the "Annual Trade Types Analysis" support below.

1 Year

Group by Fields	Total	Average	Total %	Buy	Buy %	Sell	Sell %	Volume	Vol %
Total	6793	6793	100	3841	100	2952	100	3606557399	100
CORP	251	251	3.7	248	6.5	3	0.1	1863003000	5.2
Equity	4506	4506	66.3	1568	40.8	2938	99.5	7874551	0
Government	565	565	8.3	559	14.6	6	0.2	10960500000	30.4
Money Markets	1373	1373	20.2	1369	35.6	4	0.1	22494072000	62.4
Mortgages	98	98	1.4	97	2.5	1	0	740107848	2.1



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2 Years

Group by Fields	Total	Average	Total %	Buy	Buy %	Sell	Sell %	Volume	Vol %
Total	14459	7230	100	11092	100	3367	100	85801317899	100
CORP	665	333	4.6	662	6	3	0.1	5318378000	6.2
Equity	9038	4519	62.5	5706	51.4	3332	99	14305720	0
Government	958	479	6.6	937	8.4	21	0.6	17390500000	20.3
Money Markets	3628	1814	25.1	3618	32.6	10	0.3	61842091000	72.1
Mortgages	170	85	1.2	169	1.5	1	0	1236043179	1.4

7 Years

Group by Fields	Total	Average	Total %	Buy	Buy %	Sell	Sell %	Volume	Vol %
Total	82027	11718	100	47391	100	34636	100	213384509083	100
CORP	1847	264	2.3	1812	3.8	35	0.1	13654404000	6.4
Equity	67271	9610	82	33019	69.7	34252	98.9	98090749	0
Government	3245	464	4	3034	6.4	211	0.6	55697010000	26.1
Money Markets	8888	1270	10.8	8821	18.6	67	0.2	138522981000	64.9
Mortgages	770	110	0.9	702	1.5	68	0.2	5401126932	2.5
Municipal	4	1	0	3	0	1	0	10875000	0
Preferred	2	0	0	0	0	2	0	21402	0

26. Question: For bidders focused on individual components of the scope of services, not performing “qualified custodial services.” In Section 8, Exhibit C: Questionnaire, Investment Manager Reconciliation Process, please confirm this section relates to only the qualified custodian-specific requirements and not the accounting agent.

ASTO Response: ASTO has two accounts managed externally and this applies to both custodial services and accounting agent. For custodial services, how do you work with external managers and reconcile? For accounting services, how do you reconcile accounting data from internal and external managers?

27. Question: Please list all industry indexes you currently utilize across your products. Do you currently utilize any customized or blended benchmarks or composites? Do you have direct agreements with your index providers, or are these via your existing service providers?

ASTO Response: For all industry indexes, please refer to the BOI report at pages 43-51 and 58-59 for examples via this link: <https://www.aztreasury.gov/board-of-investment-reports> ASTO has direct agreements for indexing and benchmarking on some pools with S&P. Specifically, ASTO utilizes Moody’s and Bloomberg Indices through ASTO’s custodian and public information access with no direct agreement.



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28. Question: Please provide a list of the agency(ies) utilized for rating the portfolio securities. Are rating services costs covered by the ASTO or the current provider, State Street?

ASTO Response: ASTO uses S&P and Moody's. S&P is paid for directly by ASTO. Moody's is accessed without cost to ASTO through ASTO's custodian.

29. Question: What is the volume and type(s) of historical performance information anticipated to be converted into a new performance system should providers change?

ASTO Response: If providers change, ASTO will require all current & historical performance data to be transferred from prior to current provider. For PLETf Endowment, historical data stems from June 1999 (page 43 of BOI). Please refer to the BOI report for examples via this link: <https://www.aztreasury.gov/board-of-investment-reports>

30. Question: Can the State please provide clarification on the extent to which this paragraph, Section 6, Page 43, "First Party Liability Limitation" is intended to limit (if at all) Contractor's liability to indemnify the State for any and all claims caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of Contractor, as provided for in the indemnification provision of the Uniform Terms and Conditions?

