125th Meeting of the

FINANCE INVESTMENT AND AUDIT COMMITTEE

[A SUB-COMMITTEE OF THE CENTRAL BOARD,
EMPLOYEES' PROVIDENT FUND]

On

24.05.2016 at 11:00 A.M.

VENUE:
Conference Hall,
3rd Floor, EPFO (Head Office),
Bhavishya Nidhi Bhawan,
14, Bhikaiji Cama Place,
NEW DELHI - 110066.
# AGENDA BOOK

125<sup>th</sup> Meeting of the Finance Investment and Audit Committee,  
Central Board, EPF.

**Date:** 24.05.2016  
**Time:** 11.00 A.M.  
**Index of Items**

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<td></td>
</tr>
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Item No.1: Confirmation of the Minutes of 124th Meeting of the Finance Investment and Audit Committee held on 22.03.2016 at EPFO, Headquarters, New Delhi.

Minutes of 124th Finance Investment and Audit Committee (FIAC) meeting held on 22.03.2016 was circulated vide letter No. Invest.I/(124th) Mtg.FIAC/2016/2231 dated 23.03.2016 (Copy of the minutes is enclosed as ANNEXURE-'A' of this item. This office has not received any observations from the members on the minutes of the meeting.

Minutes may be taken as confirmed.
All Members,

Finance Investment & Audit Committee,
Central Board of Trustees, Employees' Provident Fund

Sub: Forwarding of Minutes of 124th Meeting of the Finance Investment & Audit Committee (FIAC), CBT, EPF held on 22.03.2016 at EPFO Head Office, New Delhi - Reg.

Sir,

Minutes of 124th meeting of the Finance Investment & Audit Committee (FIAC) held on 22.03.2016 approved by the Chairperson is enclosed herewith for your kind perusal and necessary action please.

Yours faithfully,

(AMUL RAJ SINGH)
Regional P.F. Commissioner-II (Invest.)
Copy along with a copy of Minutes of 12th (FIAC) meeting forwarded for information and necessary action to:-

1. P.S. to Central Provident Fund Commissioner, EPFO, Head Office.
2. P.S. to FA & CAO, EPFO, Head Office.
3. ACC-II (F&A/IMC/Invest.) EPFO, Head Office.
4. ACC-II (Pension) EPFO, Head Office.
5. ACC-II (Audit), EPFO, Head Office.
6. Regional Provident Fund Commissioner-I (Finance & Accounts) EPFO, Head Office.
7. Regional Provident Fund Commissioner-II (Conference), EPFO, Head Office.
8. All Regional Provident Fund Commissioner-II (IMC), EPFO, Head Office.

(AMUL RAJ SINGH)
Regional P.F. Commissioner-II (Invest.)
Minutes of the 124th Meeting of the Finance Investment & Audit Committee (FIAC) held on 22.03.2016

1. The 124th Meeting of Finance Investment & Audit Committee was held on 22.03.2016 from 11.00 A.M. onwards in the Conference Hall, 3rd Floor, EPFO, Head Office, New Delhi.

2. The following members/representatives were present in the meeting.

<table>
<thead>
<tr>
<th></th>
<th>Name</th>
<th>Position and Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dr. V.P. Joy</td>
<td>Chairman, FIAC, Central Board and Central Provident Fund Commissioner</td>
</tr>
<tr>
<td>2</td>
<td>Sh. Heera Lal Samaria</td>
<td>Additional Secretary (L&amp;E), Ministry of Labour &amp; Employment, Govt. of India</td>
</tr>
<tr>
<td>3</td>
<td>Ms. Meenakshi Gupta</td>
<td>Joint Secretary &amp; Financial Advisor, Ministry of Labour &amp; Employment, Govt. of India</td>
</tr>
<tr>
<td>4</td>
<td>Sh. Prabhu Dayal</td>
<td>Under Secretary, Deptt. of Financial Services (Pension Reform), Ministry of Finance, as representative of Joint Secretary, MOF, Govt. of India; as Domain Expert.</td>
</tr>
<tr>
<td>5</td>
<td>Sh. Balasubrahmanyam Kamarsu</td>
<td>Member, Central Board, (Employers' Representative)</td>
</tr>
<tr>
<td>6</td>
<td>Sh. J.P. Chowdhary</td>
<td>Member, Central Board, (Employers' Representative)</td>
</tr>
<tr>
<td>7</td>
<td>Sh. Prabhakar J. Banasure</td>
<td>Member, Central Board, (Employees' Representative)</td>
</tr>
</tbody>
</table>

The following members could not attend the meeting:

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dr. G. Sanjeeva Reddy</td>
<td>Member, Central Board, (Employees' Representative)</td>
</tr>
</tbody>
</table>

In addition to the above, FA & CAO, EPFO Convener was also present during the meeting.

3. The Chairman welcomed all the members and officers present in the meeting. Thereupon the agenda were taken up.
Item No. 1: Confirmation of the Minutes of 123rd Meeting of the Finance Investment & Audit Committee (FIAC) held on 18.01.2016.

The minutes of 123rd Meeting of the Finance Investment & Audit Committee held on 18.01.2016 were confirmed.

Item No. 2: Action taken report on the recommendation of the 123rd Meeting of Finance Investment & Audit Committee (FIAC) held 18.01.2016.

The action taken report as placed was taken note of by the Committee.


The CPFC informed the Performance Report of all EPFO Portfolio Managers for the period 1st July 2015 to 31st December 2015 to the Committee.

The CPFC informed that a system of re-allocation of portfolio based on inter-se performance of the Fund Managers is being considered by EPFO wherein based on their performance, the re-allocation of EPFO's portfolio may happen in a way that some portion of funds of lower than average performers may be assigned to higher than average performers on annual basis.

Sh. J.P. Chowdhary enquired whether this re-allocation is done after taking both yield and asset quality under consideration to which the CPFC replied that the CRISIL performance evaluation of portfolio managers takes into account both Portfolio yield and asset quality.

It was decided that for this year's re-allocation, the performance of all five Portfolio Managers since the start of this mandate till March 31, 2016 shall be considered.
With the above observations, the agenda as placed was taken note of by the Committee.

**Item No. 4: CBLO borrowing transactions by the Portfolio Managers during the period 01.01.2016 to 29.02.2016.**

The proposal as contained in the agenda was taken note of by the Committee with the observation that the same may be placed before the Board for information.

**Item No. 5: Alternate strategies of Investment in Exchange Traded Funds.**

The item was explained to the members by FA&CAO. The members had some observations which have been summarized as under:

- SBI Mutual Fund is the sole ETF Manufacturer for EPFO as of now. In order to instill competition & increase returns, there should be more than one ETF Manufacturer to be selected by open tendering process. FA&CAO informed that the process has already been started and new ETF manufacturer is likely to get selected by June end.

- Members wanted that exit strategy for ETF i.e. modalities for selling ETF units should be in place so that when the market goes up EPFO can book some profits. It was also suggested that selling of ETFs can happen in tranches after calculating profits on investments made during different time periods.

- Members were of the view that Life Insurance Corporation of India (LIC) is the biggest investor in India and since it does all its investments in-house, EPFO can discuss with them in order to understand their investment processes.
Item No. 6: Concurrent Audit Reports of Provident Fund (including other funds) and Pension Fund for the month of December 2015 & January 2016.

It was decided that the monthly concurrent audit report given by the External Concurrent Auditor shall be placed regularly in the FIAC henceforth along with the action taken on the observations of the audit report.

Item No. 7: Process of selection of new External Concurrent Auditor (ECA).

The agenda was approved by the committee.

Table Agenda: Amendment in pattern of Investment notified by MOL&E on 23rd April 2015.

The Committee was informed that Government has permitted investment in Government securities category from the present 45-50% to 45-65%. This additional leeway for investment in Government securities would enhance EPFO's investment in more secured instruments. The members took note of the agenda.

The meeting ended with a vote of thanks to the Chair.
Item No.2: Action Taken Statement on the minutes of 124th Meeting of Finance Investment & Audit Committee held on 22.03.2016.

<table>
<thead>
<tr>
<th>S.No</th>
<th>Decisions / Directions of FIC</th>
<th>Action Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Performance Evaluation of Portfolio Managers for the period 01.07.2015 to 31.12.2015.</td>
<td>As regards Performance Evaluation of Portfolio Managers for the period 01.07.2015 to 31.12.2015, the agenda was taken note of by the Committee and the action stand completed. With regard to re-allocation of Portfolio based on inter-se performance of the fund manager, the matter was also discussed in review meeting of Portfolio Managers for quarter ended March 2016 held on 26.04.2016 wherein it has been decided that CRISIL to share an alternate method of re-allocation of funds based on portfolio manager yield and asset quality. M/s CRISIL has shared the alternate approach using portfolio managers' aggregate performance scores. The matter is being placed in the meeting.</td>
</tr>
<tr>
<td></td>
<td>(Item No.3 of 124th FIAC)</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>CBLO borrowing transactions by the Portfolio Managers during the period 01.01.2016 to 29.02.2016.</td>
<td>The agenda of CBLO borrowing transaction by the Portfolio Managers for the period from 19.09.2015 to 31.12.2015 was placed in 211th meeting of CBT held on 16.02.2016 wherein the item was deferred and it was considered and noted by CBT in 212th meeting held on 29.03.2016. The agenda on the same for the period 01.01.2016 to 29.02.2016 could not be placed in 212th meeting of CBT due to paucity of time and shall be placed in the next CBT meeting.</td>
</tr>
<tr>
<td></td>
<td>(Item No.4 of 124th FIAC)</td>
<td>Agenda item for CBLO borrowing transactions by the Portfolio Managers during the period</td>
</tr>
</tbody>
</table>
3. **Alternate strategies of Investment in Exchange Traded Funds.**

The item was explained to the members by FA & CAO.

On the specific agenda of alternate strategies of Investment in Exchange Traded Funds it was decided that since the matter is highly technical in nature, an expert group may be constituted which would include representatives of the following:

1. SBI Mutual Fund
2. Life Insurance Corporation of India (LIC)
3. India Index Services & Products Ltd. (IISL), (NSE)
4. Asia Index Pvt. Ltd (BSE and S&P Venture)
5. National Institute of Securities Markets (NISM) established by SEB

It was further decided that CRISIL would coordinate the meetings and present recommendations of the said Expert Group to the FIAC.

The Terms of Reference of the Expert-Group would be as under:

1. Allocation to equity and related instruments for the next financial year.
2. Risk diversification strategy while making investment in ETFs.
3. Alternate ETFs
other than Nifty 50 and Sensex in order to optimize return with minimum risk.

4. Strategy for realizing profits and ways to do it.

5. Any other issue that may be referred by FIAC.

(Item no. 5 of 124th FIAC)

| 4. Concurrent Audit Reports of Provident Fund (including other funds) and Pension Fund for the month of December, 2015 & January, 2016. It was decided that the monthly concurrent audit report given by the External Concurrent Auditor shall be placed regularly in the FIAC henceforth along with the action taken on the observations of the audit report. | Requisite action have been taken in respect of following issues as detailed below:-

| (Item No.6 of 124th FIAC) | (A) Instances of non-receipt / delay and short in receipt of fund:


- Reminder letter No.Invest.I/(171)/HDFC/2013/42932 dated 30.03.2016 has been issued to Managing Director, HPFC, Shimla for the payment of claimed outstanding interest amount Rs.11,990/- through electronic mode.

- A meeting was held on 15.03.2016 in State Bank of Hyderabad Head Office on default in payment by Andhra Pradesh Power Finance Corporation attended by RC-II, RO, Hyderabad and Custodian representative on behalf of EPFO. Custodian representative has conveyed
Consultant CRISIL has submitted the draft RFP. An agenda item on the same - Request for Proposal (RFP) for Appointment as External Concurrent Auditor (ECA) for the employees’ Provident Fund Organisation (EPFO) Portfolio Managers is in the meeting that "EPFO as a bond holder may also explore option of filing the Suit against the company for non payment independently."

(B) Securities matured but still reflected in the system and Custodian Holding:

- In case of security of UPSFC which is in default, RC, SRO, Lucknow vide this office letter No.Invest.I/1(125)Vol.1/UP PICUP & UP SFC/32436 dated 26.05.2015 was advised to engage a duly empanelled advocate in respect of pending cases at the earliest and inform this office accordingly. Latest reminder has been issued on 04.04.2016.

- The status on credit confirmation for Godavari Marathwada Irrigation Development Corporation (GMIDC) security for Rs.1,00,000/- is still awaited from SRO, Barrackpore. Latest reminder issued on 09.05.2016.

- Concurrent Audit Report given by the External Concurrent Auditor for the month of Feb., 2016 and March, 2016 are being placed in 125th FIAC as agenda item.


The agenda was approved by the Committee.

(Item No.7 of 124th FIAC)
<table>
<thead>
<tr>
<th>6. Amendment in Pattern of Investment Notified by MoL&amp;E on 23rd April 2015.</th>
<th>The agenda was taken note of by the Committee.</th>
</tr>
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<tbody>
<tr>
<td>The Committee was informed that Government has permitted investment in Government securities category from the present 45-50% to 45-65%. This additional leeway for investment in Government securities would enhance EPFO's investment in more secured instruments. The members took note of the agenda. (Tabled Item of 124th FIAC)</td>
<td></td>
</tr>
</tbody>
</table>
Central Board, Employees' Provident Fund Organisation (EPFO) has investment in various securities/bonds issued by M/s Punjab State Industrial Development Corporation Ltd. (PSIDC), Chandigarh. These bonds are guaranteed by the State Government of Punjab.

2. M/s. Standard Chartered Bank (SCB), as Custodian of EPFO, has informed that as on 31.01.2016 M/s PSIDC has not paid the outstanding interest/maturity payment amount of Rs. 85,67,044.42 on various securities and the Accrued delayed interest Amount Rs. 7,82,087.24 to the Central Board, EPF. (Details as on 31.01.2016 enclosed as Annexure-A).

3. Unfortunately, in spite of regular follow up for recovery of these outstanding dues by this office, our Regional Office at Chandigarh as well as by our Custodian, SCB and Portfolio Manager, SBI from time to time, no progress has been made so far.


5. I would also like to bring it to your notice that as these bonds are guaranteed by the State Government of Punjab the default by M/s Punjab State Industrial Development Corporation Ltd. S would result in claim by EPFO on the Government of Punjab.

6. I, therefore, request you to kindly look into the matter on priority and to issue necessary directions to remit all the pending due payments immediately to the Central Board, EPF.

Yours Sincerely,

Encl. As above.

Shri Sarvesh Kaushal, IAS
Chief Secretary,
Govt. of Punjab,
Chandigarh.
Date: 02 Feb 2016

To,
Mr. Amul Raj Singh
Regional P.F. Commissioner-II (Invest.)
Employees' Provident Fund Organisation
Bhavishya Nidhi Bhawan,
14-Bhikaji Cama Place,
New Delhi - 110066

Subject: Outstanding Interest and Maturity Payments as at the end of January 2016.

Dear Sir,

With regard to the captioned subject, we attached herewith list of outstanding Interest and Maturity Payments as at the end of January 2016 for your perusal.

Summary of Company wise outstanding payments and interest accrued for delayed period at the end of January 2016 is as mentioned below:

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Outstanding Total Interest / Maturity Payments</th>
<th>Accrued Delayed Interest Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Andhra Pradesh Power Finance Corporation Ltd</td>
<td>212,891.00</td>
<td>4,769.36</td>
</tr>
<tr>
<td>Punjab Financial Corporation</td>
<td>2,795,237.43</td>
<td>244,523.14</td>
</tr>
<tr>
<td>Punjab State Industrial Development Corp Ltd</td>
<td>8,567,044.42</td>
<td>782,087.24</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>11,575,172.85</strong></td>
<td><strong>1,031,379.74</strong></td>
</tr>
</tbody>
</table>

In case you need any further clarification, please contact the undersigned.

Thanking you

Yours faithfully,

For Standard Chartered Bank

Prabhakar Poddnekar
End: As above

Date: 02/05/2015
Dear Shri H.D.,

I would like to draw your personal attention towards the default in payments towards outstanding interest claims and the overdue interest claimed on the delayed payments of maturity proceeds/interest on the securities issued by your corporation, M/s. Punjab State Industrial Development Corporation Limited (PSIDC), Chandigarh, to the Central Board of Trustees, EPF.

M/s. Standard Chartered Bank (SCB), as Custodian of EPFO, has informed that PSIDC has not paid the outstanding interest dues amount of Rs. 20,31,150.00/- on various securities. (Details as on 12 Nov 2014 enclosed as Annexure -1).

SCB has also informed that payments on maturity redemption/interests in respect of various securities have been made by PSIDC after delay. Interest for the delayed payments has been claimed from PSIDC for the amount Rs. 30192.94/-, (Details as on 12 Nov 2014 enclosed as Annexure -2).

Further, during the period March 2002 to May 2009 SBI on behalf of EPFO claimed Rs. 10082745.74 as interest on delayed payments of maturity proceeds and coupon interest payments, out of which SBI reported that Rs. 9465439.00 have been paid leaving a balance of Rs. 616306.74 still to be paid. (Detail of calculation enclosed).

For recovery of these amounts many follow ups have been done by this office, our field office at Chandigarh, as well as by our Custodian and Fund Managers.

You are again requested to personally intervene and arrange to remit all the pending due payments of Rs. 2877649.68/- immediately through electronic payment mode.

Yours sincerely,

(K.K. Jalan)

Enclosure: As above

Shri Avtar Singh Ht,
Chairman,
M/s. Punjab State Industrial Development Corporation Limited (PSIDC),
Udyog Bhavan, 18, Himalaya Marg,
Sector 17, P. Box No. 81,
Chandigarh - 160017
Central Board, Employees' Provident Fund Organisation (EPFO) has investment in various securities/bonds issued by M/s Punjab Financial Corporation, Chandigarh (PFC). These bonds are guaranteed by the State Government of Punjab.

2. M/s. Standard Chartered Bank (SCB), as Custodian of EPFO, has informed that as on 31.01.2016 M/s PFC has not paid the outstanding interest/maturity payment amount of Rs. 27,95,237.43 on various securities and the Accrued delayed Interest Amount Rs. 2,44,523.14 to the Central Board, EPF. (Details as on 31.01.2016 enclosed as Annexure-A)

3. Unfortunately, in spite of regular follow up for recovery of these outstanding dues by this office, our Regional Office at Chandigarh as well as by our Custodian, SCB and Portfolio Manager, SBI from time to time, no progress has been made so far.


5. I would also like to bring it to your notice that as these bonds are guaranteed by the State Government of Punjab the default by M/s PFC would result in claim by EPFO on the Government of Punjab.

6. I, therefore, request you to kindly look into the matter on priority and to issue necessary directions to remit all the pending due payments immediately to the Central Board, EPF.

Yours sincerely,

Encl. As above.

V.P. Joy, IAS
Central Provident Fund Commissioner

Chief Secretary,
Govt. of Punjab,
Chandigarh.

Dr. V. P. Joy, IAS
Central Provident Fund Commissioner

DD. No: Invest.I/PFC/2014

Dear Sir,

April 19th, 2016

Central Board, Employees’ Provident Fund Organisation (EPFO) has investment in various securities/bonds issued by M/s Punjab Financial Corporation, Chandigarh (PFC). These bonds are guaranteed by the State Government of Punjab.

2. M/s. Standard Chartered Bank (SCB), as Custodian of EPFO, has informed that as on 31.01.2016 M/s PFC has not paid the outstanding interest/maturity payment amount of Rs. 27,95,237.43 on various securities and the Accrued delayed Interest Amount Rs. 2,44,523.14 to the Central Board, EPF. (Details as on 31.01.2016 enclosed as Annexure-A)

3. Unfortunately, in spite of regular follow up for recovery of these outstanding dues by this office, our Regional Office at Chandigarh as well as by our Custodian, SCB and Portfolio Manager, SBI from time to time, no progress has been made so far.


5. I would also like to bring it to your notice that as these bonds are guaranteed by the State Government of Punjab the default by M/s PFC would result in claim by EPFO on the Government of Punjab.

6. I, therefore, request you to kindly look into the matter on priority and to issue necessary directions to remit all the pending due payments immediately to the Central Board, EPF.

Best regards,

Yours sincerely,

Encl. As above.

V.P. Joy

Chief Secretary,
Govt. of Punjab,
Chandigarh.
Date: 02 Feb 2016

To,
Mr. Amul Raj Singh
Regional P. F. Commissioner-II (Invest.)
Employees' Provident Fund Organisation
Bhavishya Nikhi Bhawan,
14-Bhikaji Garna Place.
New Delhi - 110068

Subject: Outstanding Interest and Maturity Payments as at the end of January 2016.

Dear Sir,

With regard to the captioned subject, we attached herewith list of outstanding Interest and Maturity Payments as at the end of January 2016 for your perusal.

Summary of Company wise outstanding payments and interest accrued for delayed period as at the end of January 2016 is as mentioned below:

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<td>Grand Total</td>
<td>11,575,172.85</td>
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</tr>
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</table>

In case you need any further clarification, please contact the undersigned.

Thanking you

Yours faithfully,

Prabhakar Pednekar
Encl. As above

For Standard Chartered Bank

Standard Chartered Bank
Securities Services
CRESCENZO, 3rd Floor C-38/39 G-Block
Bandra Kurla Complex, Bandra East
Mumbai - 400071

Tel. +91 (22) 6115 7181
Fax +91 (22) 6759 7008/9

02/02/2016
09/02/2015

December 11, 2014

Dear Shri Bains,

I would like to draw your personal attention towards the issue regarding sending payment through electronic mode instead of physical mode in respect of securities issued by your organisation M/s. Punjab Financial Corporation, Chandigarh to the Central Board of Trustees, EPF.

Our custodian, M/s. Standard Chartered Bank (SCB), has reported that your corporation is making interest/maturity payments through physical instruments i.e. demand draft/cheque and not through electronic mode. (copy of a latest such letter dated 25.08.2014 is enclosed) followed by telephone calls in the above respect.

Securities and Exchange Board of India (SEBI) has also issued guidelines regarding usage of electronic payment modes for making payments to investors (copy of SEBI circular dated 21 Mar 2013 enclosed).

You are once again requested to personally intervene and arrange to remit all the pending due interest/maturity payments in respect of securities through electronic payment mode.

Yours sincerely,

(K.K. Jalan)

Shri Sukhjeet Singh Bains, IAS
Managing Director,
M/s. Punjab Financial Corporation,
H.O: 95-9B Bank Square,
Sector 17-B,
Chandigarh 160017
No. Invest. II (171)/HPFC/2013

Date: 30 MAR 2016

To

Sh. Arun Kumar Sharma, IAS,
Managing Director,
Himachal Pradesh Financial Corporation,
New Himnas Building, Circular Road,
Shimla-171001.

Sub: Claim for Interest on delayed payment.

Account: The Central Board of Trustees, Employees Provident Fund Organization.

Sir,

Please refer to Standard Chartered Bank letter No. SS/CA/B/25022016/HPFC dated 24-02-2016 addressed to Himachal Pradesh Financial Corporation and copy endorsed to this office on the above cited subject forwarding therewith the details of payment of our claim for interest on delayed payment.

2. M/s. Standard Chartered Bank (SCB) being Custodian of EPFO vide their above referred letter has claimed additional interest of Rs.11,990.80 from HPFC on delayed payment. In this regard many follow ups have been taken by our custodian with HPFC.

3. Further HPFC has already been requested to remit all pending due Interest/Maturity payments in respect of securities through electronic payment mode vide CPF DO.NO. Invest.II/A.T.S/E.P3IO.I/2014/28175 dated 12.12.2014.

4. It is therefore requested to look into the matter personally and arrange for the payment of above claimed outstanding Interest amount Rs. 11,990.80/- immediately through electronic payment mode.

Yours faithfully,

(Dr. V.P. SINGH)
Addl. C. P. F. C-II (EBA/IMC/Invest.)

Copy to:-

2. ACC(HP&P) with the request to pursue the matter with HPFC to realize the pending interest claims and forward the report to Head Office at the earliest.
No. 261719/EPF/19

Employer Provident Fund Organization

(Ministry of Labour & Employment, Govt. Of India)

Head Office

Bhavishya Bhawan, 11-Bhilikuji Camp Place, New Delhi-110066

www.epfindia.gov.in

P.0. Box 8

No. V(1141)/Default/Vol.I

Date: 9-8-2015

To

Regional Provident Fund Commissioner,
Sub-Regional Office, Barrakapore,
KOLKATA.

Sub: Pending Receipt of payment confirmation for Godavari Marathwada Irrigation Development Corporation

(Security Code No. 778513) - Regarding

Ref: RPF/ SRO Barrakapore letter no R-NE/368/SRO/BK/PCC/ZONE-I/V/4111 dated 07.08.2015

Sir,

Please refer to the subject and reference cited above addressed to the Director, Standard Chartered Bank, securities Services Branch Mumbai and copy endorsed to this office alongwith a copy of SBI SSB Mumbai letter dated 10.06.2015 on the above subject (copy enclosed)

As per SBI SSB Mumbai letter referred to above, it has been informed that Trust has remitted the amount to concerned RPF on 19.04.2010.

