EMPLOYEES' PROVIDENT FUND ORGANISATION

NEW DELHI

129th Meeting of the

FINANCE INVESTMENT AND AUDIT COMMITTEE

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

On

19.08.2016 at 12.00 Noon

VENUE:

Conference Hall,
3rd Floor, EPFO (Head Office),
Bhavishya Nidhi Bhawan,
14, Bhikaiji Cama Place,
NEW DELHI - 110066.
EMPLEYEE'S PROVIDENT FUND ORGANISATION

AGENDA BOOK
129th Meeting of the Finance Investment and Audit Committee,
Central Board, EPF.

Date: 19.08.2016 INDEX OF ITEMS Time: 12.00 Noon.

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<td></td>
</tr>
<tr>
<td></td>
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<td></td>
</tr>
</tbody>
</table>
Item No. 1: Confirmation of the Minutes of 128th Meeting of the Finance Investment and Audit Committee held on 22.07.2016 at EPFO, Headquarter, New Delhi.

Minutes of 128th Finance Investment and Audit Committee (FIAC) meeting held on 22.07.2016 was circulated vide email and letter No. Invest.1/1(128th)Mtg./FIAC/2016/7866 dated 25.07.2016. 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.
To
All Members,
Finance Investment & Audit Committee,
Central Board of Trustees, Employees' Provident Fund

Sub: Forwarding of Minutes of 128th Meeting of the Finance Investment & Audit Committee (FIAC), CBT, EPF held on 22.07.2016 at EPFO Head Office, New Delhi - Reg.

Sir,

Minutes of 128th meeting of the Finance Investment & Audit Committee (FIAC) held on 22.07.2016 as approved by the Chairperson is enclosed herewith for your kind perusal and necessary action please.

Yours faithfully,

Encl:- As above

(ANKUR P. GUPTA)
Assistant P.F. Commissioner (INVEST.)
Copy forwarded for information and necessary action please, to:

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

(ANKUR P. GUPTA)
Assistant P.F. Commissioner (INVEST.)
Minutes of the 128th Meeting of the Finance Investment & Audit Committee (FIAC) held on 22.07.2016 at 04:00 PM

1. The 128th Meeting of Finance Investment & Audit Committee was held on 22.07.2016 from 4.00 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></th>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sh. Heera Lal Samariya</td>
<td>Additional Secretary (L&amp;E), Ministry of Labour &amp; Employment, Govt. of India.</td>
</tr>
<tr>
<td>2</td>
<td>Ms. Meenakshi Gupta</td>
<td>Joint Secretary &amp; Financial Advisor, Ministry of Labour &amp; Employment, Govt. of India</td>
</tr>
<tr>
<td>3</td>
<td>Sh. Prabhakar 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>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Sh. Sanjeeva Reddy</td>
<td>Member, Central Board (Employees’ Representative).</td>
</tr>
<tr>
<td>2</td>
<td>Sh. J.P. Chowdhary</td>
<td>Member, Central Board (Employers’ Representative)</td>
</tr>
<tr>
<td>3</td>
<td>Sh. Balasubrahmanyam Kamarsu</td>
<td>Member, Central Board (Employers’ Representative).</td>
</tr>
<tr>
<td>4</td>
<td>Sh. Suchindra Mishra</td>
<td>Joint Secretary, Department of Financial Services Ministry of Finance, Govt. of India.</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 present in the meeting. Thereupon the agenda were taken up.

This FIAC meeting is rescheduled 128th FIAC meeting from 14.07.2016 for want of quorum. The present rescheduled meeting also quorum not fulfilled because no representative from employer side, hence the meeting was adjourned to 4:00 PM. On 4:00 PM, the members present was considered as quorum.
Item No.1: Confirmation of the Minutes of 127th Meeting of the Finance Investment & Audit Committee (FIAC) held on 04.07.2016.

The minutes of 127th Meeting of the Finance Investment & Audit Committee held on 04.07.2016 were confirmed.

Item No.2: Action taken report on the recommendation of the 127th Meeting of the Finance Investment & Audit Committee (FIAC) held on 04.07.2016.

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

Item No.3: Appointment of External Concurrent Auditor (ECA) for the audit of investments done by EPFO's Portfolio Manager - Opening of Financial bids for the eligible applicants.

Following are the minutes of the opening of financial bids on July 22, 2016:

1. The meeting started with CRISIL’s presentation on the key findings of the technical bid evaluation of the applicants who had qualified the pre-qualification bid evaluated on July 04, 2016:

<table>
<thead>
<tr>
<th>Applicant</th>
<th>Quantitative Criteria (65% weight)</th>
<th>Qualitative Criteria (35% weight)</th>
<th>Final Score</th>
<th>Rank</th>
<th>Eligible for Financial Bid</th>
</tr>
</thead>
<tbody>
<tr>
<td>M/s Jain Chowdhary &amp; Co</td>
<td>0.3121</td>
<td>0.2713</td>
<td>0.5833</td>
<td>2</td>
<td>No</td>
</tr>
</tbody>
</table>

2. On the basis of technical bid scores in the above table, CRISIL highlighted that the Technical bid score for only one applicant namely M/s Haribhakti & Co LLP met the minimum 65% score for getting shortlisted, as per the RFP, for further evaluation of financial bid.

3. The representatives of the applicant present for the bid opening were thereafter called into the meeting. CPFC updated the applicants on their Technical bid scores and also requested them to seek clarifications from CRISIL, if any. No clarifications were sought by any of the representatives.

4. The members of FIAC thereafter decided to open the financial bid of the shortlisted applicant M/s Haribhakti & Co LLP. The financial bid quoted by M/s Haribhakti & Co LLP was announced as Rs.9,00,000/- (Rupees Nine Lakh only) per month. FIAC decided that since only one applicant was eligible for financial bid opening, the reasonableness of financial bid should be evaluated. FIAC noted that financial bid quoted by M/s Haribhakti & Co LLP of Rs.9,00,000/- (Rupees Nine Lakh Only) per month since unreasonable as compared to the fee currently being paid to the current ECA which is Rs.1,00,000/- per month. FIAC discussed the matter and considered that the owing to the specific requirements of the EPFO
such as - the firms should have functional offices at Mumbai & Delhi having responsible officials; the firm must be empanelled with comptroller and Auditor General of India (CAG) as on the date of RFP etc., there are limited number of qualified firms. FIAC, therefore, in view of the CVC Circular No. 4/3/07 dated 3rd March, 2007, decided that in this exceptional situation of limited sources of supply, the authorised representative(s), as given by M/s Haribhakti & Co LLP in its proposal, be called for negotiation on the quoted fees to arrive at a reasonable fee. FIAC decided to authorize a three member committee (Sh. Sunil Kumar Yadav RPFC-II (IMC), Sh. Amul Raj Singh RPFC-II (Investment) and Sh. Ajay Kumar RPFC-II (IMC)) for conducting the negotiation on the quoted fees with the authorized representative(s) of M/s Haribhakti & Co LLP to arrive at a reasonable fee and to authorise the Chairman, FIAC to place the outcome before the Central Board for a suitable decision.

Item No.4: Extension of tenure of Custodian of EPFO Securities M/s Standard Chartered Bank (SCB) upto 31-03-2017 after their performance evaluation for the period 01-07-2015 to 31-03-2016.

The agenda item was approved by the Committee and recommended to be placed before the Central Board.

Item No.5: Selection of Asset Management Companies as ETF manufacturer for investment in ETFs by EPFO.

The FIAC deliberated the issue. The allocation for SBI and UTI is 35% and 10% respectively for management of debt portfolio. The committee decided that similar ratio of allocation be considered for ETF investment. This ratio comes to 78:22 for SBI MF and UTI MF respectively.

Item No.6: Update on investment in Exchange Traded Fund (July, 2016)

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.7: Report of the Expert Sub-Committee on Investments under the Chairman of Sh. Arun Kaul Ex CMD, UCO Bank.

The agenda was taken note of by the Committee with the direction to examine and bring out action points for consideration of FIAC.

Item No.8: CBLO borrowing transactions by the Portfolio Managers during the period 01.04.2016 to 30.06.2016.

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.9: External Concurrent Auditor Reports pertaining to Portfolio Managers.

The matter was placed before the FIAC. It was decided that on observations (i) and (ii), the ECA may be called before the FIAC in the next meeting. On observation (iii), it was decided to refer instances of ratings downgrade to CRISIL for further opinion.

Item No.10: Performance Evaluation of Portfolio Managers for the period 01.01.2016 to 31.03.2016.

The proposal as contained in the agenda was taken note of by the Committee.

Tabled item: Report of Expert Group on Alternate Strategies for Investment in Exchange Traded Funds:

The report was placed. The committee suggested that the same may be made part of the status report on ETF to be placed before Central Board in the next meeting on 26.07.2016.

*The meeting ended with a vote of thanks to the Chair.*
**Item No 2: Action Taken Statement on the minutes of 128th meeting of the Finance Investment and Audit Committee (FIAC) held on 22.07.2016**

<table>
<thead>
<tr>
<th>Sl.No</th>
<th>Decision/Directions of FIAC</th>
<th>Action Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Appointment of External Concurrent Auditor (ECA) for the audit of investments done by EPFO’s Portfolio Manager – Opening of Financial bids for the eligible applicants. Following are the minutes of the opening of financial bids on July 22, 2016;</td>
<td>The matter was placed before the Central Board in its 214th meeting held on 26.07.2016 and Central Board decided to cancel the process of selection of External Concurrent Auditor (ECA) for the audit of investments done by Employees’ Provident Fund Organisation’s Portfolio Managers and to go for retendering afresh. The Board also authorized FIAC to constitute a committee of officers to finalize the tender process and report of this Committee be first considered by FIAC and then placed before the Board along with recommendations of the FIAC.</td>
</tr>
<tr>
<td></td>
<td>1. The meeting started with CRISIL’s presentation on the key findings of the technical bid evaluation of the applicants who had qualified the pre-qualification bid evaluated on July 04, 2016:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Applicant</td>
<td>Quantitative Criteria (65% weight)</td>
</tr>
<tr>
<td>-------</td>
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<tr>
<td></td>
<td>M/s Haribhakti &amp; Co LLP</td>
<td>0.3121</td>
</tr>
<tr>
<td></td>
<td>M/s Jain Chowdhary &amp; Co</td>
<td>0.3121</td>
</tr>
<tr>
<td></td>
<td>M/s M.M. Nisam &amp; Co</td>
<td>0.3121</td>
</tr>
<tr>
<td>2.</td>
<td>On the basis of technical bid scores in the above table, CRISIL highlighted that the Technical bid score for only one applicant namely M/s Haribhakti &amp; Co LLP met the minimum 65% score for getting shortlisted, as per the RFP, for further evaluation of financial bid.</td>
<td></td>
</tr>
</tbody>
</table>
3. The representatives of the applicant present for the bid opening were thereafter called into the meeting. CPFC updated the applicants on their Technical bid scores and also requested them to seek clarifications from CRISIL, if any. No clarifications were sought by any of the representatives.