First Party Liability Limitation

1. LIMIT. Subject to the provisos that follow below and unless stated otherwise in the Special Terms and Conditions, State's and Contractor's respective first party liability arising from or related to the Contract is limited to the greater of \$1,000,000 (one million dollars) or 3 (three) times the purchase price of the specific Materials or Services giving rise to the claim.
2. PROVISOS. This paragraph limits liability for first party direct, indirect, incidental, special, punitive, and consequential damages relating to the Work regardless of the legal theory under which the liability is asserted. This paragraph does not limit liability arising from any:
 - a. Indemnified Claim against which Contractor has indemnified State Indemnitees
 - b. claim against which Contractor has indemnified State Indemnitees; or
 - c. provision of the Contract calling for liquidated damages or specifying amounts or percentages as being at-risk or subject to deduction for performance deficiencies.

ASTO Response: The respondent may provide exceptions to the RFP in Exhibit G. Exceptions are discussed with the awarded bidder during negotiations. However, ASTO reserves the right to



OFFICE OF THE
ARIZONA STATE TREASURER

KIMBERLY YEE
TREASURER



reject offers that take exception to a material requirement of the solicitation. See RFP Section 5, page 22.

31. Question: Section 6, Page 54, the section heading of this paragraph, “Public Agency Language Only,” suggests that the mutual indemnification described in this paragraph may not be applicable in this Contract between the State and Contractor (where the Contractor is a privately owned company). Can the State please clarify the extent to which this paragraph will or will not apply to this Contract between the State and Contractor?

- **Public Agency Language Only.** Each party (as 'indemnitor') agrees to indemnify, defend, and hold harmless the other party (as 'indemnitee') from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney's fees) (hereinafter collectively referred to as 'claims') arising out of bodily injury of any person (including death) or property damage but only to the extent that such claims which result in vicarious/derivative liability to the indemnitee, are caused by the act, omission, negligence, misconduct, or other fault of the indemnitor, its officers, officials, agents, employees, or volunteers.

ASTO Response: In RFP Section 6, page 54, the section titled “Public Agency Language Only” shall apply to public agencies, not a privately owned company. Every contractor/vendor that is not a public agency shall be governed by the indemnification section titled “Contractor/Vendor Indemnification (Not Public Agency)” on page 54 of the RFP.

32. Question: Can you please provide the current fees for the services offered (by service type)? If not, how do you anticipate the pricing model to be structured?

ASTO Response: ASTO will not provide the current fees for the services delivered. Regarding the pricing model and its structure, please refer to “Exhibit A: Pricing” in RFP Section 8, page 63. See also ASTO’s answer in Question 1: ASTO is requesting fixed Bundled and/or Unbundled Pricing. If there are price breaks by volume of transactions, please specify. Please also refer to RFP Section 4, page 18.

33. Question: If a respondent is bidding on services other than “qualified custodial services” and a respondent is providing “qualified custodial services only,” both are successful in their bids. Will the ASTO provide some flexibility in the timeline to account for a custodial transition away from the current custody bank, to see that new connectivity can properly be set up alongside both new parties?



OFFICE OF THE
ARIZONA STATE TREASURER

KIMBERLY YEE
TREASURER



ASTO Response: ASTO will provide some flexibility for circumstances deemed justified pursuant to an offeror's expressed transition timeline expressed in RFP Section 8, Exhibit B, page 76. Please note the offeror's calendar of events must meet the proposed July 1, 2024, or January 1, 2025 contract start date.

34. Question: In Exhibit B: Scope of Work: Portfolio Management: 1a: Requires "Portfolio Management Support Information and Analytics." Please provide additional detail on the types of support information and analytics being requested as part of the services.

ASTO Response: Each fund should be able to be broken out separately, and presented in the aggregate, to review allocations, attributions, performance at policy level, pool level, by asset class characteristics, issuer level and benchmark comparison. Furthermore, ASTO would like to see portfolio level WAM, WAL, Duration, Weighted Avg Coupon, accrued interest/amortization, premiums and discounts (Unamortized/Amortized), maturity schedules. Lastly, ASTO is seeking portfolio/asset level analysis such as convexity metrics, "heat maps" of asset sector/risk allocations, risk ratios, and any other information accessible.

35. Question: The Permanent Land Endowment Trust Fund" (PLETF) and the Arizona Endowment Trust Fund (AETF) list a number of participants (13 and 4, respectively). Are these funds unitized in a master trust structure to provide valuations for each participant?

ASTO Response: Yes.

36. Question: Are you able to disclose the current custodian for the funds? Are there multiple custodians currently or one for all the funds?