It is therefore requested to intimate the status regarding credit confirmation of the above said security/amount in favour of CBT, EPF account to this office at the earliest.

Further, also ensure that the interest/damages for the delayed period, if any, has been recovered.

Kent: as above

Yours faithfully

K. P. Jain

Assistant P. F. Commissioner [Investment]

Copy to:

(1) The Deputy General Manager, State Bank of India, Securities Services Branch, 2nd Floor, Mumbai Main Branch Building, Samarth Marg, Mumbai - 400001 - for necessary action.

(2) Shri Rajesh M. Sharma, Director, Transaction Banking Service Management Standard Chartered Bank, Securities Service (India) CRESCENZO, 5th Floor, e-38/39 G Block, Bandra Kurla Complex, Bandra (East), Mumbai - 400051

(3) RPF/ SRO Kolkata for information.
Date: 07.08.2015

SUB: Pending receipt of payment confirmation for Godavari Marathwada Irrigation Development Corporation (Security Code No. 77533) - regarding

To,

Mr. Crescendo, 3rd floor, C-38/39, G-Block
Bandra Kurla Complex
Bandra East, Mumbai - 400051.

With reference to above subject you are hereby requested to send the information whether the above security has been credited in the account of CBT, EPF.

Kindly treat the matter as 'MOST URGENT'.

End: Copy of Letter dated 10.06.2015 of the SBI.SSB

Copy to:
1. The Regional Provident Fund Commissioner (Invest), EPFO, Head Office, New Delhi - 110066, for kind information.
2. The Regional Provident Fund Commissioner (Ex), EPFO, Regional Office, Kolkata-700091, for kind information.

By,

S. BANDYOPADHYAY
Regional Provident Fund Commissioner
Sub-Regional Office, Barrackpore.

[Signature]
The Regional Provident Fund Commissioner,
Employees' Provident Fund Organisation,
Sub-Regional Office, Barrackpore
14 & 15, B.T. Road, Titagarh,
KOLKATA - 700 119.

Dear Sir,

CENTRAL BOARD OF TRUSTEES EMPLOYEES' PROVIDENT FUND (CBTEPF)
TRANSFER OF SECURITIES: M/S 12 TECHNOLOGIES SOFTWARE EMPLOYEES' PROVIDENT FUND TRUST

We refer to your letter No R-NEWB/368/SRO/BKP/CCZONE-IV/205 dated 27.05.2015 and advise that Code No 778533 (Godavari Marathwada Irrigation Development Corporation) was erroneously transferred by Trust on 25/10/2010 (post call option was exercised by company). The call option was exercised prior to the receipt of securities in EPFO's account and the Trust has remitted the amount to concerned RPFC on 19th April 2010. (copy of challan was forwarded to Standard Chartered Bank for their record).

We therefore, request you to verify at your end and accordingly confirm it to EPFC.

New Delhi and Standard Chartered Bank to enables them to close the matter.

Yours faithfully,

[Signature]

Dr. RAMESH MANANDRAI

[Position]

[Date] 10/05/2015

Tel.: 022-22619192 / 22661032 Fax: 022-22644192 / 22646132 E-mail: sbi.09777@sbi.co.in

Tel.: 022-22665800 / 22661976 / 22661397 / 22665545 Fax: 022-22619192 / 22661032 E-mail: sbi.09777@sbi.co.in
Sub: Receipt of payment confirmation for Godavari Marathwada Irrigation Development Corporation (Security Code No. 77833) - Regarding


Dated 07.08.2015.

Please refer to this office letter no. Invest. 1/1141/Defaulters/Vol.I/59303-305 dated 08-03-2016 on the above subject. (Copy enclosed for ready reference.)

The status on credit confirmation for Godavari Marathwada Irrigation Development Corporation (GMIDC) is still awaited.

It is therefore requested to furnish the status on the above on a priority basis.

Yours faithfully,

[Signature]

Assistant P. F. Commissioner (GMIDC Unit Officer)

[Date] 09 MAY 2016
No. Invest. 1(125)/Vol.I/UP PICUP & UP SPC

To

"By Name to Sh. Sh. Ashutosh Sharma,
Tr. Ashutosh Sharma,
RPFC-II

Date:

Sub: -Regarding WP No.1759 of 2011 UP PICUP and WP No.1760 of 2011 UPFC Bond
Settlement of dues- regarding.
Sir,

Please refer to your letter no.2163/EPF/SRO/LKO/Legal/PICUP & UPFC) dated 12-0
2014 Wherein it was advised by you for change of advocate and deputing some oth
advocate for early disposal of the case.

In this connection, it is to inform you that your advice has been considered a
accordingly you may engage a duly empanelled advocate in respect of pending cases at t
earliest, and inform this office, accordingly.

(This Issues with the approval of RPFC-I (IMC)

Yours faithft.

[Signature]

Regional P. F. Commissioner-II (INVESTME

[AMUL RAJ SINI]
Subject: Regarding WP No.1759 of 2011 UP PICUP and WP No.1760 of 2011 UPFC Bonds - Settlement of dues regarding.

Sir,

Please refer to your letter no 2163/EPF/SRO/LKO/ Legal/ PICUP & UPFC dated 12.08.2014 wherein it was advised by you for change of advocate and deputing some other advocate for early disposal of the case.

In this connection, your advice was considered and accordingly you were required to engage a duly empanelled advocate in respect of pending cases at the earliest, and inform this office, accordingly.

However, no reply on the said subject has been received from your end despite letter dated 26.05.2015 followed by several reminders dated 25.06.2015, 29.10.2015 and 22.12.2015 in this respect.

Therefore, you are once again requested to take note of the said matter and inform this office accordingly without any further delay.

Yours faithfully,

Assistant P. F. Commissioner (Invest.)

[Signature]

*By Name to Sh. Ashutosh Sharma, RPFC-II Lucknow


To

The Regional Provident Fund Commissioner,
Sub-Regional Office, Lucknow
Item No. 3: CBLO borrowing transactions by the Portfolio Managers during the period 01.03.2016 to 31.03.2016.

Pursuant to the recommendation of CBLO in its 204th Meeting held on 26.08.2014, the Ministry of Labour & Employment vide its letter no. G-20025/1/2014-SS-Il dated 12th May, 2015 approved borrowing of funds from CBLO for participation in Primary Auctions of Government Securities and Corporate Bonds. Accordingly, the direction of Govt. on borrowing of funds from CBLO was communicated to all Portfolio Managers, that inter-alia mentioned following conditions:

a) No borrowing will be done for more than 15 days.
b) Prior to entering into such transaction, the Portfolio Managers shall intimate through email to Investment Monitoring Cell (IMC), at EPFO Head Office the details of proposed borrowing to be made and the matching purchase of security. The proposal should also contain the expected profit/gains from the transaction.
c) The Portfolio Managers shall report full outcome of the transaction to the IMC after the borrowing is closed.
d) The IMC shall compile all such transactions and place the same before FIAC in its next immediately following meeting.
e) The outcome shall also be placed before the Board for information in next following meeting.

2. The information of the CBLO borrowing transactions till 29.02.2016 done by the Portfolio Managers has already been placed in 124th Meeting of the FIAC held on 22.03.2016 that has taken note of with the observation that the same may be placed before the Board for information.

3. The CBLO borrowing transactions during the period 01.03.2016 to 31.03.2016 has been done only by one Portfolio Manager i.e. Reliance Capital Asset Management Ltd. in respect of investment into UP's Special SDLs issued under UDAY Scheme. The Net gain for EPFO for the above period of borrowing is Rs. 12,66,724/- The details of transactions are placed as Annexure-'A'.

4. It is highlighted that there were no CBLO borrowing transactions by the other Portfolio Managers during the above said period.

Net Gains of EPFO during the period from 01.03.2016 to 31.03.2016 is Rs. 12,66,724/-

The item is placed before the FIAC for information. The same shall also be placed in the next CBLO meeting for information.
<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Entities/Issuers</th>
<th>Transaction Date</th>
<th>Range of CBLO borrowing Amount</th>
<th>No. of Days</th>
<th>Rate of CBLO borrowing</th>
<th>Range of YTM</th>
<th>Net Gains of EPFO in Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>U.P Special Uday SDL Bonds</td>
<td>21/03/2016</td>
<td>2,273,000,000.00</td>
<td>7</td>
<td>8.73%</td>
<td>7.25%</td>
<td>645,158.36</td>
</tr>
<tr>
<td>2</td>
<td>U.P Special Uday SDL Bonds</td>
<td>21/03/2016</td>
<td>2,175,500,000.00</td>
<td>7</td>
<td>8.73%</td>
<td>7.25%</td>
<td>617,484.38</td>
</tr>
<tr>
<td>3</td>
<td>U.P Special Uday SDL Bonds</td>
<td>28/03/2016</td>
<td>78,000,000.00</td>
<td>1</td>
<td>8.73%</td>
<td>6.82%</td>
<td>4,081.64</td>
</tr>
</tbody>
</table>

Net gains from CBLO borrowing from 21-03-2016 upto 28-03-2016 and 1 day rolling upto 29-03-2016 12,66,724.38
Item No 4 : Request for Proposal (RFP) for Appointment as External Concurrent Auditor (ECA) for the Employees' Provident Fund Organization (EPFO) Portfolio Managers.

1. As per the decision taken in 196th meeting of the Central Board, EPF held on 20.07.2011, M/s Chandabhoy & Jassoobhoy, Chartered Accountants, Mumbai were appointed as External Concurrent Auditor (ECA) for Portfolio Managers of EPFO for tenure of three years. The tenure of the ECA, M/s Chandabhoy & Jassoobhoy commenced from 01.11.2011.

2. The Central Board in its 204th meeting held on 26.08.2014 decided that:-
   (a) The task of selection of External Concurrent Auditor (ECA) with the assistance of consultant may be carried out by FIAC. (Item No.16)
   In the same meeting following was decided:-
   (b) Approved the appointment of M/s CRISIL Ltd., as Consultant for selection of Concurrent Auditor (ECA). (Item No.15)

3. M/s CRISIL prepared the draft Request for Proposal (RFP) documents for the selection of the External Concurrent Auditor (ECA), and the same were placed before the 115th FIAC held on 11.11.2014. In the meeting, the Consultant tabled the changes in the selection process of the External Concurrent Auditor that were agreed to by the FIAC. 115th FIAC further recommended that the tenure of present External Concurrent Auditor should be extended till October 2016 on the same terms and conditions on which they were appointed.

4. The Central Board in its 205th meeting held on 19-12-2014 extended the tenure of appointment of M/s Chandabhoy & Jassoobhoy as External Concurrent Auditor on nomination basis till October, 2016.

5. Now CRISIL has submitted the updated Request for proposal (RFP) documents for the selection of External Concurrent Auditor (ECA). Draft RFP prepared by M/s CRISIL is placed as Annexure A.

6. The expected schedule of key activities for the purpose of this RFP (as also mentioned in the RFP document at para 5.5) is outlined below:

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Key Activities</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Issue of Request For Proposal (RFP)</td>
<td>01st June 2016 (Wednesday)</td>
</tr>
<tr>
<td>2.</td>
<td>Last date for submission of queries via e-mail or post on RFP</td>
<td>17th June 2016 (Friday)</td>
</tr>
<tr>
<td>3.</td>
<td>Pre-bid Conference</td>
<td>21st June 2016 (Tuesday)</td>
</tr>
<tr>
<td>4.</td>
<td>Last date for receipt of bid</td>
<td>04th July 2016 (Monday)</td>
</tr>
<tr>
<td>5.</td>
<td>Opening of Pre-Qualification bids</td>
<td>04th July 2016 (Monday)</td>
</tr>
<tr>
<td>6.</td>
<td>Opening of Technical bids for eligible Applicants</td>
<td>04th July 2016 (Monday)</td>
</tr>
<tr>
<td>7.</td>
<td>Opening of Financial bids for the eligible Applicants</td>
<td>14th July 2016 (Thursday)</td>
</tr>
<tr>
<td>8.</td>
<td>Issuance of letters to selected ECA</td>
<td>After approval of Central Board</td>
</tr>
<tr>
<td>9.</td>
<td>Selected ECA to be ready in all respects</td>
<td>Within 15 days of issue of letter intimating appointment</td>
</tr>
</tbody>
</table>

Proposal: Draft Request for Proposal (RFP) as above is placed before the Committee for finalization of RFP documents for the appointment of External Concurrent Auditor (ECA) for the Employees' Provident Fund Organization (EPFO) Portfolio Managers.
REQUEST FOR PROPOSAL (RFP)
for
Appointment as External Concurrent Auditor (ECA)
For the audit of investments done by
Employees' Provident Fund Organization's Portfolio Managers

Date of issue:
01st June 2016,

Deadline for submission of Proposal:
17th June 2016, by 15:00 PM

Consultants to the EPFO:
CRISIL Limited

Proposal should be superscribed as
"Confidential - Proposal for Appointment of External Concurrent Auditor"

To be submitted in a sealed envelope and addressed to:

Sh. M. Narayanappa,
Additional Central PF Commissioner-I (FA&MCC),
Employees' Provident Fund Organization (EPFO),
Bhavishya Nidhi Bhavan,
14, Bhikaiji Cama Place,
New Delhi - 110066
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Request for Proposal for Appointment of ECA for audit of investments done by EPFO's Portfolio Managers — Page 2 of
1. Disclaimer

1.1. This document is being published in connection with the proposed appointment of External Concurrent Auditor by the EPFO.

1.2. This document does not constitute nor should it be interpreted as an offer or invitation for the appointment of External Concurrent Auditor described herein.

1.3. This document is meant to provide information only and upon the express understanding that recipients will use it only for the purpose of furnishing a Proposal for being appointed as an External Concurrent Auditor for the audit of the investments done by EPFO's portfolio managers. It does not purport to be all inclusive or contain all the information regarding the appointment of External Concurrent Auditor or be the basis of any contract. No representation or warranty, expressed or implied, will be made as to the reliability, accuracy or the completeness of any of the information contained herein.

1.4. While this document has been prepared in good faith, neither the EPFO, nor any of its officers make any representation or warranty or shall have any responsibility or liability whatsoever in respect of any statements or omissions here from. Any liability is accordingly and expressly disclaimed by the EPFO and any of its officers, even if any loss or damage is caused by any act or omission on the part of the EPFO or any of its officers, or employee or consultant, whether negligent or otherwise.

1.5. By acceptance of this document, the recipient agrees that any information herewith will be superseded by any subsequent written information on the same subject made available to the recipient by or on behalf of the EPFO. The EPFO or any of its respective officers undertake no obligation, among others, to provide the recipient with access to any additional information or to update this document or to correct any inaccuracies therein which may become apparent.

1.6. EPFO reserves the right, at any time and without advance notice, to change the procedure for the selection of External Concurrent Auditor or any part of the interest or terminate negotiations or the due diligence process prior to the signing of any binding agreement.

1.7. The EPFO reserves the right to reject any or all proposals or cancel/withdraw the Request for Proposal (RFP) without assigning any reason whatsoever and in such case no intending Applicant shall have any claim arising out of such action. At any time prior to the deadline for submission of proposals, the EPFO may modify, for any reason deemed necessary, the RFP by amendment notified on EPFO's website and such amendment shall be binding on intending Applicants.

1.8. The recipients of the RFP should carry out an independent assessment and analysis of the requirements for appointment as External Concurrent Auditor and of the information, facts and observations contained herein.

1.9. This document has not been filed, registered or approved in any jurisdiction. Recipients of this document should inform themselves of any applicable legal requirements and conform to the same.
1.10. This document constitutes no form of commitment on the part of the EPFO. Furthermore, this document confers neither the right nor an expectation on any party to participate in the proposed External Concurrent Auditor's appointment process.

1.11. This document confers neither a right nor an expectation on any party to offer for appointment as External Concurrent Auditor.

1.12. The EPFO reserves the right to not consider for the purpose of qualification a proposal which is found to be incomplete in content and/or attachments and/or authentication etc. or which is received after the specified date and time, or not delivered as per the specified procedure.

1.13. When any proposal is submitted pursuant to this RFP, it shall be presumed by the EPFO that the Applicant has fully ascertained and ensured about its eligibility to act as External Concurrent Auditor, in the event of it being selected ultimately to act as External Concurrent Auditor, under the respective governing laws and regulatory regimen, and that there is no statutory or regulatory prohibition or impediment to acting as External Concurrent Auditor for the audit of the Investments done by EPFO's Portfolio Managers and it has the necessary approvals and permission to act as External Concurrent Auditor and further suffers no disability in law or otherwise to act as such.

1.14. Without prejudice to any other rights or remedies available to the EPFO, External Concurrent Auditor may be disqualified and their proposals rejected for any reason whatsoever including those listed below:

1.14.1. Material misrepresentation by the Applicant in the proposal.

1.14.2. Failure by the Applicant to provide the information required to be provided in the proposal pursuant to relevant sections of this document.

1.14.3. If information becomes known after the Applicant has been appointed, which would have entitled the EPFO to reject or disqualified the relevant External Concurrent Auditor, the EPFO reserves the right to reject the applicant at the time, or at any time after, such information becomes known to the EPFO and no compensation, whatsoever, shall be payable to the ECA so rejected.

1.14.4. Any conviction by a Court of Law or indictment/adverse order by a regulatory authority that casts a doubt on the ability of the applicant to conduct audit.

1.15. All proposals and accompanying documents received within the stipulated time will become the property of the EPFO and will not be returned. The hardcopy version will be considered as the official proposal.

1.16. Reference to any laws/regulations/guidelines in this RFP document is applicable to laws/regulations/guidelines in India.
2. Introduction

2.1 The Employees' Provident Fund Organization (EPFO), India is an autonomous body under the aegis of the Ministry of Labour and Employment (MoL&E), Government of India. The main objective of the organization is to provide old-age social security to the subscribers.

2.2 The Constitution of India under "Directive Principles of State Policy" provides that the State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want. The EPFO is one of the largest provident fund institutions in the world in terms of members and volume of financial transactions that it has been carrying on.

2.3 The Employees' Provident Funds & Miscellaneous Provisions Act, 1952 was enacted by Parliament and came into force with effect from 14th March, 1952. A series of legislative interventions were made in this direction, including the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. Presently, the following three schemes are in operation under the Act:

2.3.1 Employees' Provident Fund Scheme, 1952 (EPF)

2.3.2 Employees' Deposit Linked Insurance Scheme, 1976 (EDLI)

2.3.3 Employees' Pension Scheme, 1995 (EPS) (replacing the Employees' Family Pension Scheme, 1971)
The organization structure of the EPFO is as follows:

The organization functions under the overall superintendence of the Central Board of Trustees (CBT), a tripartite body, headed by the Union Minister for Labour and Employment as Chairman.
3. Terms of Reference

3.1 Paragraph 52 of the Employees' Provident Fund Scheme, 1952 provides that all monies pertaining to the corpus are to be deposited in the Reserve Bank of India (RBI) or State Bank of India or in such other Scheduled Banks as may be approved by the Central Government and shall be invested subject to such directions as the Central Government may give from time to time.

3.2 CST, EPF appoints Portfolio Managers for EPFO corpus who are required to make all investments as per the investment pattern prescribed by the MoFRE investment guidelines issued by the EPFO from time to time and the agreement between the Portfolio Manager and the EPFO.

The investment pattern has gradually evolved to provide greater flexibility in investment options like Investments in Term Deposit Receipts, Public/Private Sector Bonds, and asset backed securities apart from Central and State Government Securities. The EPFO appointed four Portfolio Managers to manage its corpus for two separate tenures (2005-2011 and 2011-2015) each and five portfolio managers for the tenure 2015-2016 with the objective of enhancing the performance on its portfolio and at the same time, facilitating comparative monitoring of performance. The EPFO has selected the following five Portfolio Managers to manage the EPFO corpus:

1. HSBC Asset Management Limited
2. ICICI Securities Primary Dealership Limited
3. Reliance Capital Asset Management Limited
4. State Bank of India
5. UTI Asset Management Company Limited

3.3 CST, EPF intends to appoint an ECA for audit of investments done by EPFO's portfolio managers. The ECA is required to examine, verify and report whether the portfolio managers have followed the investment pattern, investment guidelines and the terms of agreement entered into between EPFO and the portfolio managers and such other audit of investments as may be required by EPFO from time to time.

3.4 As on 31 March, 2015, the EPFO had a corpus of Rs.495,125.22 crores at face value. During the financial year 2014-15 (1 April, 2014 to 31 March, 2015), the total Investments carried out by the Portfolio Managers was Rs.103,759.59 crores (Column E = Total of Column B, C and D in the table given below.)

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>EPF</td>
<td>326,613.15</td>
<td>24,475.62</td>
<td>30,484.42</td>
<td>16,378.78</td>
<td>71,338.82</td>
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<tr>
<td>EPS</td>
<td>157,092.33</td>
<td>9,504.91</td>
<td>12,776.83</td>
<td>7,974.23</td>
<td>30,255.97</td>
</tr>
<tr>
<td>EDFU</td>
<td>8,209.10</td>
<td>814.53</td>
<td>644.53</td>
<td>323.04</td>
<td>1,782.90</td>
</tr>
<tr>
<td>Staff Provident Fund</td>
<td>1,022.76</td>
<td>28.00</td>
<td>93.20</td>
<td>33.00</td>
<td>154.20</td>
</tr>
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</table>

<table>
<thead>
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Request for Proposal for Appointment of ECA for audit of investments done by EPFO's Portfolio Managers.
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<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>G-Sec</td>
<td>3,646</td>
<td>187.45</td>
<td>39.75</td>
<td>227.20</td>
<td>103,759.09</td>
</tr>
<tr>
<td>Non G-Sec</td>
<td>430,587.22</td>
<td>44,186.43</td>
<td>34,823.06</td>
<td>24,749.60</td>
<td>495,125.22</td>
</tr>
</tbody>
</table>

3.5 Total number of transactions during 2014-15 for G-Sec and Non G-Sec securities was approximately 200,000. Apart from this the number of transactions in CBLO was approximately 1,00,000.

3.6 This document is a Request for Proposal (RFP) for the appointment of ECA for the audit of investments done by EPFO’s portfolio managers. The Applicants that may wish to participate in the selection process must submit their proposals as per the process defined in the document.

3.7 For further information about the EPFO, one may visit the websites www.epfindia.gov.in / www.epfindia.com

Request for Proposal for Appointment of ECA for audit of investments done by EPFO’s Portfolio Managers  Page 8 of 11
4. Duties & Responsibilities of the External Concurrent Auditor (ECA)

4.1 The ECA, while conducting audit of the fund of EPFO managed by the portfolio managers, must:

4.1.1 Ensure that the audit is to be conducted by a team consisting of one leader and at least two staff personnel. The leader of the team should be a qualified chartered accountant with at least five years of experience in the field of Audit and at least three years of experience in the field of Portfolio Audit. The audit should be carried out under direct supervision of a Partner of the chartered accountant firm if the leader of the Team is not a Partner of the Chartered Accountant firm.

4.1.2 Ensure that they are not engaged for audit of the same portfolio managers of EPFO for any purpose other than the terms of reference contained in this RFP.

4.1.3 Ensure, to the best possible extent, that the team leader appointed to conduct the audit should continue in his role till the completion of the assignment. For any reason, if there is a change in the team leader appointed to conduct the audit, the same should be intimated to EPFO immediately.

4.2 Scope of work

4.2.1 Reconcile the Funds flow and Bank Accounts of EPFO with the Portfolio Manager(s) on a monthly basis.

4.2.2 Check the MIS from custodians of securities and report exceptions, if any, on an immediate basis.

4.2.3 Check the receipt of data and MIS from Portfolio Managers and report any exceptions to EPFO.

4.2.4 Check the daily transactions with the market data and report deviations.

4.2.5 Check the Credit ratings of the Investments on a daily basis and report any downgrades or negative watch/outlook immediately.

4.2.6 To examine and verify whether the portfolio managers have followed the investment pattern, investment guidelines and the terms of agreement entered into between EPFO and the portfolio managers.

4.2.7 To scrutinize the investment transactions made by the portfolio managers on day-to-day basis to ensure that the same are as per the pattern as well as the guidelines issued by the CBT, EPF. Also to point out wherever deviations have been made.

4.2.8 To highlight any potential conflict of interest issues such as investment of CBT, EPF funds by Portfolio managers in TDRs of the banks under same management group.

4.2.9 To verify whether the interest and maturity proceeds are collected promptly and re-invested as per the provisions made in the Pattern of Investment. Also to point out delays, if any, and the causes for such delay.

4.2.10 To verify whether the incentives, wherever receivable from the institutions, are collected promptly and invested as per the prescribed pattern/guidelines.