4. The members of FIAC thereafter decided to open the financial bid of the shortlisted applicant M/s Haribhakti & Co LLP. The financial bid quoted by M/s Haribhakti & Co LLP was announced as Rs.9,00,000 (Rs. Nine Lacs only) per month. FIAC decided that since only one applicant was eligible for financial bid opening, the reasonableness of financial bid should be evaluated. FIAC noted that financial bid quoted by M/s Haribhakti & Co LLP of Rs.9,00,000/- (Rupees Nine Lakh Only) per month since unreasonable as compared to the fee currently being paid to the current ECA which is Rs.1,00,000/- per month. FIAC discussed the matter and considered that the owing to the specific requirements of the EPFO such as - the firms should have functional offices at Mumbai & Delhi having responsible officials; the firm must be empanelled with comptroller and Auditor General of India (CAG) as on the date of RFP etc., there are limited number of qualified firms. FIAC, therefore, in view of the CVC Circular No. 4/3/07 dated 3rd March, 2007, decided that in this exceptional situation of limited sources of supply, the authorised representative(s), as given by M/s Haribhakti & Co LLP in its proposal, be called for negotiation on the quoted fees to arrive at a reasonable fee. FIAC decided to authorize a three member committee (Sh. Sunil Kumar Yadav RPFC-II (IMC), Sh. Amul Raj Singh RPFC-II (Investment) and Sh. Ajay Kumar RPFC-II (IMC)) for conducting the negotiation on the quoted fees with the authorized representative(s) of M/s Haribhakti & Co LLP.
2. **Extension of tenure of Custodian of EPFO Securities M/s Standard Chartered Bank (SCB) upto 31-03-2017 after their performance evaluation for the period 01-07-2015 to 31-03-2016.**

The agenda item was approved by the Committee and recommended to be placed before the Central Board.

*(Item No. 4 of 128th FIAC)*

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3. **Selection of Asset Management Companies as ETF manufacturer for investment in ETFs by EPFO.**

The FIAC deliberated the issue. The allocation for SBI and UTI is 35% and 10% respectively for management of debt portfolio. The Committee decided that similar ratio of allocation be considered for ETF investment. This ratio comes to 78:22 for SBI MF and UTI AF respectively.

*(Item No. 5 of 128th FIAC)*

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4. **Update on investment in Exchange Traded Fund (July, 2016)**

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. 6 of 128th FIAC)*

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5. **Report of the Expert Sub-Committee on Investments under the Chairman of Sh. Arun Kaul Ex CMD, UCO Bank.**

The agenda was taken note of by the Committee with the direction to examine and bring out action points for consideration of FIAC.

*(Item No. 7 of 128th FIAC)*

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6. **The matter placed before the 214th CBT meeting held on 26.07.2016.**

The proposal as contained in the agenda was approved by the Board.

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7. **The item was taken note of by the FIAC and the same was placed in the 214th CBT held on 26.07.2016.**

The item was taken note of by the FIAC and in pursuance to the direction of FIAC, the action points of the report of Kaul Committee is being examined.
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<thead>
<tr>
<th>Item No.</th>
<th>Description</th>
<th>Notes</th>
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</thead>
<tbody>
<tr>
<td>6.</td>
<td>CBLO borrowing transactions by the Portfolio Managers during the period 01.04.2016 to 30.06.2016. 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. 8 of 128th FIAC)</td>
<td>The item was taken note of by the FIAC and the same shall be placed in next CBT.</td>
</tr>
<tr>
<td>7.</td>
<td>External Concurrent Auditor Reports pertaining to Portfolio Managers The matter was placed before the FIAC. It was decided that on observations (i) and (ii), the ECA may be called before the FIAC in the next meeting. On observation (iii), it was decided to refer instances of ratings downgrade to CRISIL for further opinion. (Item No. 9 of 128th FIAC)</td>
<td>In pursuance to the direction of FIAC, an e-mail was sent to ECA with a request to attend the ensuing 129th FIAC scheduled on 19.08.2016 &amp; with regard to point No.(iii) e-mail sent to CRISIL for further opinion.</td>
</tr>
<tr>
<td>8.</td>
<td>Performance Evaluation of Portfolio Managers for the period 01.01.2016 to 31.03.2016. The proposal as contained in the agenda was taken note of by the Committee. (Item No. 10 of 128th FIAC)</td>
<td>The item was taken not of by the FIAC and the same shall be placed in next CBT.</td>
</tr>
<tr>
<td>9.</td>
<td>Tabled Item: Report of Expert Group on Alternate Strategies for Investment in Exchange Traded Funds: The report was placed. The committee suggested that the same may be made part of the status report on ETF to be placed before Central Board in the next meeting on 26.07.2016.</td>
<td>As per direction of FIAC the report of Expert Group was placed in 214th CBT as a part of update of investment in ETF.</td>
</tr>
</tbody>
</table>
Item No. 3: Selection of External Concurrent Auditor (ECA) for the audit of investments done by Employees' Provident Funds Organization's 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.
      In the same meeting following was decided:-
   (b) Approved the appointment of M/s CRISIL Ltd., as Consultant for selection of Concurrent Auditor (ECA).

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

4. The Request for Proposal (RFP) prepared by M/s CRISIL and approved with certain changes by FIAC in its 125th meeting held on 24.05.2016 was issued on 6th June 2016.

5. Bids were received from 3 (three) applicants and the processes of opening and evaluations of Pre-Qualification bids, Technical bids for eligible applicants and Financial bids for the eligible applicant were carried out on prescribed dates.

6. Based on FIAC decision, the matter was placed before the Central Board. Central Board in its 214th meeting held on 26th July 2016, CBT decided to cancel the process of selection of External Concurrent Auditor (ECA) for the audit of investments done by Employees' Provident Funds Organization's Portfolio Managers and to go for retendering afresh. The Board also authorized FIAC to constitute a committee of officers to finalize the tender process and report of this Committee be first considered by FIAC and then placed before the Board along with recommendations of the FIAC.

7. In view of the above the RFP prepared by CRISIL is placed for consideration and approval with amendments if any considered by FIAC.

Proposal: In view of the Central Board’s above decision in its 214th meeting held on 26th July 2016, FIAC may approve the RFP and constitute the committee of officers to finalize the tender process.
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:
06 June, 2016

Deadline for submission of Proposal:
04 July, 2016 by 3:00 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 (IMC and F&A),
Employees' Provident Fund Organization (EPFO),
Bhavishya Nidhi Bhavan,
14, Bhikaiji Cama Place,
New Delhi - 110066
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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 herefrom. 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 EFFO'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:


1.14.2. 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 disqualify 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:

Central Board of Trustees (CBT)
(Chairman- Hon'ble Union Minister for Labour & Employment)

Executive Committee, CBT, EPF
(Chairman- from amongst the members of the CBT)

Central Provident Fund Commissioner

FA & CAO

Additional CPFC
(Functional Heads at Headquarters)

Additional CPFC
(Heads of Zonal Offices/ NABs)

Additional CPFC

Chief Vigilance Officer

The organization functions under the overall superintendence of the Central Board of Trustees (CBT), a tripartite body, headed by the Honorable 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 CBT, EPF appoints Portfolio Managers for EPFO corpus who are required to make all investments as per the investment pattern prescribed by the MoL&E, 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 (2008-2011 and 2011-2015) each and five portfolio managers for the tenure 2015-2018 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 CBT, 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 (01 April, 2014 to 31 March, 2015), the total investments carried out by the Portfolio Managers was Rs. 103,759.09 crores (Column E = Total of Column B, C and D in the table given below.)

<table>
<thead>
<tr>
<th>Fund</th>
<th>Fund Size as on 31/03/2015 at Face Value (A)</th>
<th>Net Fresh Accretion on account of contribution during 2014-15 (B)</th>
<th>Interest Received during 2014-15 (C)</th>
<th>Maturity Proceeds during 2014-15 (D)</th>
<th>Total Investment made during 2014-15 (E=B+C+D)</th>
</tr>
</thead>
<tbody>
<tr>
<td>EPF</td>
<td>326,513.15</td>
<td>24,475.52</td>
<td>30,484.42</td>
<td>16,378.78</td>
<td>71,338.82</td>
</tr>
<tr>
<td>EPS</td>
<td>147,097.33</td>
<td>9,504.61</td>
<td>12,776.53</td>
<td>7,971.23</td>
<td>39,255.97</td>
</tr>
<tr>
<td>EDLI</td>
<td>8,209.10</td>
<td>814.53</td>
<td>644.53</td>
<td>323.84</td>
<td>1,782.90</td>
</tr>
<tr>
<td>Staff Provident Fund</td>
<td>1,052.76</td>
<td>28.00</td>
<td>93.20</td>
<td>33.00</td>
<td>154.20</td>
</tr>
</tbody>
</table>

Request for Proposal for Appointment of ECA for audit of investments done by EPFO's Portfolio Managers
3.5 Total number of transactions during 2014-15 for G-Sec and Non G-Sec securities was approximately 9985. Apart from this the number of transactions in CBLO was approximately 2999.