ASTO Response: State Street is the sole custodian for all funds except those held in external Money Market accounts and Israel Bonds.

37. Question: What is driving the issuance of the RFP?

ASTO Response: Except in few circumstances, State law requires a new competition for government contracts every five years in the best interests of Arizona. See A.R.S. § 35-315(B).



OFFICE OF THE
ARIZONA STATE TREASURER

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38. Question: While we understand holdings data is publicly available, for ease and accuracy in pricing your entire portfolio, can you please supply:

- a) Full list of holdings by market of settlement, including the ISIN/CUSIP, description of asset, quantity, base market value and settlement location (i.e. DTC, Fed, Euroclear, etc.); If this is not possible please at least provide a breakdown of the market value in terms of country of settlement.
- b) Number of physical holdings.
- c) Transaction volumes including buy/sells by market of settlement, wires, inter-account transfers, income processing, redemptions, etc.

ASTO Response: Regarding (a) and (c), please refer to the Market Value reports via this link: <https://www.aztreasury.gov/market-value-reports> For (b), there are no physical holdings.

39. Question: Do you require full asset servicing or just vaulting for the physicals?

ASTO Response: Please contact ASTO directly via email at RFP@aztreasury.gov to provide further clarification and discuss fully. For the record, ASTO does not invest in any commodities or precious metals.

40. Question: Is Bloomberg AIM your only Order Management System (OMS)? How is it used by your firm today?

ASTO Response: Bloomberg AIM is ASTO's only actively used OMS. AIM is mainly used for Trading, Portfolio Monitoring/Analytics, Risk Measuring, Front-End Compliance and Historic Trade/Position Recons.

41. Question: Can you confirm if you require a flat fee proposal or if variable pricing is sufficient?

ASTO Response: ASTO is requesting fixed Bundled and/or Unbundled Pricing. If there are price breaks by volume of transactions, please specify. Please also refer to RFP Section 4, page 18, and Section 8, Exhibit A: Pricing page 63, for additional information. Please also refer to ASTO's answer in Question 1.

42. Question: Are there any unique features of your cash management solutions we should be aware of, e.g., in-house managed dedicated STIF?

ASTO Response: No.



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43. Question: Do you currently invest in Money Market Funds (MMFs)? If so, can you please provide the MMF names (and tickers) that you currently invest or plan to invest in?

- a) Do you utilize your current custodian's investment platform?
- b) Do you invest actively via the investment portal or passively via a sweep?

ASTO Response: ASTO currently invests in MMFs, specifically Alliance Bank, Fidelity, Goldman Sachs, JPM and Morgan Stanley. ASTO does not utilize its current custodian's investment platform for the aforementioned MMF's. Regarding investing actively via the investment portal or passively via a sweep, ASTO does both. However, the majority of transactions are done through external/third party portals for investing/divesting and trade information is relayed to custody. Passive sweep vehicles offered by the custodian are utilized for some, but not all pools.

44. Question: Can you provide average cash balance by currency and location?

ASTO Response: Assets Under Management and Operating Balances are updated daily on ASTO's home page via this link: <https://www.aztreasury.gov/>
Average Investable Cash as of 2/29/24 is \$5B. These amounts are all within the United States.

45. Question: Do you currently take advantage of a deposit program with your custodian? If so, is there a specific benchmark that you follow for your overnight cash management? Are you still interested in participating in a deposit program with JPM and how much in total would you be interested in depositing?

ASTO Response: ASTO does not use a deposit program with its current custodian.

46. Question: For cash movements, what is your method of instruction? SWIFT, Fax, other etc.

ASTO Response: ASTO's method of instruction for cash movements within Investment Accounting is via email; With brokers, the method of instruction is via SWIFT.

47. Question: Please provide more detail surrounding what you refer to as a buy/sell fail procedure in Question 2 under Cash Management on p. 83?

ASTO Response: In reference to the "buy/sell fail procedures" referenced in RFP Section 8, page 83, ASTO is seeking information on, but not limited to, your procedure to notify us when a trade is failing either due to a custody bank or a broker dealer counterparty. Currently, for all failed trades ASTO contacts the broker/custody bank to identify the reason for failure. All failed trades, except for trades within Fund ATZH, need to settle by the following morning.



OFFICE OF THE
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KIMBERLY YEE
TREASURER

48. Question: What is the daily deadline to report NAV's and income distribution rates to the transfer agent / recordkeeper?