4.2.11 To bring out cases of undue delay in the receipt of incentives.
4.2.12 To verify, from the daily transaction details, whether the charges are levied correctly by the Portfolio Manager as per the terms and conditions and to report any excess charges levied by Portfolio Manager on account of splitting up of investment deals.

4.2.13 To verify whether the funds were invested promptly by Portfolio Managers. If the funds remained un-invested for a significant period, then to assess opportunity cost/benefit due to delayed investments for un-invested period.

4.2.14 To verify whether proper records have been maintained in respect of all transactions and contracts and to ascertain whether the records are updated correctly and on timely basis.

4.2.15 To verify whether all shares, securities, debentures and other investments have been held in the name of Central Board of Trustees, Employees' Provident Fund (CBT, EPF).

4.2.16 To verify whether there is a reasonable system of authorization at proper levels and there are adequate system of internal controls commensurate with quantum and value of investment transactions.

4.2.17 To verify whether adequate records are kept in support of each investment decision.

4.2.18 To ascertain and report whether the investments have always been made at the optimal market rate. The ECA will look into the price on the date of investment and check the proportion of investment closer to lowest, medium and highest rates.

4.2.19 To verify whether investments are made at the highest available yield for the particular period of maturity.

4.2.20 To comment on internal control mechanism, whether the systems are adequate to avoid any internal frauds. If not, suggest a suitable mechanism after discussing the matter with the Portfolio Manager concerned.

4.2.21 To examine whether the Portfolio Manager has taken steps to address issues highlighted during the performance review of Portfolio Managers or otherwise.

4.2.22 To bring out any other point which comes to notice of ECA during the course of audit.

4.2.23 Special care shall be taken to examine the cases of tax deducted at source and the receipt of refund for the same or the receipt of TDS certificates in Form 16-As for those cases. The details may be worked out for the cases in respect of which no refunds or TDS Certificates are received.

4.2.24 The auditors have to ensure that all the guidelines/circulars issued by the Government/CBT, EPF from time to time are followed and the various points mentioned in the scope of audit mentioned above are looked into.

4.2.25 The Audit Report shall also identify shortcomings in the existing set up, which are to be taken care of by issuing suitable guidelines.

4.2.26 The concurrent audit needs to be carried out and Report submitted to the EPFO on a monthly basis. The audit report for a given month needs to be submitted to EPFO by 15th day of the subsequent month.
4.2.27 In Audit Reports, audit observations regarding Pension Fund, Provident Fund, EDLI Fund, EPF Staff Provident Fund, EPF Staff Pension and Gratuity Fund, etc., should be categorized separately as separate accounts are maintained by EPFO. Concurrent Audit report on Pension fund shall be bound separately and a consolidated report on all other funds shall be bound separately for submission to EPFO.

4.2.28 Other than those mentioned above, the External Concurrent Auditor may be required to perform any other audit related activity as required by EPFO from time to time.

4.2.29 If appointed as ECA for the audit of investments made by EPFO’s Portfolio Managers, EPFO may verify the records of audit through an external agency, for which the ECA is required to provide necessary support.
5. RFP Process

5.1 Steps in RFP Process

5.1.1 Submission of Pre-Qualification, Technical and Financial bids by Applicants.

5.1.2 The Applicants may respond to the RFP by submitting the required Pre-Qualification, Technical and Financial bids to the EPFO as detailed in Section 7 of this document.

5.1.3 The authorized representative of the Applicants may be present at the time of opening of the Pre-Qualification, Technical and Financial bids.

5.1.4 The bids must be submitted in a sealed envelope consisting of two (2) copies of all the bid documents (i.e., two copies each of Pre-Qualification Bid, Technical Bid and Financial Bid) including softcopies of Pre-Qualification Bid and Technical Bid in two (2) CDs.

5.1.5 The bids must be submitted in a sealed envelope consisting of three bids i.e. Pre-Qualification Bid, Technical Bid and Financial Bid.

5.1.6 Pre-Qualification, Technical and Financial bids should be submitted in separate sealed envelopes with each envelope super-scribed in bold as "Pre-Qualification bid", "Technical bid" and "Financial bid" respectively.

5.1.7 The Applicant's name and address shall be mentioned on the right hand side of all envelopes.

5.1.8 All the three envelopes should be placed in an envelope, duly sealed and super-scribed as "Confidential Proposal for Appointment of External Concurrent Auditor", along with the Applicant's name and address, and the name of the primary and secondary contact person must be provided on the right hand side of the sealed envelope.

5.1.9 There must be an index at the beginning of the proposal detailing the summary of all information contained in the proposal.

5.1.10 All pages of the proposal must be serially numbered. The currency of the proposal and payments shall be in Indian National Rupees only.

5.1.11 The proposals may either be hand delivered or sent through registered post or courier.

5.1.12 EPFO will not accept delivery of proposals by fax or e-mail. Proposals received in such manner will be treated as invalid and rejected.

5.1.13 The Applicant must ensure that the bids reach EPFO in time and no delay in post or otherwise will be acceptable. Receipt of any delayed proposal will be straightaway rejected without opening the same.

5.2 Completeness of bid documents
5.2.1 A Committee of officers of EPFO constituted for the purpose and consultant appointed by EPFO, will open and evaluate the contents of the documents received to ascertain that all documents/information requirements are provided in the format and the manner specified.

5.2.2 EPFO may, where desired necessary, seek further clarifications from any/all applicants in respect of any information provided in the RFP.

5.2.3 The Applicant must furnish clarifications within the stipulated time frame failing which the RFP submitted by the Applicant concerned will be treated as incomplete.

5.3 Evaluation of Technical and Financial bids

All Applicants, who qualify on the Pre-Qualifications bid criteria as laid down in Section 6.1 would only be further evaluated on technical and financial bids as follows:

5.3.1 Technical bid

The Technical bids of all the Applicants will be evaluated as per the criteria specified in Section 6.2 of the RFP.

5.3.2 Financial bid

All Applicants, who score at least 65% in the Technical Bid would only be short-listed for the evaluation of Financial bid.

5.3.3 The final evaluation would be based on both technical and financial bids as explained in Section 6.3.

5.3.4 The proposals shall be valid for a period of Six (6) months from the date of opening of the Financial Bid.

5.4 Finalisation of the ECA

5.4.1 The successful ECA will be finalized based on the evaluation criteria as prescribed above and the successful ECA will be informed.

5.4.2 EPFO reserves the right to cancel the appointment process, call for a re-bid without assigning any reason thereof.

5.5 Key Activities and Dates

The expected schedule of key activities for the purpose of this RFP is outlined below:

<table>
<thead>
<tr>
<th>Sr No</th>
<th>Key Activities</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Issue of Request For Proposal (RFP)</td>
<td>01st June 2016 (Wednesday)</td>
</tr>
<tr>
<td>2</td>
<td>Last date for submission of queries via e-mail or post on RFP</td>
<td>17th June 2016 (Friday)</td>
</tr>
<tr>
<td>3</td>
<td>Pre-bid Conference</td>
<td>21st June 2016 (Tuesday)</td>
</tr>
<tr>
<td>4</td>
<td>Last date for receipt of bid</td>
<td>04th July 2016 (Monday)</td>
</tr>
<tr>
<td>5</td>
<td>Opening of Pre-Qualification bids</td>
<td>04th July 2016 (Monday)</td>
</tr>
<tr>
<td>6</td>
<td>Opening of Technical bids for eligible Applicants</td>
<td>04th July 2016 (Monday)</td>
</tr>
<tr>
<td>7</td>
<td>Opening of Financial bids for the eligible Applicants</td>
<td>14th July 2016 (Thursday)</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Sr No</th>
<th>Key Activities</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Call for Letter of Intent</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Selection of ECA</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Letters of Intent to be ready in all respects</td>
<td></td>
</tr>
</tbody>
</table>

*The EPFO reserves the right to change any date/time mentioned in the schedule above.*
### 6. Bid Evaluation Criteria

#### 6.1 The Pre-Qualification criteria for selection of ECA for the EPFO’s Portfolio Managers is as follows:

<table>
<thead>
<tr>
<th>S. No</th>
<th>Criteria</th>
<th>Supporting Document</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The ECA shall have functional offices at Mumbai &amp; Delhi having responsible officers.</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Includes investment portfolios managed by mutual funds, life insurance companies, pension funds, retirement provident funds, superannuation funds</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Annual turnover as on a given date must be calculated as the sum of buy and sell transaction amounts during last one year. The annual turnover must be calculated on the following dates; 31 March, 2016; 31 March, 2015; 31 March, 2014; 31 March, 2013 and 31 March, 2012.</td>
<td></td>
</tr>
</tbody>
</table>

#### 6.2 Technical evaluation parameters

The following tables outline the broad parameters based on which evaluation of technical proposals of the applicants shall be carried out by the EPFO:

#### 6.2.1 Quantitative criteria

<table>
<thead>
<tr>
<th>Measure</th>
<th>Measurement Criteria</th>
<th>Supporting Document</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of years of continuous operations as of 31 March, 2012</td>
<td></td>
<td>Section 7.3.2</td>
<td>15%</td>
</tr>
<tr>
<td>Aggregate AUM</td>
<td>Aggregate AUM across all accounts of Portfolio Managers (whose current audit is done by the firm) + sum of aggregate AUM as of 31 March, 2016, 31 March, 2015, 31 March, 2014, 31 March 2013 and 31 March, 2012</td>
<td>Section 7.3.2</td>
<td>15%</td>
</tr>
<tr>
<td>Relevance of experience</td>
<td>Experience of the firm in terms of financial years as of 31 March, 2012 in concurrent audit of the accounts of Portfolio Managers having turnover of not less than Rs. 5,000 Crores</td>
<td>Section 7.3.4</td>
<td>15%</td>
</tr>
<tr>
<td>Number of clients</td>
<td>Number of accounts of Portfolio Managers having turnover of at least Rs. 5,000 Crores - sum of number of clients as of 31 March, 2016, 31 March, 2015, 31 March 2014, 31 March 2013 and 31 March 2012</td>
<td>Section 7.3.4</td>
<td>15%</td>
</tr>
</tbody>
</table>

---

Request for Proposal for Appointment of ECA for audit of investments done by EPFO’s Portfolio Managers Page 15 of 41
Annual turnover as on a given date must be calculated as the sum of buy and sell transaction amounts during last one year. The annual turnover must be calculated on the following dates; 31 March, 2018, 31 March, 2017, 31 March, 2016, 31 March, 2015, and 31 March, 2014.

8.2.2 Qualitative criteria

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Objective</th>
<th>Parameters</th>
<th>Measurement criteria</th>
<th>Supporting documents</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Proposed report plan for execution of the assignment</td>
<td></td>
<td></td>
<td></td>
<td>20.00%</td>
</tr>
<tr>
<td></td>
<td>Proposed project plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Evaluation of proposed report plans</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Timeline management</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Qualification and Experience</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Proposed execution frame</td>
<td></td>
<td></td>
<td></td>
<td>15.00%</td>
</tr>
<tr>
<td></td>
<td>Profile of the proposed service provider</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total

100.00%
6.2.3 Evaluation and scoring process (Please note that the numbers used in this section are for illustrative purpose only)

Table 1 (Evaluation of parameters)

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Track record of continuous operations</th>
<th>Average AAUM</th>
<th>Relevant experience</th>
<th>Number of clients</th>
<th>Number of qualified Chartered Accountants working as full-time Partners</th>
<th>Experience of Partners</th>
<th>Number of accounting staff members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant 1</td>
<td>150,000</td>
<td>10,000</td>
<td>10</td>
<td>60</td>
<td>50</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td>Applicant 2</td>
<td>200,000</td>
<td>15,000</td>
<td>12</td>
<td>60</td>
<td>60</td>
<td>6</td>
<td>30</td>
</tr>
<tr>
<td>Applicant 3</td>
<td>180,000</td>
<td>14,000</td>
<td>10</td>
<td>50</td>
<td>50</td>
<td>8</td>
<td>20</td>
</tr>
<tr>
<td>Applicant 4</td>
<td>100,000</td>
<td>12,000</td>
<td>8</td>
<td>40</td>
<td>40</td>
<td>6</td>
<td>15</td>
</tr>
<tr>
<td>Applicant 5</td>
<td>250,000</td>
<td>16,000</td>
<td>12</td>
<td>80</td>
<td>80</td>
<td>12</td>
<td>100</td>
</tr>
<tr>
<td>Maximum</td>
<td>220,000</td>
<td>14,000</td>
<td>15</td>
<td>80</td>
<td>80</td>
<td>12</td>
<td>100</td>
</tr>
</tbody>
</table>

Basis for parametric evaluation

Table 2 (Scoring of parameters)

<table>
<thead>
<tr>
<th>Parameters</th>
<th>Track record of continuous operations</th>
<th>Average AAUM</th>
<th>Relevant experience</th>
<th>Number of clients</th>
<th>Number of qualified Chartered Accountants working as full-time Partners</th>
<th>Experience of Partners</th>
<th>Number of accounting staff members</th>
<th>Total Score based on Quantitative parameters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant 1</td>
<td>0.50</td>
<td>0.62</td>
<td>0.40</td>
<td>0.63</td>
<td>0.50</td>
<td>0.00</td>
<td>0.83</td>
<td>1.34</td>
</tr>
<tr>
<td>Applicant 2</td>
<td>0.79</td>
<td>0.68</td>
<td>0.50</td>
<td>0.73</td>
<td>0.50</td>
<td>0.00</td>
<td>1.00</td>
<td>1.40</td>
</tr>
<tr>
<td>Applicant 3</td>
<td>0.59</td>
<td>0.62</td>
<td>0.47</td>
<td>0.79</td>
<td>0.50</td>
<td>0.00</td>
<td>0.67</td>
<td>0.39</td>
</tr>
<tr>
<td>Applicant 4</td>
<td>0.75</td>
<td>0.34</td>
<td>0.50</td>
<td>0.75</td>
<td>0.50</td>
<td>0.45</td>
<td>0.60</td>
<td>0.38</td>
</tr>
<tr>
<td>Applicant 5</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>1.00</td>
<td>0.67</td>
<td>1.00</td>
</tr>
</tbody>
</table>

*Working for Applicant 2 = (5% * 0.79 + 15% * 0.68 + 15% * 0.60 + 15% * 0.34 + 6% * 0.79 + 6% * 0.60 + 3% * 1.00) = 0.40*

---

Request for Proposal for Appointment of ECA for audit of investments done by EPFO’s Portfolio Managers Page 17 of 41
### Table 3 (Qualitative parameters evaluation)

<table>
<thead>
<tr>
<th>Parameter Weight</th>
<th>Proposed project plan for execution of the assignment</th>
<th>Proposed execution team</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Applicant 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Applicant 3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Applicant 4</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Table 4 (Qualitative parameters scoring)

<table>
<thead>
<tr>
<th>Parameter Weight</th>
<th>Proposed project plan for execution of the assignment</th>
<th>Proposed execution team</th>
<th>Total Score based on Qualitative parameters</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant 1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Applicant 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Applicant 3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Applicant 4</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: The parametric score for each applicant is calculated on the basis of their score on each parameter relative to the best score for that parameter. The best score would be the maximum score, as assessed during the evaluation for that parameter. E.g., in case of proposed execution team, the maximum score is 4. Applicant 1 would therefore have a score of 1 and the scores of all other Applicants would be calculated relative to the best score. Applicant 2, for instance would have a score of 0.38 (1/4).

\(^{a}\)Working for Applicant 2 = (20\% \times 0.50 + 15\% \times 0.38) = 0.18
### Overall evaluation scoring

<table>
<thead>
<tr>
<th>Applicant</th>
<th>Technical Bid</th>
<th>Financial Bid</th>
<th>Maximum</th>
<th>Minimum</th>
<th>Final score (Technical Bid)</th>
<th>Final score (Financial Bid)</th>
<th>Final score = weighted average of scaled scores of technical and financial bids</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant 1</td>
<td>0.85</td>
<td>0.95</td>
<td>1.00</td>
<td>0.50</td>
<td>0.85</td>
<td>0.95</td>
<td>0.89</td>
<td>1</td>
</tr>
<tr>
<td>Applicant 2</td>
<td>0.70</td>
<td>0.80</td>
<td>0.85</td>
<td>0.50</td>
<td>0.70</td>
<td>0.80</td>
<td>0.75</td>
<td>2</td>
</tr>
<tr>
<td>Applicant 3</td>
<td>0.50</td>
<td>0.65</td>
<td>0.65</td>
<td>0.50</td>
<td>0.50</td>
<td>0.65</td>
<td>0.58</td>
<td>3</td>
</tr>
<tr>
<td>Applicant 4</td>
<td>0.60</td>
<td>0.70</td>
<td>0.70</td>
<td>0.50</td>
<td>0.60</td>
<td>0.70</td>
<td>0.65</td>
<td>4</td>
</tr>
</tbody>
</table>

Note: Only Applicants with a minimum score of 0.65 in technical evaluation would be considered for the final evaluation.

In arriving at the final score, the scores for each Applicant on the Technical and Financial Bids are calculated separately. The scores for each Applicant are scaled relative to the best score on Technical and Financial Bids. The best scores for the Technical and Financial Bids are the maximum score and minimum bid (as percent of the investments) respectively.

E.g. In case of Technical Bid, the maximum score is 0.95. Applicant 5 would therefore have a score of 0.85 and the scores of all other Applicants would be calculated relative to the best score, Applicant 3, for instance would have a score of 0.74 (0.70/0.95). In case of the Financial Bid, the minimum bid is 50000. Applicant 3 would therefore have a score of 1 and the scores of all other Applicants would be calculated relative to the best score. Applicant 4, for instance would have a score of 0.50 (50000/100000). The final evaluation of each Applicant would be done on the basis of their weighted average score on Technical and Financial Bids. The Technical and Financial Bids would have a weight of 80% and 20% respectively.

*Working for Applicant 3 = (80%*0.74 + 20%*1.00) = 0.79*

<table>
<thead>
<tr>
<th>Applicant</th>
<th>Eligibility for Financial Bid - Applicants with at least 65% score on Technical Bid</th>
<th>Scaled score on Financial Bid</th>
<th>Scaled score on Technical Bid</th>
<th>Final score = weighted average of scaled scores of technical and financial bids</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant 1</td>
<td>1</td>
<td>0.85</td>
<td>1.00</td>
<td>0.89</td>
<td>1</td>
</tr>
<tr>
<td>Applicant 2</td>
<td>0.80</td>
<td>0.70</td>
<td>0.85</td>
<td>0.75</td>
<td>2</td>
</tr>
<tr>
<td>Applicant 3</td>
<td>0.50</td>
<td>0.65</td>
<td>0.65</td>
<td>0.58</td>
<td>3</td>
</tr>
<tr>
<td>Applicant 4</td>
<td>0.60</td>
<td>0.70</td>
<td>0.70</td>
<td>0.65</td>
<td>4</td>
</tr>
</tbody>
</table>

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7.1 Documents comprising the proposal

7.1.1 The proposal submitted by the Applicant shall comprise the following documents:

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Particulars</th>
<th>Remarks if any</th>
<th>Annexure No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Date and Registration No. of the firm with ICAI</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Number of completed years of practice as of 31 March, 2016</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7.1.2 Pre-qualification bid with all the information, as laid down in Section 7.2, duly filled in along with all attachments/schedules duly completed and with a covering letter, as per the format defined in Section 8.1, signed by the authorized representative of the Applicant.

7.1.3 Technical bid with all the technical information, as laid down in Section 7.3, duly filled in along with all attachments/schedules duly completed and with a covering letter, as per the format defined in Section 8.2, signed by the authorized representative of the Applicant.

7.1.4 The Applicant's Financial bid, as per the format defined in Section 7.4, along with a covering letter, as per the format defined in Section 8.3, signed by the authorized representative of the Applicant.

7.1.5 Any deviations from the requirements of the RFP must be included as a separate statement, as per the format defined in Section 8.5.

7.1.6 Any other information that is to be submitted during the course of the proposal process.

7.1.7 There must be an index at the beginning of the proposal detailing the summary of all information contained in the proposal. All pages in the proposal must be serially numbered.

7.2 Pre-qualification bid format

Name of the Audit Firm (full name of the firm):
Address with telephone No., Fax No., E-Mail ID, etc.

7.2.1 The name of the Partnership Firm should be registered with the ICAI. The Firm must have registered with the ICAI on or before 31st March, 2008 - Enclose copy of Registration

7.2.2 Valid Income tax PAN as on date of application - enclose copy.

7.2.3 There must be at least FIVE (5) Qualified Chartered Accountants working as fulltime Partners as on date of application - Undertaking from the Managing Partner or equivalent official of the Audit firm certifying the same. Refer section 8.5 for the format of Undertaking.
7.2.4 Number of Partners and detail profile of each partner with membership No. as of 31 March, 2016 to be stated.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Supporting Documents submitted</th>
<th>Remarks in any</th>
<th>Annexure No.</th>
</tr>
</thead>
</table>

7.2.5 The firm must have at least FIFTEEN (15) other accounting staff members in addition to the Partners as on date of application - Undertaking from the Managing Partner or equivalent official of the Audit firm certifying the same. Refer section 8.5 for the format of Undertaking

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Supporting Documents submitted</th>
<th>Remarks in any</th>
<th>Annexure No.</th>
</tr>
</thead>
</table>

7.2.6 The Firm must have experience of at least FIVE (5) years as of 31 March, 2016 in audit on (Concurrent Basis) of the accounts of Portfolio Managers having turnover of not less than Rs. 5,000 Crores - Undertaking from the Managing Partner or equivalent official of the Audit firm certifying the same. Refer section 8.5 for the format of Undertaking

7.2.7 State details of audit conducted in the area of Portfolio Management for the last 5 years i.e. from 01 April, 2011. List of major clients with the nature of activity handled to be enclosed.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Supporting Documents submitted</th>
<th>Remarks in any</th>
<th>Annexure No.</th>
</tr>
</thead>
</table>

7.2.8 The Firm / any partner should not have been convicted by a court of law or indictment / adverse order passed against the Firm / any partner till the date of application. An affidavit to this extent shall be furnished duly signed by the Managing Partner of the Firm. The affidavit should be notarized by a Notary Public.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Supporting Documents submitted</th>
<th>Remarks in any</th>
<th>Annexure No.</th>
</tr>
</thead>
</table>

7.2.9 The Firm / any partner should have functional offices at Mumbai & Delhi having responsible officials as on date of application - Undertaking from the Managing Partner or equivalent official of the Audit firm certifying the same. Refer section 8.5 for the format of Undertaking

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Supporting Documents submitted</th>
<th>Remarks in any</th>
<th>Annexure No.</th>
</tr>
</thead>
</table>

7.3 Technical Proposal Format

The following quantitative information is required to be submitted by the Applicants:

7.3.1 Number of years of continuous operations as of 31 March, 2016 - Undertaking from the Managing Partner or equivalent official of the Audit firm certifying the same. Refer section 8.5 for the format of Undertaking

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Supporting Documents submitted</th>
<th>Remarks in any</th>
<th>Annexure No.</th>
</tr>
</thead>
</table>

Request for Proposal for Appointment of ECA for audit of investments done by EPFO's Portfolio Managers Page 21 of 41
7.3.2 Aggregate AAUM across all accounts of Portfolio Managers (whose concurrent audit is done by the firm) - sum of aggregate AAUM as of 31 March, 2016; 31 March, 2015; 31 March 2014; 31 March 2013 and 31 March 2012. Refer illustration given in section 7.5.1.

| Sum of Aggregate AAUM (in Rs. Crores) |

7.3.3 Experience of the firm in term of financial years as of 31 March, 2016 in concurrent audit of the accounts of Portfolio Managers having turnover of not less than Rs.5,000 Crores – Undertaking from the Managing Partner or equivalent official of the Audit firm certifying the same. Refer section 8.5 for the format of Undertaking.

| Experience (in years) |

7.3.4 Number of accounts of Portfolio Managers having turnover of at least Rs.5,000 Crores - sum of number of clients as of 31 March, 2016; 31 March, 2015; 31 March 2014; 31 March 2013 and 31 March 2012. Refer illustration given in section 7.5.2.

| Sum of number of clients |

7.3.5 Number of qualified Chartered Accountants working as full-time Partners as of 31 March, 2016 - Undertaking from the Managing Partner or equivalent official of the Audit firm certifying the same. Refer section 8.5 for the format of Undertaking.

| Number |

7.3.6 Cumulative experience of partners of the firm as of 31 March, 2016 - Undertaking from the Managing Partner or equivalent official of the Audit firm certifying the same. Refer section 8.5 for the format of Undertaking.

| No. of partners | Cumulative experience of the partners (in years) | Remarks if any |

Request for Proposal for Appointment of ECA for audit of investments done by EPFO's Portfolio Managers - Page 22 of 41
Profile of the Partners of the firm

Format for profile of Partners:

<table>
<thead>
<tr>
<th>Name of the Partner</th>
<th>Proposed Position and Role</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Qualifications</th>
<th>Experience in the relevant area</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Other areas of experience in audit</td>
</tr>
<tr>
<td></td>
<td>Current Responsibilities</td>
</tr>
<tr>
<td></td>
<td>No. of years of experience in relevant area</td>
</tr>
<tr>
<td></td>
<td>Tenure spent with the firm</td>
</tr>
<tr>
<td></td>
<td>Any other particulars</td>
</tr>
</tbody>
</table>

7.3.7 Number of accounting staff members excluding full-time Partners, who are chartered accountants as of 31 March, 2016 - Undertaking from the Managing Partner or equivalent official of the Audit firm certifying the same. Refer section 8.5 for the format of Undertaking.

