

Ohio Treasurer of State
Investment Management System Software Solution Request for Proposal
Respondent Questions and Treasurer’s Office Answers
June 9, 2020

Respondent Question	Treasurer’s Office Answer
<p>The Ohio Treasury is seeking 5 physical/hard copies of the proposal by June 19th. We are wondering if that clause can be waived or softened in any way (i.e. perhaps we just provide 5 or 6 USB/Memory drives) in light of COVID-19 remote working challenges.</p>	<p>Yes. The requirement for Respondents to provide five (5) hard copies of the completed written response is waived. Respondents are directed to provide two (2) electronic versions of the RFP response no later than 3:00 p.m. E.D.T. on June 19, 2020. No hard copy of the RFP response is now required. The electronic version is to be submitted as a Microsoft Word document on USB memory devices.</p>
<p>Sec 5.1 # 5: Does the IMS provide collateral tracking for investments that require collateral? If yes, does the user designate what securities require collateral? Can the user define the collateral margin and market value for verification against user investment policy?</p> <p>Question: Can the definition of Collateral Tracking be elaborated on? What is the current workflow and reporting requirements etc.?</p>	<p>Certain assets types, i.e. bi-lateral delivery versus payment repurchase agreements (DVP Repo), settle by exchanging of collateral versus the Repo principal. Typically, the DVP Repo is booked to the IMS as an investment holding (i.e. ABC Counterparty Repo @ 1.00% Due 07/01/2020). The DVP Repo collateral should be associated with the Repo holding, typically in a supplementary collateral screen, but the collateral would not be recorded as an investment holding in IMS. The collateral should be marked to market (i.e. priced), income accrual calculated, and any associated asset type “haircut” applied daily while the DVP Repo is outstanding to ensure sufficient collateral value is in place to cover the principal value. TOS would need to be able to access the collateral held by impacted asset type as well as generate reporting to ensure collateral sufficiency. TOS will need to generate collateral reporting for “as of dates”, both current and historic.</p>
<p>Sec 5.1 # 6: Does the IMS provide collateral tracking for tri-party repurchase agreement collateral as provided by an agent?</p>	<p>TOS would like to understand the proposed IMS solution Tri-Party Repurchase Agreement capabilities including if the IMS can replicate collateral calculations as well as load a collateral file from the collateral agent for tracking and monitoring.</p>

<p>Question: Regarding the tri-party REPO agreements, are you looking to replicate tri-party agreement calculations? Or load a file provided by the agent to track and monitor?</p>	
<p>Section 4.8 # 10: Please describe and provide examples of the type of cash and position reconciliation reporting standards used within the IMS.</p> <p>Question: Can you provide terms of examples?</p>	<p>TOS requests Respondents describe and provide their standard cash and position reconciliation reporting, i.e. not customized. Please describe what data is provided for Side A, Side B, and Matched but Differences in your standard reconciliation reporting including the frequency and functional capabilities.</p>
<p>Sec 4.3 # 8: Please refer to Appendix 1 – IMS Business Overview Document. Does the IMS maintain comparable data elements?</p> <p>Question: Is this referring generally to the entire document/workflows or is there a specific section we should look at for data elements?</p>	<p>Within Appendix 1 – Business Overview Document there are various embedded attachments as well as various data elements referenced the selected IMS will need to provide/solution, including, but not limited to: Investment Portfolio Quantum Interactions; Counterparties; APS2 OPCS Reference Data; APS2 and Bloomberg Data to Quantum Analytics; Quantum Analytics Data Feeds; etc.</p>
<p>Development, Implementation, and Data Migration Estimate</p> <p>Question: Please clarify the current assumption for historical data conversion from APS2 to the IMS solution. Also, how far back would performance history go back?</p>	<p>TOS expects to work with the selected IMS Vendor during the planning and implementation phase to review and agree historical data migration strategy and scope. For estimation purposes, TOS would expect to migrate all active tax lots with all associated active tax lot history as well as a full 18 months of historical data.</p> <p>TOS currently does not calculate or maintain investment performance systematically. TOS expects to consult with the IMS Vendor during planning and implementation to determine strategy and scope to construct historic performance data.</p>
<p>Question: Does TOS currently, or plan to, invest in FNMA, FHLMC ARM's linked to SOFR or any other SOFR linked Bonds (ex. FHLB)?</p>	<p>Yes, TOS purchases SOFR-linked bonds.</p>
<p>Question: Does TOS currently manage the debt portfolio in the legacy Investment Management System (APS2)?</p>	<p>TOS only accounts and manages select reserve and administrative funds in Debt Management accounts, i.e. money market assets, US Treasuries, and CP. TOS does not post or administer debt issued by the Debt Management Department within the IMS solution.</p>