ASTO Response: All Daily NAV / Income Distribution ("ID") rates are handled by the existing custodian. However, ASTO expectations are accounting needs to work with transfer agent recordkeeper to meet deadlines necessary to ensure daily recordkeeping before end of day.

49. Question: On the attached spreadsheet, can you please populate and confirm if:

- a) The pool / fund has participant trading?
- b) If the fund has participant trading, is it daily or monthly trading?
- c) For each pool/fund, do you require daily audited accounting or monthly audited accounting? Please note that monthly audited accounting includes daily accruals and pricing, but is audited monthly.
- d) Please note other questions in column F.

ASTO Response: First, all pools have participant making deposits and withdrawals daily or monthly. Second, every pool has participant trading daily, except for Pools 12, 16, 500, 700 and the Endowments, which are monthly. Third, daily audited accounting is required for all pools except for Endowments. Lastly, ASTO requests separate accounts for internal and external Pools 3 and 10, and a roll up to a single account as well. For PLETF Endowment, ASTO currently has three equity funds and two fixed income funds. Pools 202 and 206 have not yet been funded. There are 14 beneficiary participant accounts in the PLETF and unitized monthly accounting is needed for these participants. Currently ASTO has 22 separate investment pools across all portfolios: Pools 2, 3, external 3, 4, 5, 7, 10, external 10, 12, 15, 16, 500, 700, 201, 203, 204, 205, 123, 301, 303, 304, 305.

50. Question: Is an amendment to the offshore work restrictions in section 13 similar to that proposed during the Treasury RFP agreeable to Arizona Treasury?

ASTO Response: Any offshore performance of work involving data is prohibited pursuant to RFP Section 7, page 51, paragraph 13. The respondent may provide exceptions to the RFP in Exhibit G. Exceptions are discussed with the awarded bidder during negotiations. However, ASTO reserves the right to reject offers that take exception to a material requirement of the solicitation. See RFP Section 5, page 22.

51. Question: Is Arizona Treasury willing to review a Securities Lending proposal?

ASTO Response: No, as ASTO is not currently participating in Securities Lending agreements.



OFFICE OF THE
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KIMBERLY YEE
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52. Question: Does Arizona State typically use the Custodian for FX or Third Party FX dealers? Does this vary by market, currency, e.g., freely convertible vs. restricted markets, or portfolio type?

ASTO Response: ASTO does not hold or participate in Foreign Exchange ("FX") investments / transactions, which is anything not USD. All holdings are United States Dollar ("USD").

53. Question: Would Arizona State consider outsourcing all securities related FX transactions to either the Custodian or on a Custody Agnostic basis? If so, besides price and transparency, what would other factors in this decision?

ASTO Response: ASTO does not hold or participate in Foreign Exchange ("FX") investments / transactions, which is anything not USD. All holdings are United States Dollar ("USD").

54. Question: Does Arizona State perform currency hedging through an active or passive currency overlay program to hedge foreign currency/holding exposures? If so, is the program run in-house or outsourced, and what is the total value of assets hedged (AUH)?

ASTO Response: ASTO does not hold or participate in Foreign Exchange ("FX") investments / transactions, which is anything not USD. All holdings are United States Dollar ("USD").

55. Question: In order to provide indicative pricing, please share estimated annual FX volumes by market, broken down between expected Custodian flow and Third Party flow, and/or Currency hedging amounts. Please include notional amounts in US dollar (\$) terms.

ASTO Response: ASTO does not hold or participate in Foreign Exchange ("FX") investments / transactions, which is anything not USD. All holdings are United States Dollar ("USD").

56. Question: Section 1-7 (p. 9)-Basic Minimum Qualifications, "Respondent agrees to provide the services as detailed in the Scope of Work section of this RFP and any other requirements as stated in this RFP. (Yes/No): _____". If our response to the RFP will have comments or exceptions to the requirements in the RFP, can we still mark the item #7 in Basic Minimum Qualifications as "yes" and sign the Acceptance of Offer (with comments) and the comments and exceptions in the response will be read to modify this provision?

ASTO Response: An offeror may respond "yes" and provide exceptions. The respondent may provide exceptions to the RFP in Exhibit G. Exceptions are discussed with the awarded bidder



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TREASURER



during negotiations. However, ASTO reserves the right to reject offers that take exception to a material requirement of the solicitation. See RFP Section 5, page 22.