7.3.8 Details of proposed: Technology Platform & System, MIS Formats, Business Continuity Plan & Disaster Recovery Plan and Data Security

<table>
<thead>
<tr>
<th>Details of proposed</th>
<th>Annex No. having details</th>
<th>Remarks if any</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technology Platform &amp; System (write up of not more than 500 words)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>MIS Formats (sample MIS formats and write up of not more than 500 words)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business Continuity Plan &amp; Disaster Recovery Plan (write up of not more than 500 words)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data Security (write up of not more than 500 words)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Consolidated presentation covering all the above mentioned in not more than 20 slides</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
7.3.9 Average experience of the proposed execution team in portfolio audit as on 31 March, 2016

<table>
<thead>
<tr>
<th>No. of team members</th>
<th>Average experience (in years) of the proposed execution team in portfolio audit</th>
<th>Remarks if any</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Profile of the proposed execution team

Format for profile proposed execution team member:

- Name of the team member
- Proposed Position and Role
- Age
- Qualification
- Current Responsibilities
- No. of years of experience in Portfolio audit
- Total No. of years of experience
- Tenure spent with the firm
- Any other point

7.3.10 Organization chart – with names and responsibility(ies)

7.3.11 Write up on any other information that the Applicant thinks would be worth mentioning in the proposal (no more than 500 words).

7.4 Financial bid format

7.4.1 The Financial bid shall be submitted in the following format

<table>
<thead>
<tr>
<th>Charges</th>
<th>In figures (Rs.)</th>
<th>In words</th>
</tr>
</thead>
<tbody>
<tr>
<td>Concurrent Audit Fee per month</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
7.5 Illustrations for calculations

7.5.1 Illustration for calculation of Aggregate AAUM

Step 1: Calculation of aggregate AAUM for a year ended date (assuming that the audit firm is doing audit of Portfolio Manager 1 and Portfolio Manager 2)

<table>
<thead>
<tr>
<th>Days</th>
<th>Portfolio Manager 1 - Daily AAUM (Rs. Crores)</th>
<th>Portfolio Manager 2 - Daily AAUM (Rs. Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 Mar. 16</td>
<td>10</td>
<td>100</td>
</tr>
<tr>
<td>30 Mar. 16</td>
<td>10</td>
<td>90</td>
</tr>
<tr>
<td>29 Mar. 16</td>
<td>10</td>
<td>80</td>
</tr>
<tr>
<td>28 Mar. 16</td>
<td>10</td>
<td>70</td>
</tr>
<tr>
<td>27 Mar. 16</td>
<td>10</td>
<td>60</td>
</tr>
<tr>
<td>26 Mar. 16</td>
<td>10</td>
<td>50</td>
</tr>
</tbody>
</table>

AAUM (Rs. Crores) for the year ended 31 March 2016

<table>
<thead>
<tr>
<th>Days</th>
<th>Portfolio Manager 1 - Daily AAUM (Rs. Crores)</th>
<th>Portfolio Manager 2 - Daily AAUM (Rs. Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 Mar. 16</td>
<td>10</td>
<td>100</td>
</tr>
<tr>
<td>30 Mar. 16</td>
<td>10</td>
<td>90</td>
</tr>
<tr>
<td>29 Mar. 16</td>
<td>10</td>
<td>80</td>
</tr>
<tr>
<td>28 Mar. 16</td>
<td>10</td>
<td>70</td>
</tr>
<tr>
<td>27 Mar. 16</td>
<td>10</td>
<td>60</td>
</tr>
<tr>
<td>26 Mar. 16</td>
<td>10</td>
<td>50</td>
</tr>
</tbody>
</table>

AAUM

Aggregate AAUM as of 31 March, 2016 = A+B

A similar calculation to be done for the dates - 31 March, 2015; 31 March, 2014; 31 March, 2013 and 31 March, 2012

Step 2: Sum the Aggregate AAUM as shown below

<table>
<thead>
<tr>
<th>Year ended date</th>
<th>Aggregate AAUM</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 March, 2016</td>
<td>100</td>
</tr>
<tr>
<td>31 March, 2015</td>
<td>90</td>
</tr>
<tr>
<td>31 March, 2014</td>
<td>80</td>
</tr>
<tr>
<td>31 March, 2013</td>
<td>70</td>
</tr>
<tr>
<td>31 March, 2012</td>
<td>60</td>
</tr>
</tbody>
</table>

Sum of Aggregate AAUM = SUM of all the above

7.5.2 Illustration for calculation of number of clients

<table>
<thead>
<tr>
<th>Year ended date</th>
<th>Number of accounts of Portfolio Managers having turnover of at least Rs. 5,000 Crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 March, 2016</td>
<td>10</td>
</tr>
<tr>
<td>31 March, 2015</td>
<td>12</td>
</tr>
<tr>
<td>31 March, 2014</td>
<td>10</td>
</tr>
<tr>
<td>31 March, 2013</td>
<td>12</td>
</tr>
<tr>
<td>31 March, 2012</td>
<td>9</td>
</tr>
</tbody>
</table>

Sum of number of clients = SUM of all the above

Request for Proposal for Appointment of ECA for audit of investments done by EPFO's Portfolio Managers Page 25 of 41
8. Formats for Covering Letter and Clarifications, Deviations and Undertaking

8.1 Format for Pre-qualification Covering letter

(To be submitted on the official letterhead of the interested party submitting the RFP)

Ref: ________________________

Date/Place: ________________________

Sh. M. Narayanaappa,
Additional Central PF Commissioner-I (FA&MC),
Employees' Provident Fund Organization (EPFO),
Bhavishya Nikhil Bhavan,
14, Bhikaiji Cama Place,
New Delhi - 110006

Sir,

Ref: Pre-qualification for appointment as External Concurrent Auditor for the EPFO's Portfolio Managers

We refer to the communication Inviting Request for Proposal (RFP) for Appointment as External Concurrent Auditor for the EPFO’s Portfolio Managers. We have read and understood the contents of the document and wish to participate in the appointment process. We are pleased to submit our Pre-qualification bid along with all the necessary documents, as mentioned in the RFP, for appointment as External Concurrent Auditor for the EPFO’s Portfolio Managers. We confirm that we satisfy the Pre-qualification criteria set out in the relevant sections of the RFP.

We agree to unconditional acceptance of all the terms and conditions set out in the RFP documents. We confirm that the information contained in this proposal or any part thereof, including its exhibits, schedules, and other documents delivered to the EPFO is true, accurate, and complete. This proposal includes all information necessary to ensure that the statements therein do not, in whole or in part, mislead the EPFO as to any material fact.

We have agreed that (insert individual authorized representative’s name) will act as our representative on our behalf and has been duly authorized to submit the proposal.

Further, the authorized signatory is vested with requisite powers to furnish such letter and authenticate the same.

Yours faithfully,

For and on behalf of ________________________ (Insert company name)

Authorised Signatory
3.2 Technical Proposal Covering Letter

(To be forwarded on the letterhead of the Applicant submitting the proposal).

Ref: __________________________
Date: __________________________

Sh. M. Narayanaappa,
Additional Central PF Commissioner-I (FA&IMC),
Employees' Provident Fund Organization (EPFO),
Bhavishya Nidhi Bhavan,
14, Bhikaiji Cama Place,
New Delhi - 110066

Sir,

Ref: Request for Proposal (RFP): Appointment of External Concurrent Auditor (ECA) for the EPFO's Portfolio managers

We refer to the Request for Proposal (RFP) for Appointment of External Concurrent Auditor for the EPFO's Portfolio managers.

We have read and understood the contents of the RFP document and pursuant to this, we hereby confirm that we are legally empowered to act as ECA and satisfy the requirements laid out in the RFP document.

Having examined the RFP document, the receipt of which is hereby duly acknowledged, we, the undersigned, offer to provide the services as required and outlined in the RFP for Appointment of External Concurrent Auditor (ECA) for the EPFO's Portfolio managers.

To meet such requirements and provide such services as set out in the RFP documents, we attach hereto our response to the RFP document, which constitutes our proposal for being considered for selection as ECA.

We undertake, if our proposal is accepted, to adhere to the stipulations put forward in the RFP or such adjusted plan as may subsequently be mutually agreed between us and the EPFO or its appointed representatives.

We agree to unconditional acceptance of all the terms and conditions set out in the RFP documents.

We confirm that the information contained in this proposal or any part thereof, including its exhibits, schedules, and other documents delivered to the EPFO is true, accurate, and complete. This proposal includes all information necessary to ensure that the statements therein do not, in whole or in part, mislead the EPFO as to any material fact.

We have agreed that (insert individual authorized representative's name) will act as our representative on our behalf and has been duly authorized to submit the proposal.

Further, the authorized signatory is vested with requisite powers to furnish such letter and authenticate the same.

________________________________________
Authorized Signatory
Yours faithfully,
For and on behalf of _________________________ (Insert company name)

Authorised Signatory
8.3 Financial Proposal Covering Letter

(To be forwarded on the letterhead of the Applicant submitting the proposal)

Ref: __________________________
Date: _________________________

Sh. M. Narayanasam,
Addl Central PF Commissioner-I (FA&IMC),
Employees’ Provident Fund Organization (EPFO),
Shivalinga Nidhi Bhavan,
14, Bhikaji Cama Place,
New Delhi - 110068

Dear Sir,

Ref: Request for Proposal (RFP): Appointment of External Concurrent Auditor (ECA) for the EPFO’s Portfolio managers

Having examined the RFP document, the receipt of which is hereby duly acknowledged, we, the undersigned, offer to provide the services as required and outlined in the Request for Proposal (RFP) for Appointment of ECA for the EPFO’s Portfolio managers.

To meet such requirements and to provide services as set out in the RFP document we attach hereto our response as required by the RFP document which constitutes our proposal.

We undertake, if our proposal is accepted, to adhere to the stipulations put forward in the RFP or such adjusted plan as may subsequently be mutually agreed between us and the EPFO or its appointed representatives.

We unconditionally accept all the terms and conditions set out in the RFP document.

We confirm that the information contained in this proposal or any part thereof, including its schedules, and other documents delivered to the EPFO is true, accurate, and complete. This proposal includes all information necessary to ensure that the statements therein do not, in whole or in part, mislead the EPFO as to any material fact.

We have agreed that (Insert individual authorised representative’s name) will act as our representative on our behalf and has been duly authorized to submit the proposal.

Further, the authorized signatory is vested with the requisite powers to furnish such letter and authenticate the same.

Yours faithfully,

For and on behalf of ______________________ (Insert company name).

Authorised Signatory
8.4 Request for clarifications

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Reference (Clause No.: Page No.)</th>
<th>Name of Organization submitting request</th>
<th>Name &amp; position of person submitting request</th>
<th>Address of organization including phone, fax, email points of contact</th>
</tr>
</thead>
</table>

8.5 Format for providing explanations for deviations if any

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Reference (Clause No.: Page No.)</th>
<th>Name of Organization submitting explanation</th>
<th>Name &amp; position of person submitting explanation</th>
<th>Address of organization including phone, fax, email points of contact</th>
</tr>
</thead>
</table>

8.6 Format for undertaking

**UNDERTAKING**

(To be given on company letter head)

I, ___________________________________________ am the Managing Partner / equivalent official of ___________________________ (company name) ("External Concurrent Auditors") having its registered office at ___________________________.

I am authorized to sign and execute this undertaking on behalf of the External Concurrent Auditors for submitting a proposal pursuant to the request for proposal issued by the Employees' Provident Fund Organization ("EPFO") for appointment of External Concurrent Auditors managers for audit of investment done by EPFO's portfolio managers.

I, on behalf of the External Concurrent Auditors, solemnly affirm and declare that as on the date of application:

- a. The External Concurrent Auditors has <Number> of qualified Chartered Accountants working as fulltime Partners

- b. The External Concurrent Auditors has <Number> accounting staff members excluding fulltime Partners, who are chartered accountants

- c. The External Concurrent Auditors / any partner have functional offices at Mumbai & Delhi having responsible officials
The External Concurrent Auditors has <No. of years> years of experience in audit on (Concurrent Basis) of the accounts of Portfolio Managers having turnover of not less than Rs. 5,000 Crores as on 31 March, 2016.

The External Concurrent Auditors is having the <No. of years> years of continuous operations as on 31 March, 2016.

The cumulative experience of partners of the firm is <No. of years> as on 31 March, 2016.

The External Concurrent Auditors has <Number> of qualified Chartered Accountants working as fulltime Partners as on 31 March, 2016.

The average experience of the proposed execution team in providing the portfolio audit is <No. of years> as on 31 March, 2016.

Solemnly affirmed and undertaken on the day and year herein below written, by:

Signature
Name
Date
9. Terms and Conditions for Remuneration & Tenure

9.1 The concurrent audit needs to be carried out and its report be submitted to the EPFO on the monthly basis. The remuneration for carrying out the above assignments shall be paid on quarterly basis. However, if auditors are required to travel outside Mumbai as required by EPFO, TA/DA will be paid at the rates applicable to Central Government officers drawing a Grade Pay of ₹800/- PM in respect of the Team Leader and at the rates applicable to Central Government officers drawing a Grade Pay of ₹400/- PM in respect of the other members of Team.

9.2 Payment of audit fee and TA / DA applicable, if any, will be made on quarterly basis subjected to receipt of all monthly audit reports for the quarter.

9.3 The Applicant ECA may quote their financial bid in lump sum per month irrespective of the number of fund managers engaged by EPFO.

9.4 Taxes applicable on the services rendered by ECA will be borne by EPFO.

9.5 The tenure of ECA will be for three years from date of appointment which will be extendable further on mutually agreed terms subject to approval from competent authority. EPFO may remove the ECA in case its services are not found satisfactory.
10. Investment Guidelines for Investments by Fund Managers

Pattern of investment, as notified by Ministry of Labour & Employment vide notification No. S.O. 1071 (E), dated 23 April, 2015:

10.1 Investment Pattern

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Securities</th>
<th>Percentage amount to be invested</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Government Securities</td>
<td>40%</td>
</tr>
<tr>
<td>2</td>
<td>Government Bonds</td>
<td>50%</td>
</tr>
<tr>
<td>3</td>
<td>Mutual Funds</td>
<td>10%</td>
</tr>
</tbody>
</table>

- Investment in the category of securities shall not be in excess of 15% and unconditionally guaranteed by the Government of India or a scheduled commercial bank.

- The investment in any category of securities shall not be more than 2% of the total investment in Govt. Securities and in mutual funds.

- Investment in mutual funds shall not be below Rs. 50 lakhs.

- Investment made in mutual funds shall be in mutual funds that have an outstanding maturity of at least 3 years issued by institutions of the Asian Development Bank, International Finance Corporation and the Asian Development Bank.

- Disinvestment in the sub-category of initial offerings shall exceed 20% of the initial offerings and the rate of disinvestment shall be equal to the average of initial offering per cent for the last two years.

- The assets are valued at the close of the quarter as on 31st March at the market price or any subsequent placement at the market price or any subsequent placement only if the securities are listed and regularly traded.

- The investment in fixed deposits shall be in fixed deposits of not less than one month's maturity and not exceeding 1 year.

- The investment in the long-term debt instrument of not exceeding 10 years maturity)

- The investment in the medium-term debt instrument of not exceeding 5 years maturity.

- The investment in the short-term debt instrument of not exceeding 3 years maturity.

- The investment in the equity instrument of not exceeding 5 years maturity.

- The investment in the preferred stock instrument of not exceeding 5 years maturity.

- The investment in the convertible instrument of not exceeding 5 years maturity.

- The investment in the warrant instrument of not exceeding 5 years maturity.

- The investment in the call option instrument of not exceeding 5 years maturity.

- The investment in the put option instrument of not exceeding 5 years maturity.

- The investment in the debenture instrument of not exceeding 5 years maturity.

- The investment in the promissory note instrument of not exceeding 5 years maturity.

- The investment in the long-term debt instrument of not exceeding 10 years maturity.

- The investment in the medium-term debt instrument of not exceeding 5 years maturity.

- The investment in the short-term debt instrument of not exceeding 3 years maturity.

- The investment in the equity instrument of not exceeding 5 years maturity.

- The investment in the preferred stock instrument of not exceeding 5 years maturity.

- The investment in the convertible instrument of not exceeding 5 years maturity.

- The investment in the warrant instrument of not exceeding 5 years maturity.

- The investment in the call option instrument of not exceeding 5 years maturity.

- The investment in the put option instrument of not exceeding 5 years maturity.

- The investment in the debenture instrument of not exceeding 5 years maturity.

- The investment in the promissory note instrument of not exceeding 5 years maturity.
<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Securities</th>
<th>Percentage amount to be invested</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(a) Term Deposit Receipts of not less than one year duration issued by scheduled commercial banks, which satisfy the following conditions: on the basis of the published annual report for the most recent year, as required to have been published by them under the law,</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(i) Have declared profit in immediately three preceding financial years;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(ii) Have maintained a minimum Capital to Risk Weighted Asset Ratio of 9%, or as mandated by prevailing RBI norms, whichever is higher;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(iii) Have not non-performing assets of not more than 4% of the net advances;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(iv) Have minimum net worth of not less than Rs. 200 crores.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) Units of Debt Mutual Funds regulated by Securities and Exchange Board of India:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Provided that fresh investment in Debt Mutual Funds shall not be more than 5% of the fresh subscription invested in the year and the portfolio invested in them shall not exceed 5% of the total portfolio of the fund at any point in time.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(i) The following infrastructure related debt instruments:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(i) Listed (or proposed to be listed in case of fresh issue) debt securities issued by body corporate engaged mainly in the business of development or operation and maintenance of infrastructure, or development, construction or finance of low cost housing.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Further, this category shall also include securities issued by Indian Railways or any of the body corporates in which it has majority shareholding.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>This category shall also include securities issued by any Authority of the Government which is not a body corporate and has been formed mainly with the purpose of promoting development of infrastructure.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>It is further clarified that any structural obligation undertaken or letter of comfort issued by the Central Government, Indian Railways or any Authority of the Central Government, for any security issued by a body corporate engaged in the business of infrastructure, which notwithstanding the terms in letter of comfort of the obligation undertaken, fails to enable its inclusion as security covered under category (i) (b) above, shall be treated as an eligible security under this sub-category.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(ii) Infrastructure and affordable housing Bonds issued by any scheduled commercial bank, which meets the conditions specified in category (i) (c) above;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(iii) Listed (or proposed to be listed in case of fresh issue) securities or units issued by infrastructure debt funds operating as a Non-Banking Financial Company and regulated by Reserve Bank of India.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(iv) Listed (or Proposed to be listed in case of fresh issue) units issued by infrastructure Debt Funds operating as a Mutual Fund and regulated by Securities and Exchange Board of India.</td>
<td></td>
</tr>
</tbody>
</table>
### Sr. No. | Securities | Percentage amount rated
---|---|---

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**Short-term Debt Instruments and Related Investments**

- **Sub-category (a)**: Debt securities rated at least AA or above by a domestic or international rating agency. The rating should be based on a thorough analysis of the financial condition of the issuer.
- **Sub-category (b)**: Debt securities rated at least A or above under a 10-year rating horizon. This category includes debt instruments rated at least AA or above by a rating agency.
- **Sub-category (c)**: Debt securities rated at least BBB or above under a 5-year rating horizon. This category includes debt instruments rated at least AA or above by a rating agency.
- **Sub-category (d)**: Debt securities rated at least BB or above under a 3-year rating horizon. This category includes debt instruments rated at least AA or above by a rating agency.
- **Sub-category (e)**: Debt securities rated at least B or above under a 1-year rating horizon. This category includes debt instruments rated at least AA or above by a rating agency.
- **Sub-category (f)**: Debt securities rated at least CCC or above under a 0.5-year rating horizon. This category includes debt instruments rated at least AA or above by a rating agency.

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**Request for Proposal for Appointment of ECA for audit of investments done by EPFO’s Portfolio Managers Page 35 of 41**

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- **Request for Proposal for Appointment of ECA for audit of investments done by EPFO’s Portfolio Managers**
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[Image 0x0 to 618x1012]
Provided that the aggregate purchase in such mutual funds shall not be in excess of 0% of the total portfolio or net assets"., etc., will be made in the honour of the fund.

10.2 Fresh accretions to the fund will be invested in the permissible categories specified in this investment pattern in a manner consistent with the above specified maximum permissible percentage amounts to be invested in each such investment category, while also complying with such other restrictions as made applicable for various sub-categories of the permissible investments.
10.3 Fresh accretions to the funds shall be the sum of un-invested funds from the past and receipts like contributions to the funds, dividend/interest/commission, maturity amounts of earlier investments etc., as reduced by obligatory outgo during the financial year.

10.4 Proceeds arising out of exercise of put option, tenure or asset switch or trade of any asset before maturity can be invested in any of the permissible categories described above in such a manner that at any given point of time the percentage of assets under that category should not exceed the maximum limit prescribed for that category and also should not exceed the maximum limit prescribed for the sub-categories, if any. However, asset switch because of any RBI mandated Government debt switch would not be covered under this restriction.

10.5 Turnover ratio (the value of securities traded in the year/average value of the portfolio at the beginning of the year and at the end of the year) should not exceed two.

10.6 If for any of the instruments mentioned above the rating falls below the minimum permissible investment grade prescribed for investment in that instrument when it was purchased, as confirmed by one credit rating agency, the option of exit shall be considered and exercised, as appropriate, in a manner that is in the best interest of the subscribers.

10.7 On these guidelines coming into effect, the above prescribed investment pattern shall be achieved separately for such successive financial year through finely and appropriate planning.

10.8 The investment of funds should be at arms length, keeping solely the benefit of the beneficiaries in mind. For instance, investment (aggregated across such companies / organizations described herein) beyond 5% of the fresh accretions in a financial year will not be made in the securities of a company / organization or in the securities of a company/organization in which such a company / organization holds over 10% of the securities issued, by a fund created for the benefit of the employees of the first company / organization, and the total volume of such investments will not exceed 5% of the total portfolio of the fund at any time. The prescribed process of due diligence must be strictly followed in such cases and the securities in question must be permissible investments under these guidelines.

10.9 i. The prudent investment of the Funds of a trust/ fund within the prescribed pattern is the fiduciary responsibility of the Trustees and needs to be exercised with appropriate due diligence. The Trustees would accordingly be responsible for investment decisions taken to invest the funds.

   ii. The trustees will take suitable steps to control and optimize the cost of management of the fund.

   iii. The trust will ensure that the process of investment is accountable and transparent.

   iv. It will be ensured that due diligence is carried out to assess risks associated with any particular asset before investment is made by the fund in that particular asset and also during the period over which it is held by the fund.

   The requirement of rating as mandated in this notification merely intends to limit the risk associated with investments at a broad and general level. Accordingly, it should not be construed in any manner as an endorsement for investment in any asset satisfying the minimum prescribed rating or a substitute for the due diligence prescribed for being carried out by the fund/trust.

   v. The trust/fund should adopt and implement prudent guidelines to prevent concentration of investment in any one company, corporate group or sector.

10.10 If the fund has engaged services of professional fund/asset managers for management of its assets, payment to whom is being made on the basis of the value of each transaction, the value of funds invested by them in any
mutual funds mentioned in any of the categories or ETFs or Index Funds shall be reduced before computing the payment due to them in order to avoid double incidents of costs. Due caution will be exercised to ensure that the same investment are not churned with a view to enhancing the fee payable. In this regard, commissions for investments in Category (iii) instruments will be carefully regulated, in particular.

Note: The existing investment pattern as above is subject to change based on the notifications issued by the Government of India from time to time.

10.11 Investment Restrictions

10.11.1 Investment decisions should be taken by Portfolio Manager with maximum emphasis on safety, prudence, optimum return, sound commercial judgment and avoiding funds to remain idle.

10.11.2 Any moneys received on the maturity of earlier investments reduced by obligatory outgoings shall be invested in accordance with the investment pattern. The investment pattern may be achieved by the end of a financial year.

10.11.3 In case of any instruments mentioned above being rated and their rating falling below prescribed minimum rating, then the option of exit can be exercised with the prior approval of CBT, EPF.