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 website www.epfindia.gov.in / www.epfindia.com
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 (who are qualified chartered accounts with at least one year of work experience). 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 manager(s) 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 CST. 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 CST. 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 finalised 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>06 June, 2016 (Monday)</td>
</tr>
<tr>
<td>2.</td>
<td>Last date for submission of queries via e-mail or post on RFP</td>
<td>17 June, 2016 (Friday)</td>
</tr>
<tr>
<td>3.</td>
<td>Pre-bid Conference</td>
<td>21 June, 2016 (Tuesday)</td>
</tr>
<tr>
<td>4.</td>
<td>Last date for receipt of bid</td>
<td>3:00 PM, 04 July, 2016 (Monday)</td>
</tr>
<tr>
<td>5.</td>
<td>Opening of Pre-Qualification bids</td>
<td>04 July, 2016 (Monday)</td>
</tr>
<tr>
<td>6.</td>
<td>Opening of Technical bids for eligible Applicants</td>
<td>04 July, 2016 (Monday)</td>
</tr>
<tr>
<td>7.</td>
<td>Opening of Financial bids for the eligible Applicants</td>
<td>14 July, 2016 (Thursday)</td>
</tr>
<tr>
<td>Sr.No.</td>
<td>Key Activities</td>
<td>Due Date*</td>
</tr>
<tr>
<td>--------</td>
<td>----------------------------------------------------</td>
<td>------------------------------------------------</td>
</tr>
<tr>
<td>6.</td>
<td>Issuance of letters to selected ECA</td>
<td>After approval of Central Board of Trustees</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>

* 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 name of the Partnership Firm should be registered with the ICAI. The Firm must have registered with the ICAI on or before 01 April, 2006.</td>
<td>Section 7.2.1</td>
</tr>
<tr>
<td>2</td>
<td>Should have valid income tax Permanent Account Number (PAN) as on date of application</td>
<td>Section 7.2.2</td>
</tr>
<tr>
<td>3</td>
<td>There must be at least FIVE (5) Qualified Chartered Accountants working as fulltime Partners as on the date of application</td>
<td>Section 7.2.3 &amp; 4</td>
</tr>
<tr>
<td>4</td>
<td>The firm must have at least FIFTEEN (15) other accounting staff members in addition to the Partners as on the date of application.</td>
<td>Section 7.2.5</td>
</tr>
<tr>
<td>5</td>
<td>The Firm must have experience in each of the last FIVE (5) Financial Years ending 31 March, 2016 in concurrent audit of at least one account of Portfolio Manager* with annual turnover of at least Rs. 5,000 Crores.</td>
<td>Section 7.2.6</td>
</tr>
<tr>
<td>6</td>
<td>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</td>
<td>Section 7.2.8</td>
</tr>
<tr>
<td>7</td>
<td>Should have functional offices at Mumbai &amp; Delhi having responsible officials.</td>
<td>Section 7.2.9</td>
</tr>
<tr>
<td>8</td>
<td>The firm must be empanelled with Comptroller and Auditor General of India (CAG) as on the date of RFP.</td>
<td>Section 7.2.10</td>
</tr>
</tbody>
</table>

*Includes investment portfolios managed by mutual funds, life insurance companies, pension funds, retirement/provident funds, superannuation funds.

*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, 2015; 31 March, 2014; 31 March 2013 and 31 March, 2012.

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>Track record of continuous operations</td>
<td>Number of years of continuous operations as of 31 March, 2016</td>
<td>Section 7.3.1</td>
<td>5%</td>
</tr>
<tr>
<td>Aggregate of Average Assets Under Management (AAUM)</td>
<td>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.</td>
<td>Section 7.3.2</td>
<td>15%</td>
</tr>
<tr>
<td>Relevant experience</td>
<td>Experience of the firm in terms 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.</td>
<td>Section 7.3.3</td>
<td>15%</td>
</tr>
<tr>
<td>Measure</td>
<td>Measurement Criteria</td>
<td>Supporting Document</td>
<td>Weight</td>
</tr>
<tr>
<td>---------</td>
<td>----------------------</td>
<td>---------------------</td>
<td>--------</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>
<tr>
<td>Number of qualified Chartered Accountants working as full-time Partners</td>
<td>Number of qualified Chartered Accountants working as full-time Partners as of 31 March, 2016</td>
<td>Section 7.3.5</td>
<td>6%</td>
</tr>
<tr>
<td>Experience of partners</td>
<td>Cumulative experience of partners of firm as of 31 March, 2016</td>
<td>Section 7.3.6</td>
<td>6%</td>
</tr>
<tr>
<td>Number of accounting staff members</td>
<td>Number of accounting staff members excluding full-time Partners, who are chartered accountants as of 31 March, 2016</td>
<td>Section 7.3.7</td>
<td>3%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>85%</td>
</tr>
</tbody>
</table>

*Includes investment portfolios managed by mutual funds, life insurance companies, pension funds, retirement/provident funds, superannuation funds.

#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; 31 March, 2012 and so on.

### 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 project plan</td>
<td>Proposed technology platform &amp; system, MIS formats, Business Continuity Plan &amp; Disaster Recovery Plan and Data Security</td>
<td>Detailed of proposed technology platform &amp; system, MIS formats, Business Continuity Plan &amp; Disaster Recovery Plan and Data Security</td>
<td>Section 7.3.8</td>
<td>20.00%</td>
</tr>
<tr>
<td>1</td>
<td>Profile of the proposed execution team</td>
<td>Qualification and Experience</td>
<td>Qualification and Experience based on CVs submitted</td>
<td>Section 7.3.9</td>
<td>15.00%</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>35.00%</td>
</tr>
</tbody>
</table>
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>Parametric Weights</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 fulltime Partners</th>
<th>Experience of Partners</th>
<th>Number of accounting staff members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant 1</td>
<td>12</td>
<td>150000</td>
<td>6</td>
<td>50</td>
<td>6</td>
<td>50</td>
<td>20</td>
</tr>
<tr>
<td>Applicant 2</td>
<td>19</td>
<td>200000</td>
<td>9</td>
<td>30</td>
<td>9</td>
<td>60</td>
<td>24</td>
</tr>
<tr>
<td>Applicant 3</td>
<td>14</td>
<td>180000</td>
<td>7</td>
<td>60</td>
<td>8</td>
<td>55</td>
<td>16</td>
</tr>
<tr>
<td>Applicant 4</td>
<td>18</td>
<td>100000</td>
<td>12</td>
<td>40</td>
<td>9</td>
<td>45</td>
<td>20</td>
</tr>
<tr>
<td>Applicant 5</td>
<td>24</td>
<td>290000</td>
<td>15</td>
<td>80</td>
<td>12</td>
<td>100</td>
<td>16</td>
</tr>
<tr>
<td>Maximum</td>
<td>24</td>
<td>290000</td>
<td>15</td>
<td>80</td>
<td>12</td>
<td>100</td>
<td>24</td>
</tr>
</tbody>
</table>

Basis for parametric evaluation:

<table>
<thead>
<tr>
<th></th>
<th>Maximum</th>
<th>Maximum</th>
<th>Maximum</th>
<th>Maximum</th>
<th>Maximum</th>
<th>Maximum</th>
<th>Maximum</th>
</tr>
</thead>
</table>

Table 2 (Scoring of parameters)

<table>
<thead>
<tr>
<th>Parametric Weights</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 fulltime 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>0.52</td>
<td>0.40</td>
<td>0.63</td>
<td>0.50</td>
<td>0.50</td>
<td>0.83</td>
<td>0.34</td>
</tr>
<tr>
<td>Applicant 2</td>
<td>0.79</td>
<td>0.69</td>
<td>0.80</td>
<td>0.38</td>
<td>0.75</td>
<td>0.60</td>
<td>1.00</td>
<td>0.40*</td>
</tr>
<tr>
<td>Applicant 3</td>
<td>0.58</td>
<td>0.62</td>
<td>0.47</td>
<td>0.75</td>
<td>0.50</td>
<td>0.55</td>
<td>0.67</td>
<td>0.39</td>
</tr>
<tr>
<td>Applicant 4</td>
<td>0.75</td>
<td>0.34</td>
<td>0.80</td>
<td>0.50</td>
<td>0.75</td>
<td>0.45</td>
<td>0.83</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>0.64</td>
</tr>
</tbody>
</table>

*Working for Applicant 2 = (5%*0.79 + 15%*0.69 + 15%*0.60 + 15%*0.38 + 6%*0.75 + 6%*0.60 + 3%*1.00) = 0.40
Table 3 (Qualitative parameters evaluation)

<table>
<thead>
<tr>
<th>Parametric Weights</th>
<th>Proposed project plan for execution of the assignment</th>
<th>Proposed execution team</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant 1</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Applicant 2</td>
<td>2</td>
<td>1.5</td>
</tr>
<tr>
<td>Applicant 3</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td>Applicant 4</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Applicant 5</td>
<td>3.5</td>
<td>3.5</td>
</tr>
<tr>
<td>Maximum</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

Basis for parametric evaluation

<table>
<thead>
<tr>
<th>Parametric Weights</th>
<th>Basis for parametric evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Maximum</td>
</tr>
</tbody>
</table>

Maximum

Table 4 (Qualitative parameters scoring)

<table>
<thead>
<tr>
<th>Parametric Weights</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>0.75</td>
<td>1.00</td>
<td>0.30</td>
</tr>
<tr>
<td>Applicant 2</td>
<td>0.50</td>
<td>0.38</td>
<td>0.16^</td>
</tr>
<tr>
<td>Applicant 3</td>
<td>1.00</td>
<td>0.75</td>
<td>0.31</td>
</tr>
<tr>
<td>Applicant 4</td>
<td>0.88</td>
<td>0.88</td>
<td>0.31</td>
</tr>
<tr>
<td>Applicant 5</td>
<td>0.88</td>
<td>0.88</td>
<td>0.31</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 (1.5/4).

^Working for Applicant 2 = (20% * 0.50 + 15% * 0.38) = 0.16
6.3 Overall evaluation scoring

<table>
<thead>
<tr>
<th>Parametric Weights</th>
<th>Final Score of Technical Bid = Quantitative score + Qualitative score</th>
<th>Eligibility for Financial Bid - Applicants with at least 65% score on Technical bid</th>
<th>Scaled score - Technical Bid</th>
<th>Financial Bid</th>
<th>Scaled 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>0.64</td>
<td>Not Eligible</td>
<td>80%</td>
<td>20%</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Applicant 2</td>
<td>0.58</td>
<td>Not Eligible</td>
<td>80%</td>
<td>20%</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Applicant 3</td>
<td>0.70</td>
<td>Eligible</td>
<td>0.74</td>
<td>50000</td>
<td>1.00</td>
<td>0.79^</td>
<td>2</td>
</tr>
<tr>
<td>Applicant 4</td>
<td>0.69</td>
<td>Eligible</td>
<td>0.73</td>
<td>100000</td>
<td>0.50</td>
<td>0.68</td>
<td>3</td>
</tr>
<tr>
<td>Applicant 5</td>
<td>0.95</td>
<td>Eligible</td>
<td>1.00</td>
<td>75000</td>
<td>0.67</td>
<td>0.93</td>
<td>1</td>
</tr>
<tr>
<td>Maximum</td>
<td>0.95</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minimum</td>
<td>0.56</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></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 1 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 (0.74/0.95). In case of the Financial Bid, the minimum bid is 50,000. 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 (50,000/100,000). 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

7.1 Documents comprising the proposal

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

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 01 April, 2006. - Enclose copy of Registration

<table>
<thead>
<tr>
<th>Sr. No</th>
<th>Particulars</th>
<th>Supporting document submitted</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>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Number of completed years of practice as of 31 March, 2016.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7.2.2 Valid income tax PAN as on date of application—enclose copy.