57. Question: Section 2 (p. 12)-Offer and Acceptance “The Undersigned hereby offers and agrees to provide Master Custody Services in compliance with all terms, conditions, specifications, and amendments in the Solicitation and any written exceptions in the Offer.” Does the reference to amendments and exceptions referenced here include exceptions requested by the respondent in its response to the RFP and the respondent’s contracts submitted by the respondent with its response?

ASTO Response: An offeror may sign the offer and acceptance and submit exceptions. The respondent may provide exceptions to the RFP in Exhibit G. Exceptions are discussed with the awarded bidder during negotiations. However, ASTO reserves the right to reject offers that take exception to a material requirement of the solicitation. See RFP Section 5, page 22.

58. Question: Section 2-3 (p. 12)-Information technology. “Complies with A.R.S. § 18-132 when offering electronics or information technology products, services, or maintenance;” Can you please confirm that this certification does not apply to this RFP and the respondent can delete this certification from its Offer and Acceptance?

ASTO Response: This provision will remain and apply if the applicable circumstances arise during the course of the contract. However, its compliance is only applicable to systems that will be accessed by ASTO or non-contractor personnel as specifically identified.

59. Question: Section 2 (p. 13) - Acceptance of Offer. “Offer and Acceptance section.” Can you please confirm that we can sign the Offer and Acceptance with comments to the provisions of Acceptance and Offer?

ASTO Response: An offeror may sign the offer and acceptance and submit exceptions. The respondent may provide exceptions to the RFP in Exhibit G. Exceptions are discussed with the awarded bidder during negotiations. However, ASTO reserves the right to reject offers that take exception to a material requirement of the solicitation. See RFP Section 5, page 22.

60. Question: Section 3-5 (p. 14) – Terms and Definitions. “Contract” means the combination of the Solicitation, including the Uniform and Special Instructions to Bidders, the Uniform and Special Terms and Conditions, and the Specifications and Statement or Scope of Work, the Offer and any Best and Final Offers, and any Solicitation Amendments or Contract Amendments.” Please



OFFICE OF THE
ARIZONA STATE TREASURER

KIMBERLY YEE
TREASURER



confirm that Uniform Instructions are not applicable to this RFP. If they are applicable, can you please provide that document?

ASTO Response: The Uniform Instructions provided to offerors are the "Solicitation Instructions to Offerors" outlined in Section 5 of the RFP. Additionally, refer to page 23, "Solicitation Order of Precedence" and page 98, Exhibit G, "Exceptions to Uniform Terms & Conditions".

61. Question: Section 5- 4 (p. 22)-Exceptions to Terms and Conditions. "he Offeror's preprinted or standard terms will not be considered by the State as a part of any resulting Contract." The respondent requires its clients to sign a custody agreement to provide its services. If the respondent's RFP proposal is accepted, the respondent and the client would negotiation and agree the custody agreement. Please confirm this language in the RFP does not mean that the State will not sign (or be bound by) the respondent's custody agreement.

ASTO Response: The parties will be bound by the final agreements as fully negotiated and agreed upon.

62. Question: Section 5- 4 (p. 22)- Exceptions to Terms and Conditions. Invitation for Offers. An Offer that takes exception to a material requirement of any part of the Solicitation, including terms and conditions, shall be rejected. • Request for Proposals. ... An offer that takes exception to any material requirement of the solicitation may be rejected." Which exceptions will the State consider material? In addition, if the respondent's response to the RFP has material exceptions, will the response be rejected or the State reserves the right to reject the response (the RFP uses both "may" and "shall")?

ASTO Response: ASTO reserves the right to reject responses. See RFP Section 5, page 22.

63. Question: Section 5-10 (p. 23)-Employee Identification. "Employee Identification. Offeror agrees to provide an employee identification number or social security number for the purposes of reporting to appropriate taxing authorities, monies paid under this contract. If the federal identifier of the Offeror is a social security number, this number is being requested solely for tax reporting purposes and will be shared only with appropriate state and federal officials. This submission is mandatory under 26 U.S.C. § 6041A." Can you please clarify what this requirement means where the respondent is a national bank? Can such respondent provide its employer identification number (instead of employee identification number and social security number)?