The investment should be made by the Portfolio Manager through a Stock Exchange, or directly with other counterparties in respect of Government Securities and other debt instruments at the best possible rate available on the day of transactions. Portfolio managers shall not purchase or sell securities exceeding 5 per cent or more, through any broker, of the aggregate purchases and sales of securities made by the Fund, unless the Portfolio Manager has recorded in writing the justification for exceeding the aforesaid limit and reports all such investments to the EPFO on a quarterly basis. The aforesaid limits of 5 per cent shall apply for a block of three calendar months on a monthly rolling basis. The Portfolio Manager shall not utilize the services of the sponsor or any of its associates, employees or their relatives, for the purpose of any securities transaction and distribution and sale of securities. Provided that a Portfolio Manager may utilize such services with the prior approval of CBT, EPF if the prescribed limit as per the CBT investment guidelines is to be exceeded. However, investments can be made in primary market issuances in which the sponsor or any of its associates or its associate brokers is one of the Lead Managers, provided there is consensus with all other selected portfolio managers to invest in that issuance and the Portfolio Manager (whose sponsor or any of its associates or its associate brokers is one of the Lead Managers) does not subscribe to more than 50% of the issue size.

10.11.4 CBT, EPF Funds shall not be used to buy securities/bonds held by the Portfolio Manager or its subsidiary in their own investment portfolio or any other portfolio held by them.

10.11.5 The Portfolio Manager shall buy and sell securities on the basis of deliveries and shall in all cases of purchase, take delivery of relative securities and in all cases of sale, deliver the securities and shall in no case put itself in a position whereby it has to make short sales or carry forward transactions.

10.11.6 The Portfolio Manager shall enter into transactions relating to Securities only in dematerialized form. The Portfolio Manager shall, for securities purchased in the non-depository mode get the securities transferred in the name of the CBT, EPF on account of the Scheme.

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10.11.7 Pending deployment as per investment objective, the monies under the respective Schemes may be invested in short-term deposits of Public Sector Banks acceptable to the CBT, EPF.
### Glossary

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUM</td>
<td>Assets Under Management</td>
</tr>
<tr>
<td>CBT</td>
<td>Central Board of Trustees</td>
</tr>
<tr>
<td>CD</td>
<td>Compact Disc</td>
</tr>
<tr>
<td>ECA</td>
<td>External Concurrent Auditor</td>
</tr>
<tr>
<td>EDLI</td>
<td>Employees' Deposit Linked Insurance Scheme, 1976</td>
</tr>
<tr>
<td>EPF</td>
<td>Employees' Provident Fund Scheme, 1952</td>
</tr>
<tr>
<td>EPFO</td>
<td>Employees' Provident Fund Organization</td>
</tr>
<tr>
<td>EPS</td>
<td>Employees' Pension Scheme, 1995</td>
</tr>
<tr>
<td>FA &amp; CAO</td>
<td>Financial Advisor and Chief Accounts Officer</td>
</tr>
<tr>
<td>GOI</td>
<td>Government of India</td>
</tr>
<tr>
<td>MoL&amp;E</td>
<td>Ministry of Labour and Employment</td>
</tr>
<tr>
<td>N.A.</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>PBG</td>
<td>Performance Bank Guarantee</td>
</tr>
<tr>
<td>RBI</td>
<td>Reserve Bank of India</td>
</tr>
<tr>
<td>RFP</td>
<td>Request for Proposal</td>
</tr>
<tr>
<td>SEBI</td>
<td>Securities and Exchange Board of India</td>
</tr>
<tr>
<td>TDR</td>
<td>Term Deposit Receipt</td>
</tr>
</tbody>
</table>
Contact Details:

Sh. M. Narayanappa,
Additional Central PF Commissioner-I (FA&IMC),
Employees' Provident Fund Organization (EPFO),
Bhavishya Nidhi Bhawan,
14, Bhikaji Cama Place,
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Phone: 011-26172680
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Item No.5: STANDARD OPERATING PROCEDURE FOR INVESTMENT IN EXCHANGE TRADED FUND (ETF) AND LIQUID MUTUAL FUND (LMF)

1. The Ministry of Labour, Govt. Of India vide notification no. 1071 (E) dated 23rd April, 2015 has issued a new Investment Pattern for investments by EPFO. This new Pattern of Investment 2015 prescribes 05 to 15% investments in equity and related investment. The Board in its 207th Meeting held on 31.03.2015 while recommending the said Pattern decided to investment 5% of the total investments made during the year in Exchange Traded Fund (ETF) of Nifty and Sensex.

2. Investment in ETF started w.e.f from 06th August 2015 through SBI Mutual Fund which is the ETF manufacturer for EPFO.

3. Subsequently the Central Board in its 208th meeting held on 16/09/2015 approved investment in Liquid mutual fund of SBI Mutual fund in order to manage flow of funds for investment in ETF more prudently. Investment in liquid mutual fund of SBI mutual fund also started from the month of November.

4. Now in order to have standard subscription and redemption from Liquid Mutual Fund (LMF) for efficient deployment of funds in ETFs a Standard operating procedure for cash management has been prepared as under:

Process flow for subscription in LMF

<table>
<thead>
<tr>
<th>Step</th>
<th>Process</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>EPFO will send an application for investment in liquid fund (LMF)</td>
<td>T day before 2.00 PM</td>
</tr>
<tr>
<td>2</td>
<td>Simultaneously, EPFO will transfer funds to the liquid fund scheme bank account</td>
<td>T day before 2.00 PM</td>
</tr>
<tr>
<td>3</td>
<td>In case the application form is in order &amp; the funds received before 2.00 PM, the EPFO will be allotted the previous day's NAV</td>
<td>T day</td>
</tr>
<tr>
<td>4</td>
<td>In case the application form / funds received after 2.00 PM, the EPFO will be allotted the End of day (EoD) NAV of the T-day</td>
<td>T day after 2.00 PM</td>
</tr>
<tr>
<td>5</td>
<td>Statement of Account for Liquid investment will be sent to EPFO by Email</td>
<td>T day EoD</td>
</tr>
</tbody>
</table>

T- Transaction

Process flow for Redemption in LMF

<table>
<thead>
<tr>
<th>Step</th>
<th>Process</th>
<th>Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>EPFO will send an application for redemption in liquid fund (LMF)</td>
<td>T day before 3.00 PM</td>
</tr>
</tbody>
</table>
2. In case the application form is in order, it will be processed as per the previous day's NAV. In case the application form is received after 3 PM, investors to get End of day (EoD) NAV.

3. Redemption proceed from the liquid fund are transferred to EPFO account. T+1 day morning.

4. Statement of Account for Liquid investment will be sent to EPFO by Email. T+1 day.

- In order to subscribe for ETFs there should be clear cash available in EPFO account and any redemption made on LMF made on T (transaction) day will result in credit of EPFO account by redemption proceeds on T+1 day. Accordingly in-order to subscribe in ETFs on a particular day from the redemption proceeds of LMF, the redemption trade has to be executed one day prior.

- Data of fresh accretion flow during the past few months shows that the fund flow during the first few days of fresh accretion which starts typically from 3rd week of the month is substantially higher than the estimated amount to be invested in ETF for the day. Accordingly 15th day of the month shall be treated as day 1 of Fresh Accretion. (FA) for the purpose of this SOP. If 15th is a holiday the following working day shall be day 1 of Fresh accretion.

Based on the above facts following SOP is to be followed during a particular month:

<table>
<thead>
<tr>
<th>Step</th>
<th>Day</th>
<th>Event</th>
<th>Process</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>1 of FA*</td>
<td>If cash is less than DEVI in IA</td>
<td>Subscription in ETFs only</td>
</tr>
<tr>
<td></td>
<td></td>
<td>If cash is more than DEVI in IA</td>
<td>Subscription in ETFs and balance amount subscribed in LMF</td>
</tr>
<tr>
<td>B</td>
<td>2 of FA*</td>
<td>Same as in step A</td>
<td>Same as in step A</td>
</tr>
<tr>
<td>C</td>
<td>3 of FA</td>
<td>Same as in step A</td>
<td>Same as in step A</td>
</tr>
<tr>
<td></td>
<td></td>
<td>---</td>
<td>Redemption from LMF of DEVI in ETFs</td>
</tr>
<tr>
<td>D</td>
<td>4 of FA,</td>
<td>Entire cash in IA</td>
<td>Subscription of LMF</td>
</tr>
<tr>
<td></td>
<td>This process will continue till 12th day of the following month.</td>
<td>Previous day redemption proceeds of LMF in NG account</td>
<td>Subscription of ETFs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>---</td>
<td>Redemption from LMF of DEVI in ETFs</td>
</tr>
<tr>
<td></td>
<td>13th day of the following month.</td>
<td>14th day of the following month</td>
<td></td>
</tr>
<tr>
<td>---</td>
<td>--------------------------------</td>
<td>---------------------------------</td>
<td>---</td>
</tr>
<tr>
<td>E</td>
<td>Entire cash in IA</td>
<td>Entire cash in IA</td>
<td>Subscription of ETFs only</td>
</tr>
<tr>
<td></td>
<td>Previous day redemption proceeds of LMF in NG account</td>
<td>Previous day redemption proceeds of LMF in NG account</td>
<td>Subscription of ETFs</td>
</tr>
<tr>
<td></td>
<td><em>the process mentioned at step B shall continue if the units accumulated for carrying out redemption is not enough as mentioned in step 3</em></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**DEVI**: Daily estimated value of investment in ETFs  
**FA**: Fresh accretion  
**IA**: Investment account  
**NG account**: Non Government account

5. The standard operating procedure for investment in ETF was approved by the FIAC its 120th meeting held on 23/06/2015 and it was suggested that it should be reviewed at the end of the financial year and the learnings thereof may be used to revise the SOP if required. This was also approved by the Central board in its 208th meeting. The SOP for investment in ETFs had the following points:

A. The investment in ETF would only be made from Fresh Accretion received during the month.

B. The quantum of investment to be made during the month would be daily equated and invested on a daily basis over 15 days from the start of fresh accretion inflow.

C. Investment on trigger of special event. The special event is defined as fall in market indices by (i) 2% or more (ii) 4% or more.
   - In case the index falls by over 2% on a day of scheduled investment the entire cash available for the week for investment in equity would be invested on the day of trigger of special event.
   - In case the index falls by over 4% on a day of scheduled investment the entire cash available for investment for month in equity would be invested on the day of trigger of special event.

D. 65%-85% of the total allocation to ETF be invested in Nifty based ETF

E. 15%-35% of the total allocation to ETF be invested in Sensex based ETF

F. These SOP would be reviewed after the end of financial year.

6. As mentioned above the Central Board in its 208th meeting approved investment in Liquid mutual fund of SBI Mutual fund in order to manage flow of funds. Since the implementation of investment in Liquid mutual fund (LMF) cash is invested temporarily till deployment in ETF and all surpluses beyond the daily estimated value of investment in ETF is invested in the LMF. As a result at point "C" of the SOP of investment in equity (as above) has become redundant since the entire cash available for the week or the month remains parked in the
LMF and is not available for investment on the day of trigger of the special event. The units of LMF can be redeemed and cash will be available for investment only on T+1 day.

7. In view of the above the SOP for investment in equity may also be updated as under:
   A. The investment in ETF would only be made from Fresh Accretion received during the month.
   B. The quantum of investment to be made during the month would be daily equated and invested on a daily basis from 15th of the month (next working day if 15th is a holiday) till the 14th of the following month i.e., investment will be spread over 30 days.
   C. 65%-85% of the total allocation to ETF be invested in Nifty based ETF
   D. 15%-35% of the total allocation to ETF be invested in Sensex based ETF
   E. In the month of March the portfolio for the year has to be aligned to the Pattern of Investment. Following the same SOP of daily equated investment during March may result in statutory deviation. Accordingly in the month of March in order to balance the portfolio among different categories daily equated investment in not insisted.

Proposal: Para 4 & 7 of the agenda item may be approved.
Item No 6: Concurrent Audit Reports of Provident Fund (including other funds) and Pension Fund for the months of September 2015 to March 2016.

1. As per the decision taken in the 196th meeting of Central Board, EPF held on 20.07.2011, M/s Chandabhoy & Jassoobhoy was appointed as External Concurrent Auditor (ECA) for conducting Audit of the Fund of EPFO managed by the Portfolio Manager. Central Board, EPF in its 205th meeting held on 19.12.2014 has approved the extension of the period of appointment of M/s Chandabhoy & Jassoobhoy as ECA on nomination basis till October 2016 on the earlier terms and conditions.

2. As per the terms and conditions of appointment of ECA, following clause/sub-Clause of Chapter 2 of RFP i.e. Duties and Responsibilities of External Concurrent Auditor (ECA) with regard to submission of monthly report according to scope of work, following important points are mentioned below:

- Reconcile the funds flow and Bank Accounts of EPFO with the Portfolio Manager(s) on a monthly basis.
- To examine and verify whether the fund managers have followed the investment pattern, investment guidelines and the terms of agreement entered into between EPFO and the fund managers.
- To verify whether the interest and maturity proceeds are collected promptly and reinvested as per the provisions made in the Pattern of Investment. Also to point out delays, if any, and the causes for such delay.
- To verify whether the incentives, whether receivable from the institutions, are collected promptly and invested as per the prescribed pattern/guidelines.
- To bring out cases of undue delay in the receipt of incentives.
- To verify whether proper records have been maintained in respect of all transactions and contracts and to ascertain whether the records are correctly and timely updated.
- To verify whether all shares, securities, debentures and other investments have been held in the name of Central Board of Trustees, Employees' Provident Fund.
- The concurrent audit needs to be carried out and Report submitted to the EPFO on monthly basis.
- In Audit Reports, audit observations regarding Pension Fund, Provident Fund, EDLI Fund, EPF Staff Provident Fund, EPF Staff Pension and Gratuity Fund etc., should be categorized separately as separate accounts are maintained by EPFO. Concurrent Audit report on Pension Fund shall be bound separately and a consolidated report on all other funds shall be bound separately for submission to EPFO.

3. M/s Chandabhoy & Jassoobhoy, ECA has submitted Concurrent Audit Reports of Provident Fund (including other funds) and Pension Fund for the months of September 2015 to March 2016. The same are submitted before the FIAC for perusal and directions, if any.

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ITEM No. 8: Proposal for Increasing the number of days for borrowing of funds from CBLO for participation in primary auctions of Government Securities and Corporate bonds from existing 15 to 30 days.

Pursuant to the recommendation of CBOT in its 204th Meeting held on 26.08.2014, the Ministry of Labour & Employment vide its letter no. G-20025/1/2014-SS-II dated 12th May, 2015 approved borrowing of funds from CBLO for participation in Primary Auctions of Government Securities and Corporate Bonds. Accordingly, the direction of Govt. on borrowing of funds from CBLO was communicated to all Portfolio Managers, that inter-alia mentioned following conditions:

a) No borrowing will be done for more than 15 days.
b) Prior to entering into such transaction, the Portfolio Managers shall intimate through email to Investment Monitoring Cell (IMC), at EPFO Head Office the details of proposed borrowing to be made and the matching purchase of security. The proposal should also contain the expected profit/gains from the transaction.
c) The Portfolio Managers shall report full outcome of the transaction to the IMC after the borrowing is closed.
d) The IMC shall compile all such transactions and place the same before FIAC in its next immediately following meeting.
e) The outcome shall also be placed before the Board for information in next following meeting.

2. With reference to the above, the minutes of 122nd Meeting of Finance Investment & Audit Committee (FIAC) held on 9-12-2015 (placed as Annexure ‘A’) on agenda of “One time ex-post facto sanction of FIAC for continuing CBLO borrowing –regarding HSBC case” may be referred wherein the decision on the same has been recorded as under:

“The Committee took note of the facts presented in the Agenda Item. FA pointed out that the permission may be given for borrowing upto 30 days. It was felt that a separate agenda may be brought for increasing the tenure of borrowing from 15 days to 30 days”.

3. When the agenda for 15 days was put up, at that time itself it was suggested that borrowing should be allowed for 30 days. However, it was initially decided by CBOT that we should allow borrowing for 15 days. It needs to be noted that EPFO gets funds only during a period of approximately 5 days and rest of the 25 days, EPFO remains short of money. Borrowing was allowed to take care of a good opportunity coming for investment during these 25 days. Therefore, it is necessary that borrowing for investment be open for 30 days instead of 15 days. As we have seen in some circumstances, the borrowing is required for more than 15 days.
4. One such case which came on 31st December was that of Yes Bank where borrowing became necessary for more than 15 days to catch opportunity of investment for Yes Bank Basel III Tier II bonds issue having maturity of 10 years @ 8.90% p.a. As it was felt that proposal may not be available later on, accordingly, investment was made for 1500 crores where the borrowing was required for 18 days instead of 15 days.

5. Agenda on the same issue was placed in 123rd meeting of FIAC held on 18.01.2016, wherein the Committee has approved the relaxation for extended CBLO borrowing upto 30 days and directed that the same shall be further placed before the next CBT meeting (Minutes of the 123rd FIAC is placed as Annexure-B).

6. Accordingly, an agenda item on "Proposal for increasing the number of days for borrowing of funds from CBLO for participation in primary auctions of Government securities and corporate bonds from existing 15 to 30 days" was placed in 211th meeting of CBT held on 16.02.2016 but the item could not be taken up for discussion and was deferred for next meeting. The agenda was again placed in 212th meeting of CBT held on 29.03.2016 wherein the Board has decided to refer the matter to FIAC again (Agenda & Minutes placed as Annexure-C).

7. In view of taking the agenda in FIAC, the justifications were also called from all Portfolio Managers of EPFO for enhancing the no. of days from existing 15 to 30 days. On behalf of all Portfolio Managers, Reliance Capital AMI has provided few aspects on the issues (e-mail copy placed as Annexure-D'), which are as under:

   i) Investment Opportunity after mid month: Usually the fresh accruals are received by third week of the month. Any investments opportunity that may come up after that period when current month's cash flow, including fresh accruals have been deployed, might be missed due to lack of visible cash flows in next 15 days, which is outer limit for CBLO borrowing. Increasing the time period of CBLO borrowing to 30 calendar days enables the portfolio managers to effectively plan the next month's fresh accruals and make use of the market opportunities.

   For Example: The Special Deposit Scheme (SDS) money which is available for investment in the first week of January can be effectively planned to invest in the primary market issuances, mainly Bank Tier II bonds, issued in the early part of December.

   ii) Bunching up of issuances: The bunching up of issuances like SDIs (including UDAY bonds), Corporate bonds and CGS, constraints the investment opportunity due to limited availability of cash at EPFO level. Increasing time period to 30 days enables to invest across all asset classes without missing on the market opportunities.

   For Example: In the Financial year 2015-16, the SDL auction conducted in the month of February and the first week of March saw higher cut-off. Similarly, corporate bond and Gsec
yields also rose sharply providing good investment opportunity. The flexibility would enable making use of such market anomalies by investing future cash flows in high yield scenarios.

iii) Assumption of Fresh flows: The borrowing by Portfolio managers also takes into account some proportion of fresh accruals. It is to be noted that borrowing against fresh accruals is based on assumption. It has been observed that fresh accruals keeps on varying between months and cannot be accurately calculated. In case the fresh accruals are in contrast to the assumption, the borrowing period may get extended in such cases. We request you to take into account the variation in borrowing period due to this factor and allow roll-over of borrowing by applicable number of days in case the fresh accruals are lesser than expected.

Proposal: The matter is again placed before FIAC for consideration.
Minutes of the 122nd Meeting of the Finance Investment & Audit Committee (FIAC) held on 09-12-2015

1. The 122nd Meeting of Finance Investment & Audit Committee was held on 09-12-2015 from 02.30 P.M. onwards in the Conference Hall, 3rd Floor, EPFO, Head Office, New Delhi.

2. The following members/representatives were present in the meeting.

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Position and Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sh. K.K. Jalan</td>
<td>Chairman, FIAC, Central Board and Central Provident Fund Commission</td>
</tr>
<tr>
<td>2</td>
<td>Sh. Heera Lal Samaria</td>
<td>Additional Secretary (L&amp;E), Ministry of Labour &amp; Employment, Govt. of India</td>
</tr>
<tr>
<td>3</td>
<td>Sh. Sedhir Shyam</td>
<td>Director, Dept. of Financial Services, Ministry of Finance, as representative of Joint Secretary, MoF, Govt. of India; as Domain Expert.</td>
</tr>
<tr>
<td>4</td>
<td>Sh. Balambramnayam Kamarsu</td>
<td>Member, Central Board, (Employers’ Representative)</td>
</tr>
<tr>
<td>5</td>
<td>Sh. J.P. Chowdhary</td>
<td>Member, Central Board, (Employers’ Representative)</td>
</tr>
<tr>
<td>6</td>
<td>Sh. Pawan Kumar</td>
<td>As representative of Sh. Prabhakar J. Banasure, Member, Central Board, (Employers’ Representative)</td>
</tr>
</tbody>
</table>

The following members could not attend the meeting:

1. Dr. G. Sanjeva Reddy | Member, Central Board, (Employees’ Representative) |

In addition to the above, Shri Sanjay Kumar, FA & CAO, EPFO and Convenor was also present during the meeting.
Item No. 6: Agenda Item on one time ex-post facto sanction of FIAC for continuing CBLO borrowing. Regarding HSBC case.

The Committee took note of the facts presented in the Agenda item. FA pointed out that the permission may be given for borrowing upto 30 days. It was felt that a separate agenda may be brought for increasing the tenure of borrowing from 15 days to 30 days.

Item No. 7: Revised Estimates for the year 2015-16 and Budget Estimates for the year 2016-17 for EPFO and the schemes administered by EPFO.

The agenda was approved by the committee with the following remarks and directions:

i) On the receipt side, the Committee observed that the forecast/estimate of contribution received in 2016-17 are on the lower side and it should be raised to minimum 10% of the RE of 2015-16.

ii) The entire contribution to the Gratuity and the Pension Fund of the staff and officers of EPFO should be charged as a one time expenditure in the current financial year.

Item No. 8: Update on Investment in Exchange Traded Fund (ETF).

The Agenda on the investment in ETF was discussed and it was further decided that the investment in ETF was further to be reviewed. For this purpose, CRISIL, NSE & BSE will be requested to make a separate expert presentation in the next meeting of FIAC. The experts in this meeting shall be requested to focus their presentation on the following broad points:

i) Relevance of investment in equity by Pension Fund.

ii) Security of the investment money in the Pension Fund.

iii) The periodicity of review of the decisions of investment in equity.

iv) The ideal size of fresh accretions that should be invested in equity considering the AUM to EPFO and the equity market of India.

v) The right mix of the products among the equity and related investment for investment by EPFO at present and in future.

The meeting ended with a vote of thanks to the chair.
Minutes of the 123rd Meeting of the Finance Investment & Audit Committee (FlAC) held on 18.01.2016

1. The 123rd Meeting of Finance Investment & Audit Committee was held on 18.01.2016 from 11:00 A.M. onwards in the Conference Hall, 3rd Floor, EPFO, Head Office, New Delhi.

2. The following members/representatives were present in the meeting:

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sh. K.K. Jalan</td>
<td>Chairman, FlAC, Central Board and Central Provident Fund Commissioner</td>
</tr>
<tr>
<td>2</td>
<td>Sh. Heera Lal Samarya</td>
<td>Additional Secretary (L&amp;E), Ministry of Labour &amp; Employment, Govt. of India</td>
</tr>
<tr>
<td>3</td>
<td>Ms. Meenakshi Gupta</td>
<td>Joint Secretary &amp; Financial Advisor, Ministry of Labour &amp; Employment, Govt. of India</td>
</tr>
<tr>
<td>4</td>
<td>Sh. Sudhir Shyam</td>
<td>Director, Dept. of Financial Services, Ministry of Finance, as representative of Joint Secretary, MOF, Govt. of India; as Domain Expert</td>
</tr>
<tr>
<td>5</td>
<td>Sh. Balasubrahmanyam Kamarsu</td>
<td>Member, Central Board, (Employers’ Representative)</td>
</tr>
<tr>
<td>6</td>
<td>Sh. Prabhakar J. Bansare</td>
<td>Member, Central Board, (Employees’ Representative)</td>
</tr>
</tbody>
</table>

The following members could not attend the meeting:

<table>
<thead>
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<th>No.</th>
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</thead>
<tbody>
<tr>
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<td>Dr. G. Sanjeava Reddy</td>
<td>Member, Central Board, (Employees’ Representative)</td>
</tr>
<tr>
<td>2</td>
<td>Shri J.P. Chowdhary</td>
<td>Member, Central Board, (Employees’ Representative)</td>
</tr>
</tbody>
</table>

In addition to the above, FA & CAO, EPFO Convener was also present during the meeting.