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

7.2.3 There must be at least FIVE (5) Qualified Chartered Accountants working as full-time Partners as on date of application - Undertaking from the Managing Partner or equivalent official of the Audit firm certifying the same. Refer section 8.6 for the format of Undertaking.
7.2.4 Number of Partners and detail profile of each partner with membership No. as on date of application to be stated.

Sr. No. | Supporting Documents submitted | Remarks in any | Annexure No.
--- | --- | --- | ---

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 8.6 for the format of Undertaking.

Sr. No. | Supporting Documents submitted | Remarks in any | Annexure No.
--- | --- | --- | ---

7.2.6 The Firm must have experience in each of the last FIVE (5) Financial Years ending 31 March 2016 in concurrent audit of at least one account of Portfolio Manager with annual turnover of at least Rs 5,000 Crores - Undertaking from the Managing Partner or equivalent official of the Audit firm certifying the same. Refer section 8.6 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.

Sr. No. | Supporting Documents submitted | Remarks in any | Annexure No.
--- | --- | --- | ---

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.

Sr. No. | Supporting Documents submitted | Remarks in any | Annexure No.
--- | --- | --- | ---

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 8.6 for the format of Undertaking.

Sr. No. | Supporting Documents submitted | Remarks in any | Annexure No.
--- | --- | --- | ---

7.2.10 The firm must be empanelled with Comptroller and Auditor General of India (CAG) as on the date of RFP Undertaking from the Managing Partner or equivalent official of the Audit firm certifying the same. Refer section 8.6 for the format of Undertaking.

Sr. No. | Supporting Documents submitted | Remarks in any | Annexure No.
--- | --- | --- | ---
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 8.6 for the format of Undertaking.

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.

7.3.3 Experience of the firm in terms 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 8.6 for the format of Undertaking.

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.

7.3.5 Number of qualified Chartered Accountants working as fulltime Partners as of 31 March, 2016 - Undertaking from the Managing Partner or equivalent official of the Audit firm certifying the same. Refer section 8.6 for the format of Undertaking.

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 8.6 for the format of Undertaking.
<table>
<thead>
<tr>
<th>No. of partners</th>
<th>Cumulative experience of the partners (in years)</th>
<th>Remarks if any</th>
</tr>
</thead>
</table>

**Profile of the Partners of the firm**

**Format for profile of Partners:**

- Name of the Partner
- Proposed Position and Role
- Age
- Qualification
- Experience in the relevant area
- Other areas of experience in audit
- Current Responsibilities
- No. of years of experience in relevant areas
- Total No. of years of experience
- Tenure spent with the firm
- Any other point

7.3.7 *Number of accounting staff members excluding fulltime 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 8.6 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>Annexure No. having details</th>
<th>Remarks if any</th>
</tr>
</thead>
</table>

- Technology Platform & System (write up of not more than 500 words)
- MIS Formats (sample MIS formats and write up of not more than 500 words)
- Business Continuity Plan & Disaster Recovery Plan (write up of not more than 500 words)
- Data Security (write up of not more than 500 words)
- Consolidated presentation covering all the above mentioned in not more than 20 slides

Request for Proposal for Appointment of ECA for audit of investments done by EPFO's Portfolio Managers Page 23 of 4
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>

<table>
<thead>
<tr>
<th>No. of team members</th>
<th>Average tenure (in years) of proposed execution team in the current firm</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 (not 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>1- Apr -15</td>
<td>100000</td>
<td>150000</td>
</tr>
<tr>
<td>2- Apr -15</td>
<td>102000</td>
<td>250000</td>
</tr>
<tr>
<td>3- Apr -15</td>
<td>103000</td>
<td>150000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30-Mar-15</td>
<td>104000</td>
<td>120000</td>
</tr>
<tr>
<td>31-Mar-15</td>
<td>108000</td>
<td>100000</td>
</tr>
</tbody>
</table>

AAUM = AVERAGE of all the above (A) = AVERAGE of all the above (B)

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>Sum of Aggregate AAUM (Rs Crores)</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 March, 2016</td>
<td>100000</td>
</tr>
<tr>
<td>31 March, 2015</td>
<td>102000</td>
</tr>
<tr>
<td>31 March, 2014</td>
<td>123000</td>
</tr>
<tr>
<td>31 March, 2013</td>
<td>120000</td>
</tr>
<tr>
<td>31 March, 2012</td>
<td>110000</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
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. Narayenappa,
Additional Central PF Commissioner-I (IMC and F&A),
Employees Provident Fund Organization (EPFO),
Bhaveyha Nidhi Bhavan,
14, Bhikaji Cama Place,
New Delhi - 110066

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
8.2 Technical Proposal Covering Letter

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

Ref: ___________________
Date: ___________________

Sh. M. Narayenappa,
Additional Central PF Commissioner-I (IMC and F&A),
Employees' Provident Fund Organization (EPFO),
Bhavishya Nidhi Bhavan,
14, Bhikaji Cama Place,
New Delhi - 110068

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 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 requisite powers to furnish such letter and authenticate the same.
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. Narayanappa,
Additional Central PF Commissioner-I (IMC and F&A),
Employees' Provident Fund Organization (EPFO),
Bhavisha Nidhi Bhavan,
14, Bhikaji Cama Place,
New Delhi - 110066

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 latter 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. &amp; 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>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>Tel:</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>Fax:</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td>Email:</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Points of Clarification required</td>
</tr>
</tbody>
</table>

8.5 Format for providing explanations for deviations if any

<table>
<thead>
<tr>
<th>Sr.No.</th>
<th>Reference (Clause No. &amp; Page No.)</th>
<th>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>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>Tel:</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>Fax:</td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td>Email:</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Deviation in proposal</td>
<td>Reason</td>
<td></td>
</tr>
</tbody>
</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 Auditor") having its registered office at ____________________________.

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

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

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

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

c. The External Concurrent Auditor / any partner has functional offices at Mumbai & Delhi having responsible officials

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Request for Proposal for Appointment of ECA for audit of investments done by EPFO's Portfolio Managers Page 30 of 41
d. The External Concurrent Auditor has experience in each of the last <No. of financial years> financial years ending 31 March, 2018 in concurrent audit of at least one account of Portfolio Manager having annual turnover at least Rs. 5,000 Crores

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

f. The cumulative experience of partners of the External Concurrent Auditor is <No. of years> as on 31 March, 2016

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

h. The External Concurrent Auditor is empanelled with Comptroller and Auditor General of India (CAG) as on the date of RFP

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 ₹6600/- PM in respect of the Team Leader and at the rates applicable to Central Government officers drawing a Grade Pay of ₹5400/- 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>(i)</td>
<td>Government Securities and Related investments</td>
<td>Minimum 45% and upto 50%</td>
</tr>
<tr>
<td></td>
<td>(a) Government Securities.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) Other Securities (‘Securities’ as defined in Section 2 (h) of the Securities Contract (Regulations) Act, 1958) the principal whereof and interest thereon is fully and unconditionally guaranteed by the Central Government or any State Government.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The portfolio invested under this sub-category of securities shall not be in excess of 10% of the total portfolio of the fund.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(c) Units of Mutual Funds set up as dedicated funds for investment in Govt. securities and regulated by the Securities and Exchange Board of India:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Provided that the portfolio invested in such mutual funds shall not be more than 5% of the total portfolio at any point in time and fresh investments made in them shall not exceed 5% of the fresh accretions in the year.</td>
<td></td>
</tr>
</tbody>
</table>

(ii) Debt Instruments and Related Investments

<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) Listed (or proposed to be listed in case of fresh issue) debt securities issued by bodies corporate, including banks and public financial institutions (‘Public Financial institutes’) as defined under Section 2 of the Companies Act, 2013), which have a minimum residual maturity period of three years from the date of investment.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) Basel III Tier-I bonds issued by scheduled commercial banks under RBI Guidelines:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Provided that in case of initial offering of the bonds the investment shall be made only in such Tier-I bonds which are either listed or are proposed to be listed.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Provided further that investment shall be made in such bonds of a scheduled bank from the secondary market or from subsequent placement only if the existing Tier-I bonds are listed and regularly traded.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Total portfolio invested in this sub-category, at any time, shall not be more than 2% of the total portfolio of the fund.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>No investment in this sub-category in initial offerings shall exceed 20% of the initial offering and further, the aggregate value of such bonds held by the fund shall not exceed 20% of such bonds issued till that point in time by that Bank.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(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.</td>
<td></td>
</tr>
</tbody>
</table>
(d) 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(s) for the most recent years, as required to have been published by then under the law:

i. Have declared profit in immediately three preceding financial years;

ii. Have maintained a minimum Capital to Risk Weighted Assets Ratio of 9%, or as mandated by prevailing RBI norms, whichever is higher;

iii. Have net non-performing assets of not more than 4% of the net advances;

iv. Have minimum net worth of not less than Rs.200 crores.

(e) Units of Debt mutual Funds regulated by Securities and Exchange Board of India:

Provided that fresh investment in Debt Mutual Funds shall not be more than 5% of the fresh accretions 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.

(f) The following infrastructure related debt instruments:

(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.

Further, this category shall also include securities issued by Indian Railways or any of the body corporates in which it has majority shareholding.

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.

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.

(ii) Infrastructure and affordable housing Bonds issued by any scheduled commercial bank which meets the conditions specified in category (ii) (d) above.

(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.

(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.
<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Securities</th>
<th>Percentage amount to be Invested</th>
</tr>
</thead>
</table>

It is clarified that, barring exceptions mentioned above, for the purpose of this sub-category (f), a sector shall be treated as part of infrastructure as per Government of India's harmonized master-list of infrastructure sub-sectors.