<p>Question: Does the IMS have Operational Requirements around Debt Issuance - Creating Payments, Wiring Money, 4-6 Eyes Checking?</p>	<p>TOS does not post or administer debt issued by the Debt Management Department within the IMS solution. There is not currently an IMS solution requirement for debt issuance support.</p>
<p>Question: What are the Accounting Requirements around Debt Management - Settlement Date Accounting, Amortization of Issuance Fees, Generation of Liability Postings – Does the IMS incorporate these today?</p>	<p>TOS does not post or administer debt issued by the Debt Management Department within the IMS solution. There are no special reporting requirements for the investment assets held in the Debt Management accounts within the IMS solution. There is not currently an IMS solution requirement for debt issuance support.</p>
<p>Question: Do you currently or plan to Issue SOFR linked Debt?</p>	<p>TOS does not post or administer debt issued by the Debt Management Department within the IMS solution. There is not currently an IMS solution requirement for debt issuance support. At this time, TOS has no immediate plans to issue SOFR linked debt.</p>
<p>4.5 # 3: Please describe how the IMS currently interfaces with Bloomberg for trade order management and workflow.</p> <p>Question: What is the nature of the Bloomberg Anywhere interface? For example, is this file based FTP, API, etc.?</p>	<p>Investments executes trades via Bloomberg. Currently, APS2 picks up the Bloomberg Blot file and populates the APS2 trade blotter with the trade details via FTP. An Investment APS2 user (based on user privileges) will review and approve the trade details, and another user updates the trade in APS2. Data does not interface from APS2 to Bloomberg.</p>

<p>4.7 # 5: Please explain the types of special interest rate variations handled by the IMS (e.g., step-up, floating, variable, etc.).</p> <p>Question: From the examples provided in the question should ‘floating’ and ‘variable’ be tracked similarly? Please provide more clarity around the types of special interest rate variations for which State of Ohio is interested? Specifically, what is active in the current portfolio, as well as any types used in the past and/or may be used in the future?</p>	<p>In the past year, TOS has purchased floating rate/variable rate bonds, including variable rate demand bonds (VRDBS) that reset based on a third-party remarketing agent, corporate and agency step-up bonds for which the interest rate changes on a pre-determined schedule, and bonds with an interest rate tied to an index, including LIBOR, SOFR, Prime, and the federal funds rate.</p>
<p>4.10: System Integration and Data Feeds (Whole section)</p> <p>Question: What is the primary method of integration for State of Ohio and the various downstream integration vendors? (e.g. Is there an FTP connection with Host-to-host, or is any type of middleware being leveraged, such as Web Methods, TIBCO, etc.)</p>	<p>The Treasurer of State currently utilizes SFTP connections and web API's to integrate with 3rd parties.</p>
<p>5.1 # 1: Can the IMS calculate variation margin according to agreement terms, assess the eligibility of collateral received, and accept or reject collateral?</p> <p>Question: Does the State of Ohio currently use a 3rd party system for tracking, processing and integration for collateral transactions in the overall collateral management processes (i.e. accept, reject, substitution, etc.)?</p>	<p>TOS currently uses a combination of APS2, CARS, Quantum Analytics, Bloomberg, and spreadsheets to manage the end to end collateral workflow. TOS would like to streamline these various toolsets as much as possible within the IMS solution. Respondents should fully describe their proposed IMS solution collateral management, mark to market, calculation, and workflow capabilities.</p>