OFFICE OF THE
ARIZONA STATE TREASURER

KIMBERLY YEE
TREASURER



ASTO Response: Offerors must provide an employee identification number or social security number pursuant to RFP Section 5, page 23, paragraph 10.

64. Question: Section 5- 2 (p. 25)-Prompt Payment Discount. "Prompt Payment Discount. Prompt payment discounts of thirty (30) days or more set forth in an Offer shall be deducted from the offer for the purposes of evaluating that price." Can you please clarify what this means?

ASTO Response: If any prompt payment discounts are offered, please include the proposed terms of the discount in the response as part of pricing. All other payments will be standard Net 30 terms.

65. Question: Section 6 (p. 40-45) –Information Technology Work. "Information Technology Work section (starts on p. 40 and ends on p. 45)" Can you please confirm this RFP does not include Information Technology and the requirements set out under the heading Information Technology Work (pages 41-45) do not apply to this RFP?

ASTO Response: This provision will remain and apply if the applicable circumstances arise during the course of contract negotiations.

66. Question: Section 7-1 (pp. 46 and 53)-Amendments. "p. 46: "Contract Amendment" means a document signed by the Procurement Officer that has been issued for the purpose of making changes to the Contract. p. 53 The Contract may be modified only through a Contract Amendment within the scope of the Contract." Please confirm that an amendment to the Contract has to be signed both by the Procurement Officer and the respondent.

ASTO Response: This is correct. See RFP Section 7, page 53.

67. Question: Section 4-5 (p. 22); Section 7-2, 3 (p.53)- Subcontractor. "p. 22: The successful Offeror shall not subcontract any of its responsibilities in the Offer without the prior written consent of the State. p. 53: Subcontracts. The Contractor shall not enter into any Subcontract under this Contract for the performance of this contract without the advance written approval of the ASTO... Assignment and Delegation. The Contractor shall not assign any right nor delegate any duty under this Contract without the prior written approval of the ASTO." Please confirm that the requirement to get the State's prior written consent to use subcontractors (and delegate duties) only applies where the respondent engages subcontractors to perform work specific to the State and under the contract with the State.



OFFICE OF THE
ARIZONA STATE TREASURER

KIMBERLY YEE
TREASURER



ASTO Response: The provisions of this RFP apply only to the scope of work and responsibilities outlined in respondent's offer and contract with ASTO. Your proposal shall clearly identify any proposed subcontractors that would perform work under the scope of the RFP.

68. Question: Section 7-1 (p. 54)-Risk of loss. "The Contractor shall bear all loss of conforming material covered under this Contract until received by authorized personnel at the location designated in the purchase order or Contract. Mere receipt does not constitute final acceptance. The risk of loss of nonconforming materials shall remain with the Contractor regardless of receipt." Please confirm this requirement does not apply to this RFP. If it does apply to this RFP, can you please clarify what the implications of this provision are for a contract for provision of services (rather than goods).

ASTO Response: This provision will remain and apply if the applicable circumstances arise during the course of the contract.

69. Question: Section 7-2 (p. 54)-Indemnity. "Public Agency Language Only. Each party (as 'indemnitor') agrees to indemnify, defend, and hold harmless the other party (as 'indemnitee') from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney's fees) (hereinafter collectively referred to as 'claims') arising out of bodily injury of any person (including death) or property damage but only to the extent that such claims which result in vicarious/derivative liability to the indemnitee, are caused by the act, omission, negligence, misconduct, or other fault of the indemnitor, its officers, officials, agents, employees, or volunteers." The indemnity from the State seems to only apply if the contractor is a public entity. Does the State not indemnify the contractor if the contractor is not a public entity?

ASTO Response: In RFP Section 6, page 54, the section titled "Public Agency Language Only" shall apply to public agencies, not a privately owned company. Every contractor/vendor that is not a public agency shall be governed by the indemnification section titled "Contractor/Vendor Indemnification (Not Public Agency)" on page 54 of the RFP. Please also refer to ASTO's answer in question 31.

70. Question: Section 7 (pp. 56-59)- Warranties. "Warranties section (starts on p. 56 and ends on p. 59)" Can you please confirm the requirements set out under the heading Warranties (pages 56-59) do not apply to this RFP? If this section does apply to this RFP, how should these sections be interpreted in a custody context? For example, the section talks about products not having a lien and materials meeting quality requirements, which seems to be geared for an RFP for a supply of goods (not services).