Provided that the investment under sub-categories (a), (b) and (f) (i) to (iv) of this category No. (ii) 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/entitites have been rated by more than two rating agencies, the two lowest 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 (i) (b) above are excluded from this category (ii).

(iii) Short-term Debt Instruments and Related Investments

(a) Money market instruments:

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.

Provided further that if commercial paper has been rated by more than two rating agencies, the two lowest of the ratings shall be considered.

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 (ii) (d) above.

(b) Units of liquid mutual funds regulated by Securities and Exchange Board of India.

(c) Term Deposit Receipts of up to one year duration issued by such scheduled commercial banks which satisfy all conditions mentioned in category (ii) (d) above.
<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Securities</th>
<th>Percentage amount to be invested:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Equities and Related Investments</strong></td>
<td>Minimum 5% and up to 15%</td>
</tr>
<tr>
<td>(iv)</td>
<td>(a) Shares of body corporates listed on Bombay Stock Exchange (BSE) or National Stock Exchange (NSE), which have;</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(i) Market capitalization of not less than Rs. 5000 crore as on the date of investment, and</td>
<td></td>
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<tr>
<td></td>
<td>(ii) Derivatives with the shares as underlying, traded in either of the two stock exchanges</td>
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<tr>
<td></td>
<td>(b) Units of mutual funds regulated by Securities and Exchange Board of India, which have minimum 65% of their investment in shares of body corporate listed on BSE or NSE.</td>
<td>Provided that the aggregate portfolio invested in such mutual funds shall not be in excess of 5% of the total portfolio of the fund at any point in time and the fresh investment in such mutual funds shall not be in excess of 5% of the fresh accretions invested in the year.</td>
</tr>
<tr>
<td></td>
<td>(c) Exchanged Traded Funds (ETFs)/Index Funds regulated by Securities and Exchange Board of India that replicate the portfolio of either BSE Sensex Index or NSE Nifty 50 Index.</td>
<td>Provided that the portfolio invested in derivatives in terms of contract value shall not be in excess of 5% of the total portfolio invested in sub-categories (a) to (d) above.</td>
</tr>
<tr>
<td></td>
<td>(d) ETFs issued by SEBI regulated Mutual Funds constructed specifically for disinvestment of shareholding of the Government of India in body corporates.</td>
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</tr>
<tr>
<td></td>
<td>(e) Exchange traded derivatives regulated by Securities and Exchange Board of India having the underlying of any permissible listed stock or any of the permissible indices, with the sole purpose of hedging.</td>
<td>Provided that investment under this category No. (v) shall only be in listed instruments or fresh issues that are proposed to be listed.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provided further that investment under this category shall be made only in such securities which have minimum AA or equivalent rating in the applicable rating scale from at least two credit rating agencies registered by Securities and Exchange Board of India under Securities and Exchange Board of India (Credit Rating Agency) Regulation, 1999. Provided further that in case of sub-categories (b) and (d) the ratings shall relate to the rating of the sponsor entity floating the trust.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Provided further that if the securities/entities have been rated by more than two rating agencies, the two lowest of the rating shall be considered.</td>
</tr>
<tr>
<td>(v)</td>
<td><strong>Asset Backed, Trust Structured and Miscellaneous Investments</strong></td>
<td>Upto 5%</td>
</tr>
<tr>
<td></td>
<td>(a) Commercial mortgage based Securities or Residential mortgage based securities.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(b) Units issued by the Real Estate Investment Trusts regulated by Securities and Exchange Board of India.</td>
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</tr>
<tr>
<td></td>
<td>(c) Asset Backed Securities regulated by Securities and Exchange Board of India.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(d) Units of Infrastructure Investment Trusts regulated by Securities and Exchange Board of India.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Provided that investment under this category shall only be in listed instruments or fresh issues that are proposed to be listed.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Provided further that investment under this category shall be made only in such securities which have minimum AA or equivalent rating in the applicable rating scale from at least two credit rating agencies registered by Securities and Exchange Board of India under Securities and Exchange Board of India (Credit Rating Agency) Regulation, 1999. Provided further that in case of sub-categories (b) and (d) the ratings shall relate to the rating of the sponsor entity floating the trust.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Provided further that if the securities/entities have been rated by more than two rating agencies, the two lowest of the rating shall be considered.</td>
<td></td>
</tr>
</tbody>
</table>

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 arm’s 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 fund.

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 fund/trust 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

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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 not 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.
10.11.7 Pending deployment as per investment objective, the moneys under the respective Schemes may be invested in short-term deposits of Public Sector Banks acceptable to the CBT, EPF.
11. Glossary

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<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>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>

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Contact Details:

Sh. M. Narayaneppa,
Additional Central PF Commissioner-I (IMC and F&A),
Employees' Provident Fund Organization (EPFO),
BHAVISHYA NIDHI BHAVAN,
14, BHILAIJI CAMA PLACE,
NEW DELHI - 110066
Phone: 011-26172660
Fax: 011-26194349
Email Id – acc_fe.imc@epfindia.gov.in
Item No. 4 Model Agreement on Banking Agreement between the Central Board, EPF and Nationalized Banks in respect of funds belonging to and under control of the Central Board.

An agenda item was placed in 205th Meeting of the CBT held on 19.12.2014, wherein it was proposed that the CBT, EPF may approve suitable amendments in Para 38(1) and Para 48 of the EPF Scheme, 1952 to enable EPFO to receive contributions through Scheduled Commercial Banks in addition to SBI. The CBT, EPF had, however, approved the proposal with the modification that it be restricted only to Public Sector Banks.

2. In compliance to the decision of the CBT, the Government of India, MoL&E vide notification GSR No. 360(E) dated 05.05.2015 has amended the provisions of Para 38(1) and 48 of EPF Scheme, 1952 making other Nationalized Banks also eligible for collection of contributions from employers. Consequent to amendment in Para 48 of EPF Scheme, 1952, all Nationalized Banks were requested to submit their consent to provide customized services to EPFO for its collection at the rate prescribed by RBI for conduct of government business. In response, 24 nationalized banks (which include 5 SBI associates) have expressed their willingness for the same.

3. Thereafter, a model agreement has been drafted for conducting the business with Nationalized Banks other than SBI. Nationalized Banks will be authorized for online collection of contribution, dues, damages, remittance, payment or charges payable to the Central Board by an employer, an establishment, a person or any other entity, having Bank account with this Bank and making payment out of this Bank account only. The agreement may be signed only after a receipt of a report from IS Division that the technical trial run with a particular bank has been done successfully and the system is ready to accept the payment them.

Proposal: The FIAC may approve the said banking agreement to be entered by the Central Board with all Nationalized Banks, other than SBI.
BANKING AGREEMENT BETWEEN
THE CENTRAL BOARD
AND
THE ______________________ (NATIONALIZED BANK)
IN RESPECT OF FUNDS BELONGING TO AND UNDER THE CONTROL
OF THE CENTRAL BOARD

This Agreement is entered into between:

The Central Board, a body corporate created under Section 5A of the Employees’ Provident Funds and Miscellaneous Provisions Act, 1952 (hereinafter referred to as the 'Act') having its Headquarters at 14, Bhikaiji Cama Place, New Delhi - 110066. The Central Board shall hereinafter be referred to as “the Central Board” which term shall include its successors and assigns; and

(Nationalized Bank), a body corporate constituted under the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970 having its Head office/Corporate Office _______________ (hereinafter referred to as “the Bank” or “______ (NATIONALIZED BANK)” which term shall include its successors and assignees.

The Central Board may also be referred to as “The First Party” and is being represented by the Financial Advisor and Chief Accounts Officer (FA&CAO) (created under sub-section 2 of Section 5D of the Act).

The Bank or __________ (NATIONALIZED BANK) may also be referred to as “The Second Party” and is being represented by ________________.

The First Party and the Second Party are hereinafter collectively referred to as “the Parties”.

WHEREAS:

A. The Central Board administers the Act and the Schemes framed thereunder and manages Funds created under the Act and the Schemes framed thereunder and such Funds vest with the First Party. Administration of the Act and the Schemes framed thereunder and management of such Funds includes inter alia collection of contributions, dues, damages, remittances, payment or charges known by any other name, prescribed under the Act and the Schemes framed thereunder as specified from time to time from an employer, an establishment, a person or any other entity who from such dues, damages, remittances or charges are payable, investment of such Funds and making payment out of such Funds as per the provisions of the Act, the applicable Schemes, rules or orders.
B. The Bank is engaged in the business of providing to its customers Banking services. The Bank also provides online Banking services where its customers are provided Banking facilities which includes online direct debit to its customer account through internet Banking.

C. The Parties are desirous of entering into a mutual arrangement whereby an employer, an establishment, a person or any other entity, having an account with the Bank, can remit contribution, dues, damages, remittance, payment or charges into the accounts of the Central Board maintained by the Bank by using the medium of online internet Banking services of the Bank. Further, the Bank shall transmit or pay of such collected amount into the accounts as per the terms of this agreement or the instructions of the Central Board.

D. The Bank has made an offer to the Central Board to provide Banking services and other services which are collateral or ancillary to such Banking services to the Central Board for holistic implementation of the instant agreement.

E. The Parties wish to enter into this Agreement to set out the general terms and conditions under which the Bank will provide electronic payments collection, transmission, processing and settlement services to the Central Board. In consideration of the mutual covenants and agreements set forth in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

NOW IN CONSIDERATION OF THE MUTUAL COVENANTS AND UNDERTAKINGS HEREIN THE PARTIES AGREE AS FOLLOWS:

1. **Bank Accounts of the Central Board:**

1.1 The Central Board shall maintain and operate a Bank account with a prominent branch of the Bank at New Delhi as decided by the Central Board. This Bank account shall serve as central Bank account for online collection of contribution, dues, damages, remittance, payment or charges payable to the Central Board by an employer, an establishment, a person or any other entity, having Bank account with this Bank and making payment out of this Bank account.

1.2 The Central Board may open as many Bank accounts with the Bank as required by it. The nature, number or location of Bank accounts of the Central Board shall be decided by it and communicated to the Bank which shall comply with such decision of the Central Board and communicate the same to it.

2. Only an employer, who has this Bank as his Banker, shall be permitted to make payment from his Bank account with this Bank, to the designated central Bank account of the Central Board with the Bank.

The payment to be collected by the Bank shall be electronically through internet banking and no other mode such as negotiable instrument, cash payment or the like.
3. To make a payment, an employer will log into THE BANK by feeding pre-existing user ID and Password and after login he will be guided as to the procedure to make the payment to the Central Board.