3. The Chairman welcomed all the members and officers present in the meeting.

Therewith the agenda were taken up.
Item No. 1: Confirmation of the Minutes of 122nd Meeting of the Finance Investment & Audit Committee held on 09.12.2015
The minutes of 122nd Meeting of the Finance Investment & Audit Committee held on 09.12.2015 were confirmed.

Item No. 2: Action taken report on the recommendation of the 122nd Meeting of Finance Investment & Audit Committee (FIAC) held 09.12.2015.
The action taken report as placed was taken note of by the Committee.

Item No. 3: Presentation on Investments in ETF by Experts.
Presentation on ETF was made by BSE, NSE, SBI Mutual Fund, CRISIL and Shri A. Rama Kotswara Rao (ex-SBI MF) in the meeting (copy enclosed). The committee asked them to submit suggestions on asset allocation and ETFs other than Sensex and NIFTY ETFs for diversification in investment in equity and related investments preferably within 10 days, IMC thereafter shall compile the same and present before the committee in the next meeting.

Item No. 4: Relaxation for extended CBLO borrowing up to 30 days on case to case basis by Chairman, FIAC/CPFC subject to ratification by the Board.
Relaxation for extended CBLO borrowing up to 30 days was approved by the FIAC which shall be further placed before the next CBOT meeting.

Item No. 5: Selection of Mutual Fund ETF manufacturer for investment of the EPFOs Investment in ETF.
It was decided to form a Sub-committee of the FIAC in order to select Mutual Fund as ETF manufacturer which shall comprise of FA8CAO, Shri Balasubrahmanyam Kamarsu (employer representative) and Shri Prabhakar J.Bansure (employee representative). The committee may co-opt any other member as per the requirement. CRISIL shall assist the sub-committee in the selection of the mutual fund as ETF manufacturer.

Item No. 6: CBLO borrowings transactions by the Portfolio Managers during the period 21.11.2015 to 31.12.2015.
The Item no 6 was taken note of by the committee.
Item No.7: Continuation of M/s Chandabhoy & Jassobhoy as External Concurrent Auditor (ECA).

It was decided to allow M/s Chandabhoy & Jassobhoy as (ECA) till October 2018, and simultaneously start the process of selection of new ECA for which the same committee constituted for the selection of Mutual Fund as ETF manufacture shall be engaged.

Item No.8: Rate of Interest (ROI) to be credited to EPF Members' Accounts for the year 2015-16.

Minutes have been recorded separately

The meeting ended with a vote of thanks to the chair.
EMPLOYEES' PROVIDENT FUND ORGANISATION
MINUTES OF THE 212th CBT MEETING
(NEW DELHI: 29TH MARCH 2016: 11 AM)

The 212th meeting of the Central Board (EPF) was held under the Chairmanship of Shri Bandaru Dattatraya, Chairman Central Board (EPF) and Union Minister of Labour & Employment. Following members attended the meeting:-

1. Shri Shankar Agarwal, Secretary (L&E)  Vice Chairman
2. Shri HL Samariya, AS (L&E)
3. Smt Meenakshi Gupta, JS (F&A) (L&E)
4. Shri Manish Gupta, JS (SS) (L&E)  CENTRAL GOVERNMENT REPRESENTATIVES
5. Dr Bipin Bihari Mallick, JS & DGLW
6. Shri Sudhir Shyam, Director, (Ministry of Finance)
7. Dr UD Choubey
8. Shri Balasubrahmaniam Kamarsu
9. Shri KV Shekhar Raju
10. Dr SS Patil
11. Shri Ravi Wig
12. Shri GP Srivastava
13. Shri RS Maker
14. Shri BP Pant
15. Shri Sushanta Sen
16. Shri M Jagadishwara Rao
17. Shri Virajesh Upadhyay
18. Shri PJ Bamasure
19. Dr G Sanjeeva Reddy
20. Shri Ashok Singh
21. Shri AK Padmanabhan
22. Shri AG Nagpal
23. Shri DL Sachdev
24. Shri Sankar Saha
25. Shri Ramakrishn Pandey

EMPLEYERS' REPRESENTATIVES
b) The ratio of SSA to Section Supervisor should be 1:4, instead of 1:1.46 in the report.

c) The EO/AO’s may be allowed NFSG of Grade Pay Rs. 5400/- after 4 years of service.

d) CPFC be authorised to operate DPFC APFC to promote officials. Supernumerary posts be created in APFC cadre to ensure promotion of left out EOS/AO’s. These supernumerary posts be adjusted against future vacancies for promoting EOS/AO’s of 1999 batch

e) Any other anomaly/gap.

Chairman also announced formation of Anomaly redressal cum Implementation Committee consisting of CPFC, JS(55) (L&E) and FA & CAO (EPFO) to complete the gaps in one month.

The Proposal as contained in the agenda was approved.

Item No. 3: Relaxation of provisions of Recruitment Rules for DPAs for conversion of 14 DEOs to DPA

The proposal as contained in the agenda was approved.

Item No. 4: Information to be placed before the Central Board in accordance with para 23 of the EPF Scheme

The Board took note of the information as placed before it.

Item No. 5: Continuation of M/s Chandabhoy & Jassoochobh as External Concurrent Auditor (ECA)

The proposal as contained in the agenda was approved.

Item No. 6: Proposal for increasing the number of days for borrowing of funds from CBLO for participation in primary auctions of Government Securities and Corporate bonds from existing 15 to 30 days

The Board decided to refer the matter to FIAC again.

Item No. 7: Update on investment in Exchange Traded Fund (ETF)

The Board took note of the information as placed before it. Some members raised the issue of inadequate in negative returns in ETF and demanded that the decision to deposit EPFO funds in ETF may be rescinded.

Item No. 8: CBLO borrowing transactions by the Portfolio Managers from 19.09.2015 to 31.12.2015

The Board took note of the information as placed before it
Item No 8i Proposal for increasing the number of days for borrowing of funds from CBLO for participation in primary auctions of Government Securities and Corporate bonds from existing 15 to 30 days.

1. The Central Board of Trustees (CBT), EPF in its 204th Meeting held on 26.08.2014 approved the Proposal for borrowing of funds for participation in primary auctions of Government Securities and Corporate bonds (Item no. 10) with modification that the borrowing window should be limited to 15 days and an appropriate monitoring mechanism be developed for monitoring by FIAC.


3. Subsequently the approval to borrow funds from CBLO for participating in primary auctions of Government Securities and Corporate Bond was conveyed to the Portfolio Managers with following conditions:

I. No borrowing will be done for more than 15 days.
II. Prior to entering into such transaction the Portfolio Managers shall intimate through email to Investment Monitoring Cell (IMC), at EPFO Head Office the details of proposed borrowing to be made and the matching purchase of security. The proposal should also contain the expected profit/gains from the transaction.
III. The Portfolio Managers shall report full outcome of the transaction to the IMC after the borrowing is closed.
IV. The IMC shall compile all such transactions and place the same before FIAC in its next immediately following meeting.
V. The outcome shall also be placed before the Board for information in next following meeting.

4. As approved by the Board, transactions for borrowing of funds from CBLO started w.e.f. 29.07.2015 and as per directions of the Board the transactions are being reviewed by FIAC. The Committee in its 122nd and 123rd meeting held on 09.12.2015 and 18.01.2016 reviewed the CBLO borrowing transactions by the Portfolio Managers during 19.09.2015 to 31.12.2015.

5. The net profit gain to EPFO from the transactions made by Portfolio Managers by CBLO borrowing was Rs. 2.07 Crore, till 31.12.2015

6. Recently, an e-mail dated 13.11.2015 was received from HSBC AMC wherein request for continuing CBLO borrowing was submitted as a one time permission due to administrative exigencies. In the said email, it has been informed that HSBC AMC had purchased Axis Bank Infra Bond of INR 525 Crore for which the borrowing amount was undertaken. As per CBLO borrowing, the following have been in the allocation of INR 525.
one of the schemes EPS was allocated INR 3.75 Crore more in place of EPF. They also got fresh accretion on EPF but not in EPS. Thus, EPS had exhausted 15 days limit for borrowing and it was requested to continue borrowing for EPS for 3-4 days more till such time fresh accretion in EPS arrives. The HSBC was allowed to roll over CBLO till 17th of November, 2015 stating following reasons:

(i) Administrative exigency.
(ii) Clear cut case of profit in doing so.

It may be pertinent to highlight here that even though the borrowing was extended for more than 15 days, it has resulted in overall profit to EPFO.

7. Since the Competent Authority in the matter is FIAC/CBT, the matter was placed before FIAC in its 122nd Meeting held on 09.12.2015 for information and ratification, wherein the decision on the same has been recorded as under:

"The Committee took note of the facts presented in the Agenda item. FA pointed out that the permission may be given for borrowing upto 30 days. It was felt that a separate agenda may be brought for increasing the tenure of borrowing from 15 days to 30 days".

8. When the agenda was placed before FIAC initially in its 112th Meeting of FIAC held on 25th April, 2014, at that time itself it was suggested that borrowing should be allowed for 30 days. However, it was initially agreed that we should allow borrowing for 15 days. It needs to be noted that EPFO gets funds only during a period of approximately 5 days and rest of the 25 days, EPFO remains short of money. Borrowing was allowed to take care of a good opportunity coming for investment during these 25 days. Therefore, it is necessary that borrowing for investment be open for 30 days instead of 15 days. As we have seen in some circumstances, the borrowing is required for more than 15 days.

9. The Committee in its 123rd Meeting held on 18.01.2016 while deliberating on agenda item on Relaxation for extended CBLO borrowing upto 30 days on case to case basis by Chairmen, FIAC/CPFC subject to ratification by the Board (Item no. 4), approved relaxation for extended CBLO borrowing up to 30 days (relevant portion of minutes is placed as Annexure 'A').

10. Accordingly, it is proposed to increase the number of days of borrowing the fund from CBLO from existing 15 days to upto 30 days. Other terms and conditions laid down by the Board for the purpose would remain.

Proposal: In view of above, following is submitted for consideration:

a. Ratification of one time ex-post facto sanctioned of board for continuing CBLO borrowing by HSBC AMC beyond mandated 15 days in purchase of Axis Bank Infra Bonds.
b. The proposal contained in Para 9 & 10 are placed before the Central Board of Trustees for information and consideration & approval respectively.
This is with reference to Point No. 3 of Agenda items of Quarterly Performance meeting held on 15th January 2016 at EPFO Head Office New Delhi. In the meeting, it was decided that the time period of CBLO borrowing be increased from 15 working days to 30 calendar days in order to give additional flexibility to portfolio managers. As one time relaxation, for the investment made Yes Bank Tier II bonds on 31st December 2015 Portfolio managers were permitted by the Chairman, FIAC - EPFC for borrowing up to 25th January 2016 which is more than 15 working days.

In view of the investment opportunities arising in the market and as discussed between all EPFO Portfolio Managers, relaxing the period of CBLO borrowing to 30 Calendar days from current permission of borrowing up to 15 working days, would extend greater flexibility to investment to make use of the market opportunities. Few instances are presented as below:

1. Investment Opportunity after mid month: Usually the fresh accounts are received by third week of the month. Any investment opportunity that may come up after that period when current month’s cash flow including fresh accounts have been deployed might be missed due to lack of usable cash flows in next 15 days, which is outer limit for CBLO borrowing. Increasing the time period of CBLO borrowing to 30 calendar days enables the portfolio managers to effectively plan the next month’s fresh accounts and make use of the market opportunities.

For Example The Special Deposit Scheme (SDS) maturity which is available for investment in the first week of January can be effectively planned to invest in the primary market issuances, mainly Bank Tier II bonds, issued in the early part of December.

2. Bunching up of issuances: The problem of issuances like SD, FCL, CP, GDR, USAF, Consent corporate bonds and GSS constraints the investment opportunity due to limited availability of cash at EPFO level. Relocating time period till 30 days enables to invest almost all asset classes without losing on the market opportunities.

For Example In the fiscal year 2015-16 the SD issuance conducted in the month of February and the first week of March was repaid off Sunday, corporate bond and GFC yields also rose sharply precluding good investment opportunity. The flexibilities would enable making use of such market opportunities by investing future SDs and bonds in the early part of December.

3. Assumption of Fresh flows: The problem of not matching investment and cash outflows precluding good investment opportunities. The flexibilities would enable matching investment and cash outflows precluding good investment opportunities.
Thanks & Regards

(On behalf of all EPFO Portfolio Managers)

Puneet N Sinha

Portfolio Manager - RCAM - EPFO

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Item No. 7: Selection of Mutual Fund as ETF manufacturer for Investment in ETFs by EPFO

1. Investment in ETF manufactured by SBI Mutual Fund has started w.e.f 06th August, 2015.

2. The tenure of appointment of SBI Mutual Fund as ETF manufacturer for investments by EPFO is ending on 31st March, 2016 and mutual funds as ETF manufacture have to be appointed for a fresh term.

3. Accordingly an agenda item on "Selection of Mutual Fund ETF manufacturer for investment of the EPFOs Investment in ETF" was placed in 123rd meeting of FIAC held on 18.01.2016. Wherein, it was decided to form a committee for selecting Mutual Fund as ETF manufacturer. This committee shall comprise of FA&CAO, Sh. Balasubramanyam Kamarsu (employer representative) and Sh. Prabhakar J. Banasure (Employee representative). CRISIL shall assist the sub-committee in the selection of the mutual fund as ETF manufacturer. It was also decided that the committee may co-opt any other member as per the requirement. The FIAC also approved the extension of tenure of SBI Mutual Fund for another three months i.e. upto 30th June 2016 on the same fees @0.07% per annum on net assets. (Agenda & minutes of 123rd FIAC are enclosed as Annexure-'A').

4. In pursuance to the decision of 123rd FIAC, the Committee for selection of Mutual Fund manufacturer has been constituted by the Chairman, Central Board. The Terms of reference of the Committee are as follows:

- To prepare and approve Request for Proposal (RFP) document for Selection of Mutual Fund ETF manufacturer for investment of EPFOs investment in ETF.
- To undertake the entire process of evaluation of RFP, technical bids, financial bids etc. and select a Mutual Fund ETF manufacturer for investment of EPFOs investment in ETF.
- To recommend the selected entity to the FIAC/CBT.

5. The decision of FIAC and Chairman, Central Board with regard to the constitution of the committee for Selection of Mutual Fund ETF manufacturer for investment of the EPFOs Investment in ETF and extension of the tenure of SBI Mutual Fund till 30th June 2016, on the same fees was approved by the Central Board.

6. The first meeting of the sub-Committee was held on 29.03.2016 (Annexure-'B') wherein it was decided that CRISIL would develop draft criteria (RFP) for selection of mutual fund ETF manufacturer and also an activity schedule for selection process. M/s CRISIL has prepared a draft RFP and the same was forwarded to all members for their comments.

7. The second meeting of the sub-Committee was held on 12.05.2016, wherein the RFP was approved by the sub-committee.

Proposal: The said RFP is enclosed herewith which may be approved.
Meeting of the Finance Investment & Audit Committee (FIAC) held on 18.01.2016

Meeting of Finance Investment & Audit Committee was held on 18.01.2016 onwards in the Conference Hall 378, 3rd Floor, EPFO Head Office, New Delhi.

The following members/representatives were present in the meeting:

1. (Name) Chairman, FIAC, Central Board and Central Provident Fund Commissioner
2. Shri Heera Lal Samaria Additional Secretary (LSE), Ministry of Labour & Employment, Govt. of India
3. Ms. Meenakshi Gupta Joint Secretary & Financial Advisor, Ministry of Labour & Employment, Govt. of India
4. Shri Sudhir Shyam Director, Dept. of Financial Services, Ministry of Finance, as representative of Joint Secretary, MoF, Govt. of India as Senior Expert
5. Shri Balasubrahmanyam Member Central Board (Employers Representative)
6. Shri Prabhatkar J Member Central Board (Employees Representative)

The following members could not attend the meeting:

1. Dr. S. Sanjeevo Reddy Member Central Board (Employees Representative)
2. Mr. P. Chowdhary Member Central Board (Employees Representative)

In addition to the above, FA & CAO EPFO Convener was also present during the meeting.

The Chairman welcomed all the members and officers present in the meeting. The agenda was taken up...
Item No. 1: Confirmation of the Minutes of 122nd Meeting of the Finance Investment & Audit Committee held on 09.12.2015

The minutes of 122nd Meeting of the Finance Investment & Audit Committee held on 09.12.2015 were confirmed.

Item No. 2: Action taken report on the recommendation of the 122nd Meeting of Finance Investment & Audit Committee (FIAC) held 09.12.2015.

The action taken report as placed was taken note of by the Committee.

Item No. 3: Presentation on Investments in ETF by Experts.

Presentation on ETF was made by BSE, NSE, SBI Mutual Fund, CRISIL and Shri A. Rama Koteswara Rao (ex-SBI MF) in the meeting (copy enclosed).

The committee asked them to submit suggestions on asset allocation and ETFs other than Sensex and NIFTY ETFs for diversification in investments in equity and related investments preferably within 10 days. IMC thereafter shall compile the same and present before the committee in the next meeting.

Item No. 4: Relaxation for extended CBLO borrowing up to 30 days on case to case basis by Chairman, FIAC/CPFC subject to ratification by the Board.

Relaxation for extended CBLO borrowing up to 30 days was approved by the FIAC which shall be further placed before the next CBT meeting.

Item No. 5: Selection of Mutual Fund ETF manufacturer for Investment of the EPFOs Investment in ETF.

It was decided to form a Sub-committee of the FIAC in order to select Mutual Fund as ETF manufacturer which shall comprise of FA&CAO, Shri Balasubramanyam Kamarsu (employer representative) and Shri Prabhakar J Banasure (employee representative). The committee may co-opt any other member as per the requirement. CRISIL shall assist the sub-committee in the selection of the mutual fund as ETF manufacturer.

Item No. 6: CBLO borrowings transactions by the Portfolio Managers during the period 21.11.2015 to 31.12.2015.

The item no.6 was taken note of by the committee.
The Finance Investment & Audit Committee (FIAC) in its 120th Meeting held on 23rd June, 2015 recommended investments of EPFO corpus in SBI manufactured ETF for this current year i.e. 2015-2016.

2. The Hon'ble Chairman, CBT EPT had approved the recommendations of FIAC on 29.07.2015.

3. Subsequently, the Board in its 208th Meeting held on 16th September, 2015 approved by FIAC proposal also ratified the fees charged by SBI Mutual Fund for its ETF as negotiated by the Sub-Committee constituted by FIAC which is @0.07% per annum on net asset.

4. Investment in ETF manufactured by SBI Mutual Fund was started w.e.f 06th August, 2015.

5. The tenure of appointment of SBI Mutual Fund as manufacture of ETF for investments by EPFO is ending on 31st March, 2016. Mutual Funds as ETF manufacture have to be appointed a fresh.

6. Accordingly, it is proposed to constitute a sub-Committee for Selection of Mutual Fund ETF manufacturer for investment of EPFOs Investment in ETF. The Terms of reference of the proposed Committee may be as follows:

   a) To prepare and approve Request for Proposal (RFP) document for Selection of Mutual Fund ETF manufacturer for Investment of EPFOs Investment in ETF.

   b) To undertake the entire process of evaluation of RFP, technical bids, financial bids etc. and select a Mutual Fund ETF manufacturer for Investment of EPFOs Investment in ETF.

   c) To recommend the selected entity to the FIAC/CBT.

7. Since the entire process of selection of Mutual Fund ETF manufacturer for investment of EPFOs Investment in ETF may take some time beyond 31st March, 2016, it is proposed to extend the tenure of SBI Mutual Fund for another three months i.e. upto 30th June, 2016 on the same fees i.e. @ 0.07% per annum.

The proposal contained in Para 6 and Para 7 are placed before the Committee for approval.
Minutes of meeting of Sub-Committee for selection of Mutual Fund ETF manufacturer for investment of EPFO’s corpus in equities and related investments

Date: March 29, 2016
Time: 3.30 PM
Venue: EPFO Head Office, Bhaikaji Cama Place, New Delhi

Finance Investment & Audit Committee (FIAC) members:
1. Sh. Balasubrahmanyam Kamarsu (employer representative)
2. Sh. Prabhakar J. Banasure (employees representative)

EPFO officers present:
2. Dr. VP Singh – Addl. Central P.F Commissioner, IMC
3. Mr. Ajay Kumar – Regional P F Commissioner, Grade II, IMC

Consultant representatives:
1. Mr. Manish Jaiswal – Business Head, CRISIL Research and Risk Solution
2. Mr. Jiju Vidyadharan – Director, CRISIL Research
3. Mr. Piyush Gupta – Associate Director, CRISIL Research

The key points discussed during the meeting are summarised below:

1. Review of terms of reference (TOR) assigned to sub-committee: The meeting began with review of the TOR assigned to sub-committee. The following TOR assigned to this sub-committee were highlighted:
   a. To prepare and approve Request for Proposal (RFP) document for selection of mutual fund ETF manufacturer for EPFO’s investments in ETF
   b. To undertake the entire process of evaluation of RFP, technical bids, financial bids etc. and select a mutual fund ETF manufacturer for EPFO’s investments in ETF
   c. To recommend the selected entity to FIAC/CBT

2. Deliberation on whether an RFP should be floated for selection of mutual fund ETF manufacturer: It was clarified by EPFO that as per the guidelines of Central Vigilance Commission (CVC), selection of mutual fund ETF manufacturer should be carried out through tendering process based on RFP.

3. Selection of mutual fund ETF manufacturer to be done by May 30, 2016: It was highlighted that the term of SBI mutual fund which is currently managing EPFO’s equity investments
through ETF ends on June 30, 2016. Hence, it was decided that the selection process of mutual fund ETF manufacturer should be completed by May 30, 2016.

4. Following aspects pertaining to EPFO's equity Investments were discussed during the course of the meeting:
   a. One or multiple mutual fund ETF manufacturers: It was discussed if EPFO should go for one or multiple mutual fund ETF manufacturers and if EPFO should consider investments through new ETFs.
      However, sub-committee members agreed that since this was not in the purview of the TOR assigned, it may be taken up by the appropriate authority.
   b. Index selection for ETF: It was discussed whether the percentage allocation between NSE NIFTY 50 and BSE S&P SENSEX should be decided by this committee. It was further discussed that a committee should be set up for selection of indices on which ETF would be based. However, sub-committee members agreed that since this was not in the purview of the TOR assigned, it may be taken up by the appropriate authority. Further, it was also suggested that EPFO could constitute an internal investment and risk committee for its investments in equities and related instruments.

5. Based on the above discussion, the sub-committee members decided that CRISIL would develop draft criteria for selection of mutual fund ETF manufacturer, evaluate the proposals submitted and finally place its findings before the sub-committee.
   It was also decided that an activity schedule for the TOR assigned to the sub-committee be prepared and circulated amongst the members of the sub-committee.
   Action point: CRISIL to share draft selection criteria and activity schedule with EPFO by April 4, 2016

####
REQUEST FOR PROPOSAL (RFP)

for

'Selection of Asset Management Companies for EPFO's investments in Exchange Traded Funds (ETFs)

Date of issue:
XXX, 2016

Deadline for submission of Proposal:
XXX, 2016, by X pm

Consultants to the EPFO:
CRISIL Limited

Proposal should be superscribed as
'Confidential – Proposal for Selection of Asset Management Companies for EPFO's investments in Exchange Traded Funds (ETFs)

To be submitted in a sealed envelope and addressed to:

Ms. Meenakshi Gupta,
The Financial Advisor and Chief Accounts Officer (FA & CAO),
Employees' Provident Fund Organization (EPFO),
Bhavishya Nidhi Bhavan,
14, Bhikaji Cama Place,
New Delhi – 110066
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1 Disclaimer

1.1 This document is being published in connection with the proposed selection of Asset Management Companies for EPFO's investments in ETFs.

1.2 This document does not constitute nor should it be interpreted as an offer or invitation for the selection of Asset Management Companies for EPFO's investments in ETFs described herein.

1.3 This document is meant to provide information only and on the express understanding that recipients will use it only for the purpose of furnishing a proposal for selection of Asset Management Companies for EPFO's investments in ETFs. It does not purport to be all inclusive or contain all the information regarding the selection of Asset Management Companies for EPFO's Investments in ETFs or be the basis of any contract. No representation or warranty, expressed or implied, will be made as to the reliability, accuracy or the completeness of any of the information contained herein.

1.4 While this document has been prepared in good faith, neither EPFO nor any of its officers make any representation or warranty or shall have any responsibility or liability whatsoever in respect of any statements or omissions herefrom. Any liability is accordingly and expressly disclaimed by EPFO and any of its officers, even if any loss or damage is caused by an act or omission on the part of EPFO or any of its officers, whether negligent or otherwise.

1.5 By acceptance of this document, the recipient agrees that any information herewith will be superseded by any subsequent written information on the same subject made available to the recipient by or on behalf of EPFO. EPFO and any of its respective officers undertake no obligations, among others, to provide the recipient with access to any additional information or to update this document or to correct any inaccuracies therein which may become apparent, and they reserve the right; at any time and without advance notice, to change the procedure for the selection of Asset Management Companies for EPFO's investments in ETFs.