OFFICE OF THE
ARIZONA STATE TREASURER

KIMBERLY YEE
TREASURER



ASTO Response: The respondent may provide exceptions to the RFP in Exhibit G. Exceptions are discussed with the awarded bidder during negotiations. However, ASTO reserves the right to reject offers that take exception to a material requirement of the solicitation. See RFP Section 5, page 22.

71. Question: Section 7-2, 4, 5 (pp.59-60)- Stop Work Order, Nonconforming Tender sections and Right of Offset. "Stop Work Order, Nonconforming Tender sections and Right of Offset sections (pp. 59-60)" Please confirm that these sections do not apply to this RFP. If this section does apply, can you please advise if the State will accept revisions to this section? If this section does apply to this RFP, how should these sections be interpreted in a custody context?

ASTO Response: The respondent may provide exceptions to the RFP in Exhibit G. Exceptions are discussed with the awarded bidder during negotiations. However, ASTO reserves the right to reject offers that take exception to a material requirement of the solicitation. See RFP Section 5, page 22.

72. Question: Exhibit E: Confidential Information Designation (pp. 90-91) "The whole exhibit." Can you please confirm that the respondent can sign the Exhibit with revisions to the language?

ASTO Response: No as this Exhibit is required under Arizona State Law.

73. Question: Exhibit F: Letter of Insurability (p. 93). "The whole exhibit." Can the respondent submit summaries of its insurance policies instead of a letter of insurability?

ASTO Response: A letter of insurability is required pursuant to RFP Section 8, Exhibit F, page 93. The respondent may provide exceptions to the RFP in Exhibit G. Exceptions are discussed with the awarded bidder during negotiations. However, ASTO reserves the right to reject offers that take exception to a material requirement of the solicitation. See RFP Section 5, page 22.

74. Question: Exhibit G-Supplements 1, 3 and 4 (pp. 95, 97, 98) "The entire supplements." Can the respondent ask to negotiate the whole sections (such as Special Terms and Conditions) if the respondent's proposal is accepted (instead of specifying each section where it seeks an exception)?

ASTO Response: The respondent may provide exceptions to the RFP in Exhibit G. Exceptions are discussed with the awarded bidder during negotiations. However, ASTO reserves the right to



OFFICE OF THE
ARIZONA STATE TREASURER

KIMBERLY YEE
TREASURER



reject offers that take exception to a material requirement of the solicitation. See RFP Section 5, page 22.

75. Question: Exhibit G-Supplements 5, 6 and 7 (pp. 99-104). “The entire supplements.” Can the respondent make changes to these supplements?

ASTO Response: The respondent may provide exceptions to the RFP in Exhibit G. Exceptions are discussed with the awarded bidder during negotiations. However, ASTO reserves the right to reject offers that take exception to a material requirement of the solicitation. See RFP Section 5, page 22. See also RFP Section 5, page 22.

76. Question: “Submission Requirements: Responses must include 1 ORIGINAL printed copy plus 3 complete electronic versions of the proposal on USB drives, that will be used in the evaluation process. The original copy of the proposal should be clearly labeled “ORIGINAL”. The material should be in sequence and related to the Request for Proposal. Note: Offeror shall not submit any documents/USB drives that are password protected.” “Question: We see that the Submission Requirements state that “Offeror shall not submit any documents/USB drives that are password protected.” Our Corporate Information Security policy is that all approved USB devices must be encrypted with a password. Will this please be acceptable to ASTO?

ASTO Response: No per the RFP, Section 3, page 15.

77. Question: Am I correct the State of Arizona requires a flat fee for admin., accounting services – nothing tied to the portfolio assets but custody can be tied to the portfolio asset levels?

ASTO Response: ASTO is requesting fixed Bundled and/or Unbundled Pricing. If there are price breaks by volume of transactions, please specify. Please also refer to RFP Section 4, page 18, and Section 8, Exhibit A: Pricing page 63, for additional information. Please also refer to ASTO’s answer in Question 1.

78. Question: Would it be possible to execute a mutual nondisclosure agreement so we could share additional information with you?

ASTO Response: ASTO will not execute a mutual nondisclosure agreement with an offeror. Please follow the process set out in Exhibit E of this RFP. See RFP Section 5 page 24, paragraph 1 and Section 8, Exhibit E.