4. Electronic Challan-cum-Receipt (ECR) as prescribed from time to time, shall be filed by the employer, wherever required under applicable procedure, alongwith payment.

5. The Bank shall receive, directly from an employer, in the central Bank account of the Central Board maintained with the Bank, the sum as per ECR remitted by the employer electronically through internet banking and shall credit the amount in the central account on the same day.

6. All payments authorized by the Central Board to be made to a beneficiary, having through online medium Bank account with this Bank, shall be made out of the central Bank account.

7. In case of a situation where payment authorized to be made exceeds the amount lying in credit in the central account, Over Draft (OD) to the credit of the Central Board shall be utilized.

8. Payment to Beneficiary and Overdraft Facility:

8.1 Payment shall be made to a beneficiary as per payment advice issued by the Central Board to the Bank.

8.2 THE CENTRAL BOARD may make any specific debit or credit advice through a written communication and the Bank on receipt of such communication shall give effect to the content of such communication.

8.3 No advice or instrument issued by the Central Board shall be dishonoured on account of insufficiency of amount in credit in the Central Account of the Board maintained with the Bank.

8.4 The Bank hereby extends overdraft (OD) facility to the Central Board against fixed deposit (FD) made by the Central Board with the Bank. The quantum or outer limit of OD shall be decided mutually by the parties based on the requirement from time to time.

8.5 Rate of interest on OD availed shall be half a percent per annum higher than the interest rate allowed on such FD.

8.6 In case, at any point in time, the Bank is required to effect a payment advice issued by the Central Board and the payment to be effected is not fully covered by the amount at credit in the Central Account of the Central Board, the Bank shall honour such payment advice in full by utilising the OD facility extended by the Bank to the Central Board.

8.7 The extent by which such payment exceeds the sum total of the amount at the credit in the Central Account at the time of payment and the outer limit of the OD, shall be covered by additional OD extended by the Bank to the Central Board.

8.8 Rate of interest chargeable on such additional OD shall be one percent per annum.
annum higher than the interest rate allowed on such FD.

8.9 Every OD invoked and availed by the Central Board shall be squared off through future accrual to the Central Account of the Board maintained with the Bank.

9. TRANSFER TO DIFFERENT Central Administration/Investment Accounts of the Central Board and RTGS Charges:

9.1 The Bank shall, on every working day, remit the balance lying in the Central Account with the Bank, to five different Central Administration/Investment Accounts namely, Employees' Provident Fund Central Administration Account, Employees' Provident Fund Investment Account, Employees' Pension Fund Investment Account, Employees' Deposit Linked Insurance Fund Central Administration Account, and Employees' Deposit Linked Insurance Fund Investment Account of the Central Board maintained at any bank(s) so specified by the Central Board. Such transfer shall be done through the first RTGS cycle of the day. If the amount to be so transferred is inadequate to be transferred through RTGS, the same shall be transferred using National Electronic Fund Transfer (NEFT) leaving a Zero Balance after such a transfer.

9.2 The amount received in the central account of the Central Board after the transfer made in central administration/investment accounts of any bank(s) so specified by the Central Board as per clause 9.1, shall be remitted to the respective Central Investment Accounts of the Central Board maintained at any bank(s) so specified by the Central Board, through the first RTGS/NEFT cycle of the next working day.

9.3 For every transfer of balance amount, effected by the Bank through RTGS or NEFT, in fulfillment of the instant agreement, shall be charged by the bank from the Central Board. The charges reimbursable to the bank shall be as per charges for RTGS/NEFT notified by RBI from time to time. The Bank shall maintain a record of all particulars and such charges payable as per rates notified by RBI, the same shall be claimed from the Central Board by compiling and collating the full details of RTGS or NEFT charges.

9.4 Maintenance, compilation and collation of details of RTGS or NEFT details and charges, making claim from the Central Board payment, dispute regarding claim made, time limit applicable for payment of agreed sum and resolution of dispute and all other related matters shall be guided by the same procedure as applicable for service charges claimed by and payable to the Bank.

10. Daily Management Information System (MIS):

10.1 Concurrent with the transfer of funds to the Central Administration/Investment Accounts of any bank(s) so specified by the Central Board, the Bank shall compile and collate the complete detail of all collections and all payment in the prescribed format and communicate the same to the Central Board through SFTP and e-mail or any other secured transmission channel as mutually agreed.
by the parties.

10.2 THE BANK will reconcile all receipts in its Nodal Account maintained for collection of online payments. THE CENTRAL BOARD will verify the Payments details received in the MIS with the credits in its Nodal Account every day. In case of any un-reconciled payments, THE CENTRAL BOARD will inform the Bank for resolution of discrepancy.

10.3 Due acknowledgment in writing or through electronic mail by THE CENTRAL BOARD will be given for the MIS sent.

11. **Penalty for delayed transfer of balance to Central Administration/Investment Accounts of any bank(s) so specified by the Central Board:**

11.1 If the Bank fails to credit the amount remitted by the employer of the establishment into the Central Account of the Central Board as per the time line given under para 5 OR also fails to transfer the balance lying with the Central Account to five different Central Administration/Investment Accounts maintained at any bank(s) so specified by the Central Board as per time line given in para 9.1 & 9.2, the delay shall attract payment of interest for delayed credit/transfer, as the case may be, at prevalent Bank Rate plus 2% and would be credited in the respective account of the Central Board every month.

11.2 Complete detail of the amount remitted belatedly alongwith interest paid on such belated transfer shall be communicated to the Central Board at the close of every calendar month.

12. **Charges to be paid for delayed transfer:**

12.1 A dispute shall arise if the Central Board communicates to the Bank that the interest paid on account of delayed transfer is less than what is agreed under the instant agreement.

12.2 Any dispute regarding calculation of interest on delayed credits and its payment shall be settled within one month by the parties.

12.3 If such a dispute is not resolved within the specified time of one month since the dispute came to being, the Central Board shall be entitled to recover, for the period starting from the date when the interest on delay in credit became due till its actual credit in the respective accounts of the Central Board. Delayed period interest shall be charged from the bank at prevalent Bank Rate plus 2%. The delay period calculation will start from the day following T+1 working day.

12.4 The Bank shall not be liable to pay the penal interest, if the cause for the delay is attributable to the Central Board.

13. **Service Charges Payable on Collection of Fund:**

13.1 THE CENTRAL BOARD shall pay to the Bank, service charges for collection of fund by the Bank in the Central Account of the Central Board.
13.2 No service charge shall be payable for any payment made out of the central account of the Central Board maintained with the Bank.

13.3 The service charge payable shall be calculated based on the number of receipt transactions made in the Central Account of the Central Board maintained with the Bank. The quantum of amount involved in each transaction shall be of no consequence for calculation of service charge. One challan consisting amount of five or less accounts of EPFO shall be treated as one transaction. The Bank shall be paid service charge as per the rate prescribed, from time to time, by the Reserve Bank of India (RBI) for an agency Bank for collecting payment on behalf of Central Government. At present, the rate prescribed by RBI is twelve Rupees for every receipt transaction.

13.4 Service charge payable to the Bank shall be calculated by the Bank for each calendar month and the same shall be transmitted with full details and in all particulars to the Central Board as soon after the conclusion of the calendar month as possible for the Bank.

13.5 Service charge due to the Bank for each calendar month shall be examined by the Central Board for its correctness or accuracy. If the claim made by the Bank is found in order, the Central Board, within fifteen days, and if the fifteenth day happens to be a holiday either for the Central Board or the Bank, by the next working day for the Central Board and the Bank, of the receipt of the claim, shall communicate its approval to the Bank for debiting the specified amount as service charge from the central account of the Central Board.

13.6 Service tax, surcharge, levy or any other statutory payment payable by the Bank over the service charge, shall also be reimbursed to the Bank by the Central Board in the same manner as if it is part of the service charge.

13.7 A dispute shall deemed to have arisen if the Central Board communicates to the Bank that the service charge payable as calculated and communicated by the Bank is higher than what is due as per the instant agreement.

13.8 Any dispute regarding calculation of service charge and its payment shall be settled within one month by the parties.

13.9 The Central Board shall be under no obligation to pay any interest for the period such service charge could not be paid on account of unresolved dispute.

13.10 In no case the Bank shall debit the central account of the Central Board for the service charge purportedly payable by the Central Board unless the payment of the specified amount of service charge is approved by the Central Board and communicated to the Bank.

14. Data Security:

14.1 The Parties will mutually work for implementing the mechanism for secured data transmission and will abide by the relevant rules, regulations, requirements or guidelines on technical, security or confidentiality standards applicable to the conduct of transactions contemplated under this Agreement.
14.2 The Parties will mutually work for implementing the mechanism for Security measures and resultant hardware or software upgrades to comply with the Payment Mechanism and services provided by the Bank.

14.3 The parties will take all precautions as may be feasible to ensure that there is no breach of security and integrity of the link between THE CENTRAL BOARD portal and the Bank's systems is maintained at all times. THE CENTRAL BOARD will ensure that the users upon accessing the link are truly and properly directed to the Bank's login page. Without prejudice to the generality of the aforesaid, THE CENTRAL BOARD will routinely and at such time intervals as may be specified by the Bank or a service provider designated by the Bank, check the integrity of the link and provide such reports as may be required by the Bank or the service provider designated by the Bank from time to time.

15. Indemnity:

15.1 THE CENTRAL BOARD will, at its own expense, indemnify, defend and hold harmless the Bank and its officers, directors, employees, representatives, agents respective directors, and assignees from and against any and all liability including but not limited to liabilities, judgments, proceedings, damages, losses, penalties, claims, any other loss that may occur, howsoever arising directly or indirectly as a result of any breach or non-performance by THE CENTRAL BOARD of any of their undertaking, warranty or obligation under this Agreement or any claim or proceedings brought by THE CENTRAL BOARD against the Bank in respect of any product or services or any act, neglect, or default of THE CENTRAL BOARD, or its agent, employees or any other claim by any other party against the Bank in respect of sale of the products or providing services or performance of this Agreement.

15.2 THE Bank will, at its own expense, indemnify, defend and hold harmless the Central Board and its officers, employees, representatives, agents and assignees from and against any and all liability including but not limited to liabilities, judgments, proceedings, damages, losses, penalties, claims any other loss that may occur, howsoever arising directly or indirectly, as a result of any breach or non-performance by the Bank of any of their undertaking, warranty or obligation under this Agreement or any claim or proceedings brought by the Bank against the Central Board in respect of any product or services or any act, neglect, or default of the Bank, or its officers, directors, employees, representatives, agents respective directors, and assignees or by any other party against the Central Board in respect of sale of the products or providing services or performance of this Agreement.