1.6 The EPFO reserves the right to reject any or all proposals or cancel withdraw the RFP without assigning any reason whatsoever, and in such case no intending applicant shall have any claim arising out of such action. At any time prior to the deadline for submission of proposals, the EPFO may modify, for any reason deemed necessary, the RFP by amendment notified on EPFO website (www.epfindia.gov.in / www.epfindia.com) and such amendments shall be binding on them.

1.7 The interested applicant should carry out an independent assessment and analysis of the requirements for selection as Asset Management Companies for EPFO's Investments in ETFs and of the information, facts and observations contained herein.

1.8 This document has not been filed, registered or approved in any jurisdiction. Applicants should inform themselves of any applicable legal requirements and conform to the same.

1.9 This document constitutes no form of commitment on the part of the EPFO. Furthermore, this document confers neither the right nor an expectation on any party to participate in the proposed selection process of Asset Management Companies for EPFO's Investments in ETFs.

1.10 The EPFO may not consider for the purpose of qualification, a proposal which is found to be incomplete in content and/or attachments and/or authentication, etc. or which is received after the specified date and time, or not delivered as per the specified procedure.

Request for Proposal for selection of Asset Management Companies for EPFO's Investments in ETFs
1.11 Without prejudice to any other rights or remedies available to the EPFO, Asset Management Companies for
EPFO's investments in ETFs may be disqualified and their proposals rejected for any reason whatsoever including
those listed below:

1.11.1 Material misrepresentation by the applicant in the proposal.

1.11.2 Failure by the applicant to provide information required to be provided in the proposal pursuant to relevant
sections of this document.

1.11.3 If information becomes known, after the applicant has been selected, which would have entitled the EPFO
to reject or disqualify the Asset Management Company, EPFO reserves the right to reject the applicant at
the same time, or at any time after, such information becomes known to the EPFO.

1.11.4 Any conviction by a Court of Law or indictment/adverse order by a regulatory authority that casts a doubt
on the ability of the applicant to manage a fund.

1.12 When any proposal is submitted pursuant to this RFP, it shall be presumed by EPFO that the applicant has fully
ascertained and ensured about its eligibility to manage ETF. In the event of same being selected, under the
respective governing laws and regulatory regimen, and that there is no statutory or regulatory prohibition or
impediment to manage ETF for EPFO's investments and it has the necessary approvals and permission to act as
an Asset Management Company for managing ETFs and further suffers no disability in law or otherwise to act as
such.

1.13 The Asset Management Company failing to satisfy the eligibility and requisite qualification criteria specified herein
is not eligible to have its applications considered. All proposals and accompanying documents received within the
stipulated time will become the property of the EPFO and will not be returned. The hardcopy version will be
considered as the official proposal.
2 Introduction

2.1 The Employees' Provident Fund Organization (EPFO), India is an autonomous body under the aegis of the Ministry of Labour and Employment (MoL&E), Government of India. The main objective of the organisation is to provide old-age social security to subscribers.

2.2 The EPFO is one of the largest provident fund institutions in the world in terms of members and volume of financial transactions that it has been carrying on. The Constitution of India under 'Directive Principles of State Policy' provides that the State shall, within the limits of its economic capacity and development, make effective provision for securing the right to work, to education and to public assistance in cases of unemployment, old age, sickness and disablement, and in other cases of undeserved want.

2.3 The Employees' Provident Funds & Miscellaneous Provisions Act, 1952 was enacted by the Parliament and came into force with effect from March 14, 1952. A series of legislative interventions were made in this direction, including the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. At present, the following three schemes are in operation under the Act:

2.3.1 Employees' Provident Fund Scheme, 1952 (EPF)

2.3.2 Employees' Deposit Linked Insurance Scheme, 1978 (EDLI)

2.3.3 Employees' Pension Scheme, 1995 (EPS) (replacing the Employees' Family Pension Scheme, 1971)
The organisation functions under the overall superintendence of the Central Board of Trustees (CBT), a tripartite body, headed by the Union Minister for Labour and Employment as Chairman.
3.1 Paragraph 52 of the Employees' Provident Fund Scheme, 1952 provides that all monies pertaining to the fund are to be deposited in the Reserve Bank of India (RBI) or other scheduled banks as may be approved by the Central government and shall be invested subject to such directions as the Central government may give from time to time.

3.2 EPFO will select Asset Management Companies regulated under SEBI (Mutual Funds) Regulations, 1996, for making ETF investments. The investments will be made into Sensex- and Nifty-based ETFs or any other ETF as allowed by EPFO's investment guidelines from time to time. The allocation of funds between selected AMCs and their ETFs will be decided by EPFO from time to time. The AMC shall endeavor to keep the tracking error of ETFs as close to zero as possible.

3.3 The selected AMC shall invest and/or repurchase EPFO's shares through 'Creation Units' as per EPFO's directions.

3.4 The AMC shall provide factsheet/product brochure on a monthly basis, which includes the total expense ratio being charged in the ETFs of the Asset Management Company pertaining to the EPFO's investments. Further, the Asset Management Company shall provide all records, data or any other relevant material, as permitted by SEBI (Mutual Funds) Regulations, 1996, to the Trust to enable the Trust to supervise investments. The records/data/reports required by the Trust pertaining to the EPFO's investments in ETFs of the Asset Management Company shall be sent to the Trust directly by the Asset Management Companies on demand and regularly on monthly basis. The monthly reports should reach the trust before the fifth working day of the following month in a pre-defined format.

3.5 The selection of Asset Management Company for EPFO's investment in ETFs is valid for a period of XX years. This may be extended by CBT, EPF, depending on the performance of the ETFs managed by selected Asset Management Companies. The performance of the ETFs managed by selected Asset Management Companies shall be reviewed based on parameters such as tracking error and expense ratio. The CBT, EPF reserves the right to terminate the selection of the Asset Management Companies at any point of time if the performance is not up to the satisfaction of CBT, EPF.

3.6 The selection does not oblige EPFO to invest specific any corpus into the ETFs of selected AMC. The investment will be carried out solely based on EPFO's discretion.

3.7 The Asset Management Company shall not undertake any corporate action, including but not limited to, mergers, amalgamations, takeover, acquisitions, divestment, etc. without prior intimation to the CBT, EPF.

3.8 Till March 31, 2016, the EPFO had invested Rs XX crore in equity through ETFs.

3.9 This document is a Request for Proposal (RFP) for the selection of Asset Management Companies, regulated under SEBI (Mutual Funds) Regulations, 1996 to invest in ETFs. Applicants willing to participate in the selection process must submit their proposals as per the process defined in the document.

3.10 Data and information related to EPFO's investments shall not be used by the selected Asset Management Company or its personnel for unfair investment gains.

3.11 For further information about the EPFO, one may visit the website www.epfindia.gov.in / www.epfindia.com
4 RFP Process

The selection process for Asset Management Companies for EPFO’s investments in ETFs will include the following steps:

4.1 Applicants are required to submit a demand draft for Rs2,00,000/- (Rupees Two Lakhs only) in favour of ‘Central Provident Fund Commissioner’ payable at ‘New Delhi’ as non-refundable application processing fee, along with the RFP proposal.

4.2 Submission of pre-qualification, technical and financial bids by applicants

The applicants may respond to the RFP by submitting the required pre-qualification, technical and financial bids to EPFO as detailed in Section 6. The authorised representative of the applicants may be present at the time of opening of pre-qualification, technical and financial bids. The applicant must submit a sealed envelope consisting of two (2) copies of all the bid documents (i.e., two copies each of pre-qualification, technical and financial bids) including softcopies of Pre-Qualification Bid and Technical Bid in two (2) CDs. The Pre-qualification, Technical and Financial bids should be submitted in separate sealed envelopes and each envelope should be boldly superscribed as ‘Pre-qualification bid’, ‘Technical bid’ and ‘Financial bid’ respectively. The applicant's name and address must be mentioned on the right hand side of pre-qualification, technical and financial bid envelopes. These envelopes must be inserted in a sealed envelope and should be superscribed as ‘Confidential - Selection of Asset Management Companies for EPFO’s investments in Exchange Traded Funds (ETFs)’, along with the applicant's name, address and the name of the primary and secondary contact person with their contact phone number on the right hand side of the sealed envelope. There must be an index at the beginning of the proposal detailing the summary of all information contained in the proposal. All pages of the proposal must be serially numbered.

The proposals must either be hand delivered or mailed through registered post or courier. The EPFO will not accept delivery of proposals by fax or email. Proposals received in such a manner will be treated as invalid and rejected.

4.3 The EPFO ascertains completeness of bid documents

The EPFO will open and evaluate the contents of the documents received in consultation with the consultant, to ascertain that all documents/information requirements are provided in the format and the manner specified. In the EPFO’s opinion, if any document is not in the specified format, it may, at its discretion, seek a fresh submission of such documents. The applicant must make this submission within the stipulated time frame. The applicant is allowed to withdraw his bid documents until the prescribed final date for submission of proposals and will not be allowed to resubmit the bid thereafter. Once the bid documents are submitted, modifications and substitutions in the bid documents will not be allowed.

4.4 The EPFO evaluates pre-qualification, technical and financial bids on predefined evaluation criteria

4.4.1 Pre-qualification bid

Pre-qualification bids of all applicants will be evaluated as per the criteria specified in Section 5.1 of the RFP.

4.4.2 Technical bid

Applicants who meet the pre-qualification criteria will be eligible for evaluation of their technical bid. Technical bids of all applicants will be evaluated as per the criteria specified in Section 5.2 of the RFP.
4.4.3 Financial bid

Applicants who meet the pre-qualification criteria will be eligible for evaluation of their financial bid. The financial bids of all the applicants will be evaluated as per the criteria specified in Section 5.3 of the RFP.

4.4.4 In determination of the best value bid, the following weight will be given for technical and financial bid scores of the applicants:

- Technical bid score : 80%
- Financial bid score : 20%

The final rankings for applicants will be on the basis of the weighted average score of technical and financial bids, as per the weights given above.

4.4.5 All proposals will be reviewed by a designated committee constituted by the EPFO and the Consultant. EPFO's designated committee and the Consultant may seek oral or written clarifications from applicants. The applicants must respond/provide the information clarifications within the stipulated time. Failure to provide information may lead to disqualification of an applicant.

4.4.6 The proposals shall be valid for a period of Six (6) months from the date of opening of the proposals. The EPFO also reserves the right to call for a re-bid if, in its opinion, the bids received are not reasonable.

4.5 Key Activities and Dates

The expected schedule of key activities for the purpose of this RFP is outlined below:

* The EPFO reserves the right to change any date/time mentioned in the schedule above
## 5 Parameters for Evaluation

The evaluation of the eligible Asset Management Companies for EPFO's investments in ETFs will be a three-step process:

1. Evaluation of pre-qualification bids of all applicants
2. Evaluation of technical and financial bids of applicants satisfying the eligibility criteria in the pre-qualification bid
3. Combined scores assigned to applicants on the basis of technical and financial bids aggregated using 80% and 20% weight, respectively.

### 5.1 Pre-qualification bid (for eligibility)

<table>
<thead>
<tr>
<th>No.</th>
<th>Eligibility Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The Asset Management Company must be regulated under SEBI (Mutual Funds) Regulations, 1996, and must be managing exchange-traded funds with S&amp;P BSE Sensex and Nifty 50 as underlying indices as on date of RFR.</td>
</tr>
<tr>
<td>2.</td>
<td>The Asset Management Company must have:</td>
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<tr>
<td></td>
<td>a. Assets under management (AUM) of not less than Rs 50,000 crore as on March 31, 2018</td>
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<td></td>
<td>b. Assets under management (AUM) of not less than Rs 15,000 crore as on March 31, 2018</td>
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</tbody>
</table>

*Includes asset under management of actively managed equity funds, sector funds, equity index funds, equity ETFs and balanced funds

*Average assets under management during the quarter ending period March 31, 2018 needs to be considered

### 5.2 Technical bid (80% weight)

**Quantitative criteria (70% weight)**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Measurement Criteria</th>
<th>Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net worth of the Asset Management Company</td>
<td>Net worth in Rs crore as on March 31, 2018</td>
<td>5%</td>
</tr>
<tr>
<td>Experience in managing equity index funds</td>
<td>No. of years of past experience as on May 31, 2016</td>
<td>10%</td>
</tr>
<tr>
<td>Assets Under Management (AUM) of equity index funds</td>
<td>Total AUM in Rs crore of equity index funds/ equity ETFs</td>
<td>15%</td>
</tr>
<tr>
<td>Assets Under Management (AUM) of equity index funds</td>
<td>Quarterly average AUM for the quarter ended March 31, 2018</td>
<td>15%</td>
</tr>
<tr>
<td>Tracking error of equity index funds tracking Nifty 50 Index</td>
<td>Daily tracking error over last one year as on May 31, 2016</td>
<td>5%</td>
</tr>
<tr>
<td>Tracking error of equity index funds tracking S&amp;P BSE Sensex index</td>
<td>Daily tracking error over last six months as on May 31, 2016</td>
<td>5%</td>
</tr>
<tr>
<td>Tracking error of equity ETFs tracking Nifty 50 Index</td>
<td>Daily tracking error over last one year as on May 31, 2016</td>
<td>5%</td>
</tr>
<tr>
<td>Tracking error of equity ETFs tracking S&amp;P BSE Sensex index</td>
<td>Daily tracking error over last six months as on May 31, 2016</td>
<td>5%</td>
</tr>
<tr>
<td>Sr. No</td>
<td>Objective</td>
<td>Parameters</td>
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<tr>
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<tr>
<td>1.1.1.</td>
<td>Ownership structure and Parent support</td>
<td>Shareholder</td>
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<tr>
<td>1.2</td>
<td>Composition of Board of Directors/Trustees Board</td>
<td>No. of board / Trustees</td>
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<tr>
<td></td>
<td></td>
<td>Trustee Board members</td>
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<td></td>
<td></td>
<td>Strength</td>
</tr>
<tr>
<td></td>
<td></td>
<td>No. of Independent Directors / Trustees</td>
</tr>
<tr>
<td></td>
<td></td>
<td>members</td>
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<td></td>
<td></td>
<td>Average experience of the Board / Trustees</td>
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<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Objective</th>
<th>Parameters</th>
<th>Measurement criteria</th>
<th>Weights</th>
<th>Sub Weights</th>
<th>Sub Weight</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1.2</td>
<td>Structure of Investment team</td>
<td>Organisation of investment function</td>
<td>Analysis will be done based on review of policy / documents shared by the applicants and relative scores will be assigned</td>
<td>1.5%</td>
<td>2.5%</td>
<td>7.00%</td>
</tr>
<tr>
<td>2.2</td>
<td>Efficiency of back office processes</td>
<td>Integration of front, mid and back office systems</td>
<td>Analysis will be done based on review of policy / documents shared by the applicants and relative scores will be assigned</td>
<td>15.50%</td>
<td>23.25%</td>
<td>70.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Documentation of disaster recovery and business continuity plans</td>
<td>Analysis will be done based on review of policy / documents shared by the applicants and relative scores will be assigned</td>
<td>3.50%</td>
<td>5.25%</td>
<td>17.50%</td>
</tr>
<tr>
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<td></td>
<td>(Analysis will include review of BCP, data storage, etc.)</td>
<td>Analysis will be done based on review of policy / documents shared by the applicants and relative scores will be assigned</td>
<td>2.0%</td>
<td>3.0%</td>
<td>10.00%</td>
</tr>
<tr>
<td>2.2.2</td>
<td>Compliance</td>
<td>Compliance Policy</td>
<td>Analysis will be done based on review of policy / documents shared by the applicants and relative scores will be assigned</td>
<td>2.0%</td>
<td>3.0%</td>
<td>10.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(Analysis will include details about firewalls between different businesses, trading policies, regulatory reporting, action to be taken in the event of breach etc.)</td>
<td>Analysis will be done based on review of policy / documents shared by the applicants and relative scores will be assigned</td>
<td>3.0%</td>
<td>4.5%</td>
<td>15.00%</td>
</tr>
<tr>
<td>2.2.3</td>
<td>Data Security</td>
<td>Data Security Policy</td>
<td>Analysis will be done based on review of policy / documents shared by the applicants and relative scores will be assigned</td>
<td>3.0%</td>
<td>4.5%</td>
<td>15.00%</td>
</tr>
</tbody>
</table>

TOTAL |

30.0% |
5.3 Financial bid (20% weight)

The applicant should submit the financial bid, i.e. total expense ratio of the ETFs being managed by the applicant and the brokerage chargeable, as on the date of proposal. The weights for the evaluation of the financial bid are as follows:

<table>
<thead>
<tr>
<th>ETF Based on</th>
<th>Total expense ratio and brokerage chargeable (in percent)</th>
<th>Weights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nifty 50 Index</td>
<td></td>
<td>50%</td>
</tr>
<tr>
<td>Sensex 30 Index</td>
<td></td>
<td>50%</td>
</tr>
</tbody>
</table>

Note:

1. The calculation of total expense ratio should be as prescribed under SEBI (Mutual Funds) Regulations, 1996.

2. During the selection period, the total expense ratio including brokerages chargeable shall not exceed the above quoted, except on account of any regulatory changes in the structure of total expense ratio. Further, the selected Asset Management Company shall give prior intimation to EPFO in case of increase in total expense ratio on account of regulatory change in the structure of total expense ratio. CBT, EPF reserves the right to terminate the selection of the Asset Management Companies at any point of time if the expense ratio charged to EPFO is unreasonable.

3. The applicant shall give an undertaking that no charges other than those quoted in the financial bid (i.e. total expense ratio and brokerages) shall be chargeable to EPFO or EPF's investments.
6 Format of Pre-qualification, Technical and Financial bids

6.1 Documents comprising the proposal

The proposal submitted by the applicant shall comprise the following documents:

6.1.1 Pre-qualification bid with all the information, as laid down in Section 6.2, duly filled in along with all attachments/schedules duly completed and with a covering letter, as per the format defined in Section 7.1, signed by the authorised representative of the applicant.

6.1.2 Technical bid including all the information, as laid down in Section 6.3, duly filled in along with all attachments/schedules duly completed and with a covering letter, as per the format defined in Section 7.2, signed by the authorised representative of the applicant.

6.1.3 The applicant’s financial bid, as per the format defined in Section 6.4, along with a covering letter, as per the format defined in Section 7.3, signed by the authorised representative of the applicant.

6.1.4 Any deviation from the requirements of the RFP must be included as a separate statement as per the format defined in Section 7.5.

6.1.5 Any other information that is to be submitted during the course of the proposal process.

There must be an index at the beginning of the proposal detailing the summary of all information contained in the proposal. All pages in the proposal must be serially numbered.

6.2 Pre-qualification bid format

Name of applicant:

6.2.1 The Asset Management Company must be managing ETFs with S&P BSE Sensex and Nifty 50 as underlying indices as on date of proposal - provide details of S&P BSE Sensex/ Nifty 50 ETFs managed in the following format (also to be provided in Microsoft Excel file named 'Bid Data_NAME OF AMC' with tab named '6.2.1').

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Name of ETFs with S&amp;P BSE Sensex/ Nifty 50 as underlying index</th>
<th>Inception date</th>
<th>Quantity Average AUM for the quarter ended March 31, 2018 (Rs crore)</th>
<th>Type of supporting document submitted</th>
<th>Remarks if any</th>
<th>Annexure No</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
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</tbody>
</table>

6.2.2 The Asset Management Company must have assets under management (AUM) of not less than Rs 50,000 crore; "OR" assets under management (AUM) under equity mutual fund (equity funds, sector funds, equity index funds, equity ETFs and balanced funds) of not less than Rs 15,000 crore as on March 31, 2018 (also to be provided in Microsoft Excel file named 'Bid Data_NAME OF AMC' with tab named '6.2.2').
Note: The pre-qualification bid document should be duly attested by authorized personnel.

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the applicant</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mr. John Doe</td>
</tr>
<tr>
<td>2</td>
<td>Mrs. Jane Smith</td>
</tr>
</tbody>
</table>

**Category of funds and shares offered by the applicant(s):**

- Category of funds
- Shares offered

**Date of incorporation:**

- March 31, 2016

**Address of the applicant including telephone No./Fax No.:**

- 123 Main Street, Anytown
- Telephone: 555-1234
- Fax: 555-4321

**Date of commencement of business:**

- April 1, 2015

**Registered Office Address:**

- 456 Business Park, Downtown

**Address for communication:**

- 789 Office Street, City

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**Additional Information:**

- Average monthly allocation considering the last three financial years ended March 31, 2016, and March 31, 2015.
- Please note that there should be coordination in the above format.
6.3 Technical bid format

6.3.1 Quantitative Information requirement:

The following quantitative information is required to be submitted by applicants:

6.3.1.1 Net worth of the Asset Management Company

Net worth statement from the company secretary (with signature and seal) of the Asset Management Company stating the net worth in the following format (also to be provided in Microsoft Excel file named 'Bid Data_NAME OF AMC' with tab named '6.3.1.1').

<table>
<thead>
<tr>
<th>Networth (in Rs crore) as on March 31, 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</table>

6.3.1.2 Experience in managing equity index funds/ equity ETFs (also to be provided in Microsoft Excel file named 'Bid Data_NAME OF AMC' with tab named '6.3.1.2').

Experience (in years up to 2 decimals) in managing equity index funds/ equity ETFs as on May 31, 2018.

<table>
<thead>
<tr>
<th>Name of the equity index fund/ equity ETF</th>
<th>Inception date of the fund</th>
<th>Supporting document indicating the inception date (prospectus/brochure or fact sheet to be submitted)</th>
</tr>
</thead>
</table>

6.3.1.3 Assets under management (AUM) of equity index funds/ equity ETFs (also to be provided in Microsoft Excel file named 'Bid Data_NAME OF AMC' with tab named '6.3.1.3').

Total Quarterly Average Assets Under Management (in Rs Crore) for the quarter ended March 31, 2016 – of equity index funds/ equity ETFs.

<table>
<thead>
<tr>
<th>Name of the equity index fund/ Equity ETF</th>
<th>Category (equity index fund/ equity ETF)</th>
<th>Quarterly Average Assets Under Management (in Rs Crore) for the quarter ended March 31, 2016</th>
</tr>
</thead>
</table>
6.3.1.4 Adjusted net asset value (NAV) series (adjusted for corporate action like dividends, etc. on the investments) of equity index funds/ equity ETFs tracking S&P BSE Sensex or Nifty 50 index.

Provide daily adjusted NAV series of all equity index funds/ equity ETFs tracking S&P BSE Sensex or Nifty 50 index since May 31, 2015 to May 31, 2016 in the following format (also to be provided in Microsoft Excel file named 'Bid Data_NAME OF AMC' with tab named '6.3.1.4').

<table>
<thead>
<tr>
<th>Date</th>
<th>Equity index fund based on S&amp;P BSE Sensex</th>
<th>Equity index fund based on Nifty 50</th>
<th>Equity ETF based on S&amp;P BSE Sensex</th>
<th>Equity ETF based on Nifty 50</th>
</tr>
</thead>
<tbody>
<tr>
<td>31-May-15</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>01-Jun-15</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>02-Jun-15</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>03-Jun-15</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>04-Jun-15</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>05-Jun-15</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>06-Jun-15</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>07-Jun-15</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Indicate as NA if the date is before the inception date of the index fund/ ETF.

Illustration for calculating adjusted NAV:

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Date</th>
<th>Raw NAV of the ETF/ Index Funds (Rs)</th>
<th>Adjusted NAV of NAV (Rs)</th>
<th>Dividend per unit (Rs)</th>
<th>Dividend NAV (Rs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>31-May-15</td>
<td>10.00</td>
<td>=10.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>01-Jun-15</td>
<td>12.21</td>
<td>=12.21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>02-Jun-15</td>
<td>12.19</td>
<td>=12.19</td>
<td>0.05</td>
<td>11.5400</td>
</tr>
<tr>
<td>4</td>
<td>03-Jun-15</td>
<td>11.56</td>
<td>=12.21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>04-Jun-15</td>
<td>11.53</td>
<td>=12.19=11.53/11.59</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>05-Jun-15</td>
<td>11.43</td>
<td>=12.07=11.43/11.50</td>
<td>0.85</td>
<td>10.58</td>
</tr>
<tr>
<td>7</td>
<td>06-Jun-15</td>
<td>11.42</td>
<td>=12.06=11.42/11.50</td>
<td>0.85</td>
<td>10.57</td>
</tr>
</tbody>
</table>
6.3.1.5 Tracking error of equity index funds/ equity ETFs tracking S&P BSE Sensex or Nifty 50 index.

Provide tracking error of all equity index funds/ equity ETFs tracking S&P BSE Sensex or Nifty 50 index for six-month period and one-year period ended May 31, 2016 in the following format (also to be provided in Microsoft Excel file named ‘Bid Data_NAME_OF_AMC’ with tab named ‘6.3.1.5’).