16. Confidentiality:

16.1 Subject to provisions of Right to Information Act and other provisions of law applicable for the time being, the Parties acknowledge and agree that all tangible and intangible information obtained, developed or disclosed including all documents, data
papers and statements and trade secret of either Party relating to its business practices and their competitive position in the market place provided to the other Party in connection with the performance of its obligations under this Agreement shall be considered to be confidential and proprietary information ("Confidential Information").

16.2 The Confidential Information including all data, documents, papers and statements will be safeguarded and the Parties will take all the necessary action to protect it against misuse, loss, destruction, alterations or deletions thereof. In the event of a breach or threatened breach by either Party of this section, monetary damages may not be an adequate remedy; therefore, the other Party shall be entitled to injunctive relief to restrain the party committing the breach, from any such breach, threatened or actual.

16.3 The receiving party shall not be liable for disclosure or use of any confidential information if the same:
   a. Is in or enters the public domain.
   b. Is known to the receiving Party at the time of first receipt, or thereafter becomes known to the receiving Party prior to such disclosure without similar restrictions from a source other than the disclosing Party, as evidenced by written records.
   c. Is disclosed pursuant to any law or order of any court or regulatory authority having jurisdiction over the receiving Party.
   d. The receiving party for the purpose of this clause hereinabove would be the Party to whom any such Confidential Information, including all documents, data papers and statements etc., has been disclosed by the other Party.

17. Force Majeure:

17.1 Notwithstanding anything contained in this Agreement, the Parties shall not be liable for any failure to perform any of its obligations under this Agreement if the performance is prevented, hindered or delayed by a Force Majeure event as defined below and in such case its obligations shall be suspended so long as the Force Majeure Event continues.

17.2 Each Party shall promptly inform the other of the existence of a Force Majeure Event and shall consult together to find a mutually acceptable solution.

17.3 "Force Majeure Event" means any event due to any cause beyond the reasonable control of the Party, including, without limitation, unavailability of any communication system, sabotage, fire, flood, explosion, Act of God, civil commotion, strikes or industrial action of any kind, riots, insurrection, war or acts of government.

18. Termination of Agreement:

18.1 This agreement shall be in force for a period of three year from the date of signing of the agreement. After completion of three years period, this agreement shall automatically renew for a further period of one year unless either party gives the other party notice in writing of non-renewal at least one month prior to the termination date.

18.2 The parties shall be entitled to terminate this agreement without assigning any
reason by giving notice of three months.

18.3 The termination of this Agreement shall be without prejudice to the accrued rights and obligations of the Parties and all such accrued rights and obligations shall remain in full force and effect and be enforceable notwithstanding such expiry or termination.

18.4 Upon the termination or expiration of this Agreement for any reason whatsoever, either party shall:

a. Immediately refrain from any action that would or may indicate any relationship between it and either party.

b. Immediately cease to use in any manner whatsoever the trademarks, name of either party or its corporate logo in any future correspondence or communications.

c. Forthwith hand over to either party the possession of all documents, material and any other property belonging to either party that may be in the possession of the either party or any of its employees, agents or individuals assigned to perform the services under this Agreement.

19. Settlement of Dispute:

19.1 All disputes or differences whatsoever arising between the parties shall be settled amicably. If, however, the parties are not able to solve them amicably, the same shall be settled by Arbitration as per The Arbitration and Conciliation Act, 1996 as amended from time to time.

19.2 The Award made in pursuance thereof shall be binding on the parties.

19.3 The place of arbitration shall be Delhi.

20. Representation and Warranties by Parties:

20.1 THE CENTRAL BOARD and the Financial Advisor and the Chief Accounts Officer, who appends signature to this agreement, hereby undertakes, affirms and agrees that it/he/she has full power and authority to enter into this Agreement and to take any action and execute any documents required by the terms hereof; and that this Agreement, entered into has been duly authorized by all necessary authorization proceedings, has been duly and validly executed and delivered, and is a legal, valid, and binding obligation of, enforceable in accordance with the terms hereof; and that the executants of this Agreement are duly empowered and authorized to execute this Agreement and to perform all its obligations in accordance with the terms herein.

20.2 THE BANK and the (Designation) who appends signature to this agreement hereby undertakes, affirms and agrees that it/he/she has full power and authority to enter into this Agreement and to take any action and execute any documents required by the terms hereof; and that this Agreement, entered into has been duly authorized by all necessary authorization proceedings, has been duly and validly executed and delivered, and is a legal, valid, and binding obligation of, enforceable in accordance with the terms hereof; and that the executants of this Agreement are duly empowered and authorized to execute this Agreement and to perform all its
21. **Miscellaneous Provisions, Terms and Conditions:**

21.1 This MOU has been signed in duplicate, each of which shall be deemed to be an original.

21.2 It is agreed that both the parties will share an escalation matrix for (1) Technical support (2) Refunds (3) Risk (4) Accounts.

21.3 THE BANK will make provisions for all time dedicated technical support during the currency of Agreement and Helpline Telephone No. will be provided all the time (24X7) every day throughout the year.

21.4 Unless otherwise provided herein, all notices or other communications under or in connection with this Agreement shall be given in writing and may be sent by personal delivery or post or courier to the registered office address mentioned hereinabove in the Agreement. The communication to a party can also be made through electronic medium by the persons authorized for this purpose by the other party.

21.5 The invalidity or unenforceability of any provisions of this Agreement in any jurisdiction shall not affect the validity, legality or enforceability of the remaining provisions of this Agreement in such jurisdiction or the validity, legality or enforceability of this Agreement, including any such provision, in any other jurisdiction, it being intended that all rights and obligations of the Parties hereunder shall be enforceable to the fullest extent permitted by law.

21.6 Neither Party may assign, in whole or in part, the benefits or obligations of this Agreement to any other person without the prior written consent of the other Party.

21.7 The Parties hereto have agreed that their respective rights and obligations with regard to their business relationship between them inter se will be interpreted, acted upon and governed solely in accordance with the terms and conditions of this Agreement.

21.8 The expression “Central Board’ shall include to mean its offices, officers or representative as the context may demand.

21.9 THE Parties may display the following clauses on its Portal/website.

i. Terms & Conditions

ii. Privacy Policy

iii. Refund and Cancellation Policy

iv. List of products / services offered and their pricing

v. Contact Us

IN WITNESS WHEREOF the parties hereto have executed this MOU (in duplicate) on the day, month and year first hereinabove mentioned.
A. Signed and Delivered by the within named
THE CENTRAL BOARD by the hands of its Authorized
Signatory:

B. Signed and Delivered by the within named
(Nationalized Bank)
by the hands of its Authorized
Signatory:

In the presence of: (Witness 1)

In the presence of: (Witness 2)

Signed: ____________________ on
2016
Performance Evaluation of Portfolio Managers for the period 01.04.2016 to 30.06.2016.

1. The Central Board of Trustees in its 207th meeting held on 31.03.2015 approved the appointment of following five fund managers for managing the EPFO corpus for a period of three years:

   i. State Bank of India.
   ii. ICICI Securities Primary Dealership Ltd.
   iii. Reliance Capital Asset Management Ltd.
   iv. HSBC Asset Management (India) Private Ltd.
   v. UTI Asset Management Company Ltd.

The New Portfolio Managers started managing EPFO corpus from 01.07.2015.

2. Further, the Central Board of Trustees in its 204th meeting held on 26.08.2014 had also appointed CRISIL as a Consultant for Selection of New Multiple Fund Managers and their Performance Evaluation.

3. The performance of all Portfolio Managers for the period 01.01.2016 to 31.03.2016 has already placed in 128th meeting of FIAC held on 22.07.2016.

4. CRISIL evaluates the performance of the four portfolio managers of EPFO on the basis of following criteria:-

   - **Portfolio Yields (80% weight) –** Higher the yield, better score in overall performance.

   - **Asset Quality (20% weight) –** Asset Quality is measured using the credit quality scoring mechanism allotted by CRISIL to each security in the portfolio. G-Sec being risk free, have lowest credit score and corporate Bonds are assigned progressively higher score based on ratings. Lower the score better is ranking.

The cumulative performance of the PMs basing on aggregate performance score and portfolio yield for the period i.e. 01.07.2015 to 30.06.2016 is as under:

<table>
<thead>
<tr>
<th>Portfolio Manager</th>
<th>Aggregate Performance Score (Out of 100)</th>
<th>Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>UTI AMC</td>
<td>92.185%</td>
<td>1</td>
</tr>
<tr>
<td>SBI</td>
<td>91.171%</td>
<td>2</td>
</tr>
<tr>
<td>ICICI Sec. PD Ltd</td>
<td>91.039%</td>
<td>3</td>
</tr>
<tr>
<td>HSBC AML</td>
<td>91.036%</td>
<td>4</td>
</tr>
<tr>
<td>Reliance Capital AML</td>
<td>90.068%</td>
<td>5</td>
</tr>
</tbody>
</table>
(II) Portfolio Yield (80% weight)

April, 2016 to June, 2016

<table>
<thead>
<tr>
<th>Portfolio Manager</th>
<th>Yield%</th>
<th>Benchmark Yield%</th>
<th>Yield Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reliance Capital AML</td>
<td>8.39%</td>
<td>8.14%</td>
<td>1</td>
</tr>
<tr>
<td>SBI</td>
<td>8.39%</td>
<td>8.14%</td>
<td>1</td>
</tr>
<tr>
<td>HSBC AML</td>
<td>8.38%</td>
<td>8.14%</td>
<td>2</td>
</tr>
<tr>
<td>UTI AMC</td>
<td>8.37%</td>
<td>8.14%</td>
<td>3</td>
</tr>
<tr>
<td>ICICI Sec. PD Ltd</td>
<td>8.35%</td>
<td>8.14%</td>
<td>4</td>
</tr>
<tr>
<td>Overall EPFO</td>
<td>8.38%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(III) Cumulative yield comparison (July, 2015 to June, 2016)

<table>
<thead>
<tr>
<th>Portfolio Manager</th>
<th>Yield%</th>
<th>Benchmark Yield%</th>
<th>Yield Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI Sec. PD Ltd</td>
<td>8.45%</td>
<td>8.30%</td>
<td>1</td>
</tr>
<tr>
<td>HSBC AMC</td>
<td>8.45%</td>
<td>8.30%</td>
<td>1</td>
</tr>
<tr>
<td>SBI</td>
<td>8.44%</td>
<td>8.30%</td>
<td>2</td>
</tr>
<tr>
<td>UTI AMC</td>
<td>8.44%</td>
<td>8.30%</td>
<td>2</td>
</tr>
<tr>
<td>Reliance Capital AML</td>
<td>8.41%</td>
<td>8.30%</td>
<td>3</td>
</tr>
<tr>
<td>Overall EPFO</td>
<td>8.44%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key observations on the Performance:

- All portfolio managers outperformed the benchmark yield by 21-25 bps, largely on account of higher allocation to relatively high yielding SDLs and PVT bonds vis-a-vis the benchmark.