<table>
<thead>
<tr>
<th>Date</th>
<th>Sensex</th>
<th>Tracking error</th>
<th>Nifty 50</th>
<th>Tracking error</th>
</tr>
</thead>
<tbody>
<tr>
<td>07-Jun-2015</td>
<td>11.43</td>
<td>=12.07=11.43/(1.2/0.3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>08-Jun-2015</td>
<td>11.42</td>
<td>=12.07=11.42/(1.2/0.3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>09-Jun-2015</td>
<td>11.44</td>
<td>=12.08=11.44/(1.2/0.3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>10-Jun-2015</td>
<td>11.49</td>
<td>=12.13=11.49/(1.2/0.3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11-Jun-2015</td>
<td>11.63</td>
<td>=12.22=11.63/(1.2/0.3)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>12-Jun-2015</td>
<td>11.78</td>
<td>=12.41=11.78/(1.2/0.3)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Dates shown are for illustrative purpose only. The applicant should consider dates as required in the RFP.

Tracking error calculated using S&P BSE Sensex total return index (TRI) for index funds/ ETFs based on S&P BSE Sensex and Nifty 50 total return index for index (TRI) funds/ ETFs based on Nifty 50.
### Illustration for calculating tracking error

<table>
<thead>
<tr>
<th>Date</th>
<th>Adjusted NAV of ETF (A)</th>
<th>Nifty 50 TRI (B)</th>
<th>Daily return on ETF (C)</th>
<th>Daily return on Nifty 50 TRI (G)</th>
<th>Square of differential return (C-G)^2</th>
</tr>
</thead>
<tbody>
<tr>
<td>05-MAY-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.05</td>
<td>0.06</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>12-MAY-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.00</td>
<td>0.00</td>
<td>0</td>
</tr>
<tr>
<td>19-MAY-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.01</td>
<td>0.02</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>26-MAY-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.02</td>
<td>0.03</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>02-JUN-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.03</td>
<td>0.04</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>09-JUN-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.04</td>
<td>0.05</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>16-JUN-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.05</td>
<td>0.06</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>23-JUN-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.06</td>
<td>0.07</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>30-JUN-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.07</td>
<td>0.08</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>07-JUL-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.08</td>
<td>0.09</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>14-JUL-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.09</td>
<td>0.10</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>21-JUL-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.10</td>
<td>0.11</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>28-JUL-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.11</td>
<td>0.12</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>04-AUG-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.12</td>
<td>0.13</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>11-AUG-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.13</td>
<td>0.14</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>18-AUG-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.14</td>
<td>0.15</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>25-AUG-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.15</td>
<td>0.16</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>01-SEP-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.16</td>
<td>0.17</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>08-SEP-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.17</td>
<td>0.18</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>15-SEP-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.18</td>
<td>0.19</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>22-SEP-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.19</td>
<td>0.20</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>29-SEP-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.20</td>
<td>0.21</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>06-OCT-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.21</td>
<td>0.22</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>13-OCT-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.22</td>
<td>0.23</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>20-OCT-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.23</td>
<td>0.24</td>
<td>(0.01)^2</td>
</tr>
<tr>
<td>27-OCT-15</td>
<td>100.00</td>
<td>100.00</td>
<td>0.24</td>
<td>0.25</td>
<td>(0.01)^2</td>
</tr>
</tbody>
</table>

* Dates shown are for illustrative purpose only. The applicant should consider dates as required in the RFP.

The above illustration is for an ETF based on Nifty 50 for a six-month period from May 1, 2015 to October 31, 2015. Similar calculation needs to be done for all index linked ETFs tracking S&P BSE Sensex and Nifty 50 for six months and one year ended May 31, 2016.

6.3.2 Qualitative information requirements

6.3.2.1 Annual report for the latest three years (from financial year 2012-13 to 2014-15)

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>For the Financial Year</th>
<th>Remarks if any</th>
<th>Annexure No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Against the Financial years up to June 30.
6.3.2.2 Organisation chart - with names and responsibility(ies)

6.3.2.3 Ownership structure (as on March 31, 2016) - clarity of majority shareholder
Shareholding pattern including details of all shareholders holding over 1% of the share capital

6.3.2.4 Parent support and quality - Commonality of business, contribution to parent's overall bottom line (PAT) –
Profile of the company and other businesses (if any), scale of operations and their contribution

6.3.2.5 Board strength –

a. Details of board members in the format given below

<table>
<thead>
<tr>
<th>Name of Board Members</th>
<th>No. of Independent Directors</th>
<th>Average Experience of the Board</th>
<th>Remarks if any</th>
</tr>
</thead>
</table>

b. Profile of the Board of Directors of the Company Including name, independent status, overall experience.

6.3.2.6 Average experience of the senior management

<table>
<thead>
<tr>
<th>Average Experience of the Senior Management</th>
<th>Remarks if any</th>
</tr>
</thead>
</table>

6.3.2.7 Average No. of years of senior management in the current organisation

<table>
<thead>
<tr>
<th>Average Experience of the Senior Management</th>
<th>Remarks if any</th>
</tr>
</thead>
</table>

Provide brief profile of the senior management including name, overall experience and experience in current organisation.

6.3.2.8 Investment Policy - Articulation of the roles and responsibilities of the investment, and dealing team. Are dealing and fund management carried out as independent activities? Articulation of investment process for investment in ETFs, articulation of broker empanelment norms, Is the policy review process to review investment process for ETF? What is the frequency of review?

Write-up on investment policy, investment process flow and investment research practices.

6.3.2.9 Operations - Efficiency of back office processes: Integration of front, mid and back office systems, Documentation of disaster recovery and business continuity plans

- Write-up on operations processes

6.3.2.10 Operations - Compliance: Compliance Policy

- Write-up on compliance processes

6.3.2.11 Data Security Policy

- Write-up on technology platforms, dedicated system support team, backup processes and disaster recovery system.

Write-up on any other information that the applicant thinks would be worth mentioning in the proposal.

Each of the above write-ups should not be more than two A4 size sheets (500 words). However, in case of standard documents such as investment policy, risk policy, etc. the word limit is not applicable.

Request for Proposal for selection of Asset Management Companies for EPFO's investments in ETFs
Kindly note that the data needs to be provided in the format specified above and in case the data cannot be given, please write N.A. Any deviation from the format specified above can lead to non-allotment of scores for that parameter during the evaluation process.

6.4 Financial bid

6.4.1 Format for submitting financial bids

<table>
<thead>
<tr>
<th>S.No.</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>The calculation of total expense ratio should be as prescribed under SEBI (Mutual Funds) Regulations, 1996.</td>
</tr>
<tr>
<td>2.</td>
<td>During the selection period, the total expense ratio including brokerages chargeable shall not exceed the above quoted, except on account of any regulatory changes in the structure of total expense ratio. Further, the selected Asset Management Company shall give prior intimation to EPFO in case of increase in total expense ratio on account of regulatory change in the structure of total expense ratio. EPF reserves the right to terminate the selection of the Asset Management Companies at any point of time if the expense ratio charged to EPFO is unreasonable.</td>
</tr>
<tr>
<td>3.</td>
<td>The applicant shall give an undertaking that no charges other than those quoted in the financial bid (i.e. total expense ratio including brokerages) shall be chargeable to EPFO or EPF's investments.</td>
</tr>
</tbody>
</table>

Note:
7 Formats for Covering Letter and Clarification

7.1 Format for Pre-qualification Covering letter

(To be forwarded on the letterhead of the applicant submitting the proposal)

Ref: __________________________

Date/Place: __________________________

Ms. Meenakshi Gupta,
The Financial Advisor and Chief Accounts Officer (FA&CAO),
Employees' Provident Fund Organization (EPFO),
Bhavishya Nidhi Bhavan,
14, Bhikaiji Cama Place,
New Delhi - 110066

Sir,

Ref: Pre-qualification bid, Request for Proposal (RFP) for selection of Asset Management Companies for EPFO's investments in ETFs

We refer to the communication inviting Request for Proposal (RFP) for selection of Asset Management Companies for EPFO's investments in ETFs. We have read and understood the contents of the document and wish to participate in the selection process. We are pleased to submit our pre-qualification bid along with all the necessary documents, as mentioned in the RFP, for selection of (MENTION NAME OF AMC) for EPFO's investments in ETFs. We confirm that we satisfy the pre-qualification criteria set out in the relevant sections of the RFP.

We agree to unconditional acceptance of all the terms and conditions set out in the RFP documents. We confirm that the information contained in this proposal or any part thereof, including its exhibits, schedules, and other documents delivered to the EPFO is true, accurate, and complete. This proposal includes all information necessary to ensure that the statements therein do not, in whole or in part, mislead the EPFO as to any material fact.

We have agreed that (INSERT INDIVIDUAL AUTHORISED REPRESENTATIVE'S NAME) will act as our representative and has been duly authorised to submit the proposal.

Further, the authorised signatory is vested with requisite powers to furnish such letter and authenticate the same.

Yours faithfully,

For and on behalf of __________________________ (Insert company name)
Authorised Signatory (signature along with name of authorised signatory and company seal)

Name:
7.2 Technical Proposal Covering Letter

(To be forwarded on the letterhead of the applicant submitting the proposal)

Ref: ______________________

Date: ______________________

Ms. Meenakshi Gupta,
The Financial Advisor and Chief Accounts Officer (FA & CAO),
Employees' Provident Fund Organization (EPFO),
Bhavishya Nidhi Bhavan,
14, Bhikalji Cama Place,
New Delhi - 110066

Sir,

Ref: Technical bid, Request for Proposal (RFP) for selection of Asset Management Companies for EPFO's investments in ETFs

We refer to the Request for Proposal (RFP) for selection of Asset Management Companies for EPFO's investments in ETFs.

We have read and understood the contents of the RFP document and pursuant to this, we hereby confirm that we satisfy the requirements laid out in the RFP.

Having examined the RFP document, the receipt of which is hereby duly acknowledged, we, the undersigned, offer to provide the services as required and outlined in the RFP for selection of Asset Management Companies for EPFO's investments in ETFs.

To meet such requirements and provide such services as set out in the RFP documents, we attach hereto our response to the RFP document, which constitutes our proposal for being considered for selection of (MENTION NAME OF AMC) for EPFO's investments in ETFs.

We undertake, if our proposal is accepted, to adhere to the stipulations put forward in the RFP.

We agree to unconditional acceptance of all the terms and conditions set out in the RFP documents.

We confirm that the information contained in this proposal or any part thereof, including its exhibits, schedules, and other documents delivered to the EPFO is true, accurate, and complete. This proposal includes all information necessary to ensure that the statements therein do not, in whole or in part, mislead the EPFO as to any material fact.
We have agreed that (Insert Individual authorised representative's name) will act as our representative and has been duly authorised to submit the proposal.

Further, the authorised signatory is vested with requisite powers to furnish such letter and authenticate the same.

Yours faithfully,

For and on behalf of ____________________________ (Insert company name)

Authorised Signatory (signature along with name of authorised signatory and company seal)

Name:
7.3 Financial Proposal Covering Letter

(To be forwarded on the letterhead of the applicant submitting the proposal)

Ref: _______________________

Date: _______________________

Ms. Meenakshi Gupta,
The Financial Advisor and Chief Accounts Officer (FA & CAO)
Employees' Provident Fund Organization (EPFO),
Bhavishya Nidhi Bhavan,
14, Bhikaiji Cama Place,
New Delhi - 110066

Sir,

Ref: Financial bid, Request for Proposal (RFP) for selection of Asset Management Companies for EPFO's Investments in ETFs

Having examined the RFP document, the receipt of which is hereby duly acknowledged, we, the undersigned, offer to provide the services as required and outlined in the Request for Proposal (RFP) for selection of Asset Management Companies for EPFO's Investments in ETFs.

To meet such requirements and to provide services as set out in the RFP document we attach hereto our response as required by the RFP document, which constitutes our proposal.

We undertake, if our proposal is accepted, to adhere to the stipulations put forward in the RFP or such adjusted plan as may subsequently be mutually agreed between us and the EPFO or its appointed representatives.

We undertake that during the selection period, the total expense ratio, including brokerages, shall not exceed the quoted expenses in the financial bid, except on account of any regulatory changes in the structure of total expense ratio. No charges other than those quoted in the financial bid shall be chargeable to EPFO or EPFO's investments.

We unconditionally accept all the terms and conditions set out in the RFP document.

We confirm that the information contained in this proposal or any part thereof, including its schedules, and other documents delivered to the EPFO is true, accurate, and complete. This proposal includes all information necessary to ensure that the statements therein do not, in whole or in part, mislead the EPFO as to any material fact.
We have agreed that (Insert Individual authorised representative's name) will act as our representative and has been duly authorised to submit the proposal.

Further, the authorised signatory is vested with the requisite powers to furnish such letter and authenticate the same.

Yours faithfully,

For and on behalf of ______________________ (Insert company name)

Authorised Signatory (signature along with name of authorised signatory and company seal)

Name:
7.4 Request for clarifications

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Reference (Clause No. &amp; Page No.)</th>
<th>Content of RFP requiring clarification</th>
<th>Points of clarification required</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7.5 Format for providing explanations for deviations if any

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Reference (Clause No. &amp; Page No.)</th>
<th>Deviation in proposal</th>
<th>Reason</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
8 Investment Pattern

Pattern of investment, as notified by Ministry of Labour & Employment vide notification No. S.O. 1071 (E), dated April 23, 2015:

8.1 Investment Pattern

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Description</th>
<th>Percentage amount to be invested</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sr. No.</td>
<td>Securities</td>
<td>Percentage amount to be Invested</td>
</tr>
<tr>
<td>---------</td>
<td>------------</td>
<td>---------------------------------</td>
</tr>
<tr>
<td>(a)</td>
<td>Bond to be issued with a rate of interest and security bonds issued by companies incorporated in France, Belgium and the United Kingdom and listed on the stock exchange,</td>
<td>10%</td>
</tr>
<tr>
<td>(b)</td>
<td>Bonds issued by commercial banks under RBI guidelines</td>
<td>5%</td>
</tr>
</tbody>
</table>

The Bonds shall be issued in such bonds of a denomination of at least 5000. The Bonds shall not be listed on the exchange. The Bonds shall be listed and traded on the exchange to which they are offered.

Total portfolio invested in this sub-category at any time, shall not be more than 2% of the total portfolio of the fund.

No investment in this sub-category in the offerings shall exceed 20% of the total offering and the aggregate value of such bonds issued by the fund shall not exceed 20% of such bonds issued at any point in time by that fund.

(c) Rupee Bonds having an outstanding maturity of at least 3 years issued by institutions of the International Bank for Reconstruction and Development, International Finance Corporation and the Asian Development Bank.
<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Securities</th>
<th>Percentage amount to be invested</th>
</tr>
</thead>
<tbody>
<tr>
<td>(c)</td>
<td>Treasury Bills issued by the Central Government, which have been rated AAA or higher by a recognized rating agency, or ABCI, or AMBI, or any other body corporate or undertaking in which the Government holds a majority shareholding.</td>
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<td></td>
<td>If such securities are not listed on a recognized stock exchange, they shall be treated as eligible securities.</td>
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<tr>
<td>(d)</td>
<td>Securitised assets, including但不限于:</td>
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<td></td>
<td>- Securitised assets with a guarantee of the promoter or an approved entity.</td>
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<td></td>
<td>- Securitised assets with a guarantee of a body corporate or undertaking in which the Government holds a majority shareholding.</td>
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<td></td>
<td>This category shall also include securities issued by any body corporate or undertaking in which the Government holds a majority shareholding.</td>
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<td></td>
<td>It is further clarified that any structural obligation undertaken or letter of comfort issued by the Central Government, Indian Railways or any Authority of the Central Government, or any security issued by a body corporate or undertaking in the business of infrastructure, which is outstanding, the letter of comfort or the obligation undertaken, fails to enable its inclusion as security covered under category (i) (b) above, shall be treated as an eligible security under this sub-category.</td>
<td></td>
</tr>
<tr>
<td>(i)</td>
<td>Infrastructure and affordable housing bonds issued by any scheduled commercial bank, which meets the conditions specified in category (ii) (c) above.</td>
<td></td>
</tr>
<tr>
<td>(ii)</td>
<td>Listed (or proposed to be listed in case of fresh issue) securities or units issued by Infrastructure Debt Funds operating as a Non-Banking Financial Company and regulated by Reserve Bank of India.</td>
<td></td>
</tr>
<tr>
<td>(iii)</td>
<td>Listed (or proposed to be listed in case of fresh issue) securities or units issued by Infrastructure Debt Funds operating as a Mutual Fund and regulated by Securities and Exchange Board of India.</td>
<td></td>
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</tbody>
</table>
Request for Proposal for selection of Asset Management Companies for EPFO’s Investments in ETFs

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</table>

1. It is clarified that, barring exceptions mentioned above, for the purpose of the sub-category (f), the fund shall be treated as part of infrastructure or Government of India’s authorized investment fund.

Provided that the investment under sub-categories (a), (b) and (c) to (g) of this category No. (f) shall be made only in such securities which have minimum AA rating or equivalent in the applicable rating scale from at least two credit rating agencies registered with Securities and Exchange Board of India (Credit Rating Agency) Regulation, 1999. Provided further that in case of sub-category (f) (ii) the rating shall relate to the Non-Banking Financial Company and for the sub-category (f) (iv) the rating shall relate to the investment in eligible securities rated above investment grade of the scheme of the fund.

Provided further that if the securities listed have been rated by more than two rating agencies, the average of the highest two lower of all the ratings shall be considered.

Provided further that investment under this category requiring a minimum AA rating, as specified above, shall be permissible in securities having investment grade rating below AA in case the risk of default for such securities is fully covered with Credit Default Swaps (CDSs) issued under Guidelines of the Reserve Bank of India and purchased along with the underlying securities. Purchase amount of such swaps shall be considered to be investment made under this category.

For sub-category (c), a single rating of AA or above by a domestic or international rating agency will be acceptable.

It is clarified that, debt securities covered under category (f) (ii) above are excluded from this category.

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<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Securities</th>
<th>Percentage amount to be Invested</th>
</tr>
</thead>
<tbody>
<tr>
<td>(iii)</td>
<td>Short-term Debt Instruments and Related Investments</td>
<td></td>
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<td></td>
<td>(a) Money market instruments</td>
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<td></td>
<td>Provided that investment in commercial paper issued by body corporate shall be made only in such instruments which have minimum rating of A1+ by at least two credit rating agencies registered with Securities and Exchange Board of India.</td>
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<td></td>
<td>Provided further that if commercial paper has been rated by more than two rating agencies, the two lowest of the ratings shall be considered.</td>
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<td></td>
<td>Provided further that investment in this sub-category in Certificates of Deposit of up to one year duration issued by scheduled commercial banks, will require the bank to satisfy all conditions mentioned in category (b) (d) above.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) Units of Liquid mutual funds regulated by Securities and Exchange Board of India.</td>
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</tr>
<tr>
<td></td>
<td>(c) Term Deposit Receipts of up to one year duration issued by such scheduled commercial banks which satisfy all conditions mentioned in category (b) (d) above.</td>
<td></td>
</tr>
</tbody>
</table>
Request for Proposal for selection of Asset Management Companies for EPFO's Investments in ETFs
8.2 Fresh accretions to the fund will be invested in the permissible categories specified in this investment pattern in a manner consistent with the above specified maximum permissible percentage amounts to be invested in each such investment category, while also complying with such other restrictions as made applicable for various sub-categories of the permissible investments.

8.3 Fresh accretions to the funds shall be the sum of un-invested funds from the past and receipts like contributions to the funds, dividend/interest/commission, maturity amounts of earlier investments, etc., as reduced by obligatory outgo during the financial year.

8.4 Proceeds arising out of exercise of put option, tenure or asset switch or trade of any asset before maturity can be invested in any of the permissible categories described above in such a manner that at any given point of time the percentage of assets under that category should not exceed the maximum limit prescribed for that category and also should not exceed the maximum limit prescribed for the sub-categories, if any. However, asset switch because of any RBI mandated government debt switch would not be covered under this restriction.

8.5 Turnover ratio (the value of securities traded in the year/average value of the portfolio at the beginning of the year and at the end of the year) should not exceed two.

8.6 If for any of the instruments mentioned above the rating falls below the minimum permissible investment grade prescribed for investment in that instrument when it was purchased, as confirmed by one credit rating agency, the option of exit shall be considered and exercised, as appropriate, in a manner that is in the best interest of the subscribers.
8.7 On these guidelines coming into effect, the above prescribed investment pattern shall be achieved separately for such successive financial year through timely and appropriate planning.

8.8 The investment of funds should be at arm’s length, keeping solely the benefit of the beneficiaries in mind. For instance, investment (aggregated across such companies / organisations described herein) beyond 5% of the fresh accretions in a financial year will not be made in the securities of a company / organisation or in the securities of a company/organisation in which such a company / organisation holds over 10% of the securities issued, by a fund created for the benefit of the employees of the first company / organisation, and the total volume of such investments will not exceed 5% of the total portfolio of the fund at any time. The prescribed process of due diligence must be strictly followed in such cases and the securities in question must be permissible investments under these guidelines.

8.9 i. The prudent investment of the funds of a trust/fund within the prescribed pattern is the fiduciary responsibility of the Trustees and needs to be exercised with appropriate due diligence. The Trustees would accordingly be responsible for investment decisions taken to invest the funds.

   ii. The trustees will take suitable steps to control and optimize the cost of management of the fund.

   iii. The trust will ensure that the process of investment is accountable and transparent.

   iv. It will be ensured that due diligence is carried out to assess risks associated with any particular asset before investment is made by the fund in that particular asset and also during the period over which it is held by the fund. The requirement of ratings as mandated in this notification merely intends to limit the risk associated with investments at a broad and general level. Accordingly, it should not be construed in any manner as an endorsement for investment in any asset satisfying the minimum prescribed rating or a substitute for the due diligence prescribed for being carried out by the fund/trust.

   v. The trust/fund should adopt and implement prudent guidelines to prevent concentration of investment in any one company, corporate group or sector.

8.10 If the fund has engaged services of professional fund asset managers for management of its assets, payment to whom is being made on the basis of the value of each transaction, the value of funds invested by them in any mutual funds, is put together in any of the categories of ETFs or index funds shall be reduced before computing the payment due to them in order to avoid double incidence of costs. Due caution will be exercised to ensure that the same investment are not counted with a view to enhancing the fee payable. In this regard, commissions for investments in Category (iii) instruments will be carefully regulated, in particular.

Note: The existing investment pattern as above is subject to change based on the notifications issued by the Government of India from time to time.
9 Glossary

- AMC: Asset Management Company regulated under SEBI (Mutual Funds) Regulations, 1996
- AUM: Assets Under Management
- CST: Central Board of Trustees
- CD: Compact Disc
- Creation Units: Units of the ETF which is exchanged for a basket of securities
- EDLI: Employees' Deposit Linked Insurance Scheme, 1976
- EPF: Employees' Provident Fund Scheme, 1952
- EPFO: Employees' Provident Fund Organization
- EPS: Employees' Pension Scheme, 1995
- ETF: Exchange Traded Fund managed by AMC under SEBI (Mutual Funds) Regulations, 1996
- FA & CAO: Financial Advisor and Chief Accounts Officer
- GOI: Government of India
- MoL&E: Ministry of Labour and Employment
- NAV: Net Asset Value
- N.A.: Not Applicable
- PBG: Performance Bank Guarantee
- RBI: Reserve Bank of India
- RFP: Request for Proposal
- SEBI: Securities and Exchange Board of India
- TDR: Term Deposit Receipt
- TRI: Total Return Index
No. Invest.U1(124th)/Mtg/FIAC/2016  Date: 16 MAR 2016

To
All Members,
Finance Investment & Audit Committee, CBT,
Employees' Provident Fund.

Sub: Agenda book for the 124th meeting of the Finance Investment & Audit Committee scheduled to be held on 22.03.2016 at 11.00 AM in the Conference Hall, 3rd Floor, Head Office, EPFO, 14- Bhavishya Nidhi Bhawan, Bhikaiji Cama Place, New Delhi-110066.

Sir/Madam,

In continuation of this office letter of even No. dated 14.03.2016 on the captioned subject, please find enclosed Agenda Book in respect of 124th meeting of the Finance Investment & Audit Committee to be held on 22.03.2016 at 11.00 AM. Venue of the meeting shall be in the Conference Hall, 3rd Floor, Head Office, EPFO, 14- Bhavishya Nidhi Bhawan, Bhikaiji Cama Place, New Delhi-110066.

2. You are requested to kindly acknowledge the same and make it convenient to attend the said meeting.

Encl: Agenda Book as above

Yours faithfully,

(KUMAR PUNIT)
Assistant P.F. Commissioner (Investment)