- SBI and Reliance AMC generated the highest yield of 8.39% on account of relatively higher exposure to high-yielding SDLs and PVT bonds.

- Portfolio Managers did not make any allocations to fixed deposits (FDs).

The item is placed before the FIAC for perusal and information.
Item No. 6  Concurrent Audit Reports of Provident Fund (including the funds) and Pension Fund for the month of May 2016.

1. External Concurrent Auditor (ECA) M/s Chandhabhoy & Jassoobhoy, Chartered Accountant has submitted the audit report for the month of May 2016.

2. The Action has been taken on the report of ECA for the month of May 2016.

3. As per the decision FIAC in its 128th meeting held on 22.07.2016, ECA has been called for giving presentation.

Proposal: The item is placed before FIAC for consideration and necessary directions, if any.
Item No.7: Status Note/Report on progress of multi-banking arrangement integrating Nationalized Banks with EPFO.

Government of India, MoL&E vide notification GSR No. 360(E) dated 05.05.2015 has amended the provisions of Para 38(1) and 48 of EPF Scheme, 1952 to authorize nationalized banks, in addition to SBI, for collection of statutory dues. The notification was in pursuance of the decision in 205th CBT meeting held on 19.12.2014.

2. Para 48 of the Employees' Provident Funds Scheme, 1952 now provides that the Commissioner shall deposit the contributions received from the employers, electronically through internet banking or any other mode other than internet banking (cheques and drafts), in the Reserve Bank or the State Bank of India or any other Nationalized Banks or through PayGov platform authorized for collection in the Current Account of the Fund.

3. Consequently, all nationalized banks were requested to submit their consent to provide customized services to EPFO for collection at the rate prescribed by RBI for conduct of government business. In response, twenty four nationalized banks have expressed their willingness for the same.

4. A model agreement has been drafted for conducting the business with nationalized banks other than SBI. Nationalized banks will be authorized primarily for direct, online collection of contributions, having bank account with the respective banks and for making payments to beneficiaries from such banks. At the same time negotiations are being held with State Bank of India to provide its services to EPFO at the rates prescribed by the Reserve Bank of India. The proposed agreement which is to be entered into with the nationalized banks is placed as agenda item No. 4 in the present FIAC for consideration please.

5. A trial run has been conducted successfully with PNB, Indian Bank, Union Bank of India and Allahabad Bank. The requirements of hardware, software and a robust security system are being put in place and it has been decided that the collection through multi-banking may be rolled out in the month of October, 2016. Thereafter, agreement will be made with other nationalized banks whoever come forward for banking arrangement with EPFO.

6. It has been an endeavour of EPFO to accredit more and more banks for collection of dues as part of "Ease of doing business" and to collect such dues through the internet. Similarly, it has been a consistent policy to electronically credit money to beneficiaries in which ever bank that a subscriber may have opened his bank account. Such payments are made through RBI's NEFT platform or through the Core Banking Solutions (CBS) of the State Bank of India. As more and more banks are associated with EPFO, it shall be
possible to seamlessly credit payments to the subscribers using the CBS of the respective banks. Such payments would be more efficient and would improve service delivery to the EPF subscribers. Accordingly, the proposal of engaging private sector banks – ICICI Bank, HDFC Bank and Axis Bank – as was done by Ministry of Finance, Government of India in addition to SBI and nationalized banks shall be placed before FIAC for consideration.

Proposal: The Status Note as above is placed before the FIAC for consideration.
Employees’ Provident Fund Organisation (EPFO)

Concurrent Audit of Investment Portfolios

External Concurrent Auditors’ (ECA) presentation to the meeting of Finance Investment & Audit Committee (FIAC) scheduled to be held on

Friday, 19th August, 2016
Terms of Reference & Coverage of Concurrent Audit

• Terms of Reference:

Chandabhoy & Jassoobhoy (C&J) has been appointed as External Concurrent Auditors for verification of investment portfolio managed by 5 Portfolio Managers viz:

(1) HSBC Assets Management (India) Pvt. Ltd.
(2) Reliance Nippon Life Assets Management Ltd.
   (Formally known as Reliance Capital Assets Management Ltd.)
(1) ICICI Securities Primary Dealership Ltd.
(2) State Bank of India (AMC) and
(3) UTI AMC Ltd.
Objective of Audit

- To provide assurance to the management of EPFO that:

  - the fund managers have followed the investment pattern, investment guidelines and terms of agreement entered between EPFO and the fund managers;

- Conduct the audit in terms with the Scope of work defined in Request for Proposal (RPF) dated 20.06.2011.
Audit Methodology...

- Verification of 'investment portfolio' managed by Portfolio Managers to obtain reasonable assurance about whether:
  - investment pattern has been followed;
  - capital is investment promptly;
  - maximum return possible on the funds.
  - interest and maturity proceeds are collected promptly;
  - proper records are maintained
  - investments are made at optimal market rate
  - investments are made at highest available yield for the particular period of maturity etc.

- Also to check and verify:
  - reconciliation of fund flow and bank account of EPFO maintained by Portfolio Managers;
  - MIS from Custodian;
  - daily transactions with market data etc.

- All the audit observations are discussed with respective Portfolio Managers and after their concurrence, we forward final report to EPFO.

CHANDABHOY & JASSOOBHOY
Observations...

- Our observations are sent to EPFO through monthly concurrent audit reports to the FA & CAO, EPFO, Head Office.
- Specific observations:-

(A) Securities were purchased at lowest yield:
- During the course of our audit we observed that on few occasions, securities were purchased at lowest yield for e.g.
- HSBC (Refer our reports:- September 15, October 15 & February 16)
- UTI AMC (Refer our report:- December 15).

- As informed by the portfolio managers, rate fluctuates during the day and investment decision need to be taken instantly to deploy the fund so that funds do not remain idle. Further there is no surety whether the price will increase / decrease further during the day. It is purely a market call and depends on best decision of portfolio manager at that time.

CHANDABHOY & JASSOOBHOY
Observations...

(B) **Better options for investments were available**:
- During the course of our audit we observed that on few occasions, better options of investments are available e.g.
- Reliance (Refer our report:- October 15)
- SBI (Refer our report:- November 15)

- This is mainly applicable to State Government Securities;
- Securities of different States are available with better yield (with same maturity period);
- As informed this depends on various factors e.g. volume of trade, market condition at a particular trade time. Also depends on fund manager’s call / foresight at that time of investment.
Audit Conclusions

- We have sent our final audit reports upto June 2016 to EPFO. Audit / Report of July 2016 is in process and will be sent to EPFO Head Office, after receipt of concurrence from all the portfolio managers.

Thank You...
Agenda Amendment of clause 11 (vii) of Portfolio Management Service Agreement, pertaining to primary market transactions.

1. The matter is regarding Portfolio managers appointed by EPFO for investment of EPFO funds which can be invested in the issue of bonds of their own or its associates.

2. In this regard, the clause 11 (vii) of Portfolio management service agreement pertaining to primary market transactions states:

"The Portfolio Manager shall not utilize the services of the sponsor or any of its associates or its associate brokers, employees or their relatives (or the services of the sponsor of any other Portfolio Managers appointed by the EPFO, or any of their associates or its associate brokers, employees or their relatives), for the purpose of any securities transaction, distribution, and sale of securities in secondary market. 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. For the purpose of this sub-section, "associate" includes a person, (i) who directly or indirectly, by himself, or in combination with relatives, exercises control over the Portfolio Manager or (ii) in respect of whom the Portfolio Manager, directly or indirectly, by itself, or in combination with other persons exercises a control, or (iii) whose director, officer or employee is a whole time director, officer or employee of the Portfolio Manager. Portfolio Manager will have to submit a detailed list of associates and sponsor to the EPFO. The same will be shared by the EPFO with the appointed Portfolio Managers."

3. The said provision was examined, and it was felt that there could be possible conflict of interest if the said provision continues to prevail as it is. Accordingly, it is proposed to amend the said provision of clause 11 (vii) as follows to bring an amendment so that such Portfolio managers cannot invest EPFO funds without the prior written approval of the Trust. The proposed amendment is for replacing the highlighted portion of the original agreement (copy enclosed at Annexure A):

".....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 amongst 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 the issue."
5. In the following cases, where such investments were made by the Portfolio Managers during 2015-16 and 2016-17:

<table>
<thead>
<tr>
<th>Investment Date</th>
<th>Security</th>
<th>Total Deal Value In Rs crores</th>
</tr>
</thead>
<tbody>
<tr>
<td>23 Dec 2015</td>
<td>8.33% SBI Basel III Tier II NCD 2025</td>
<td>4,000</td>
</tr>
<tr>
<td>30 Dec 2015</td>
<td>8.40% SBH NCD 30/12/2025</td>
<td>400</td>
</tr>
<tr>
<td>31 Dec 2015</td>
<td>8.40% State Bank of Mysore Basel III Tier II Bond</td>
<td>200</td>
</tr>
<tr>
<td>18 Jan 2016</td>
<td>8.45% SBI Basel III Tier II PSU Bond</td>
<td>170</td>
</tr>
<tr>
<td>5 Feb 2016</td>
<td>8.65% PNB Basel III Tier II NCD 2026 (SBI lead arranger)</td>
<td>1,500</td>
</tr>
<tr>
<td>10 May 2016</td>
<td>8.40% ICICI Bank NCD (ISecPD lead arranger)</td>
<td>5,500</td>
</tr>
</tbody>
</table>

Proposal: The agenda item at Para 3 with respect to the relevant portion of Clause 11 (vii) of PMS Agreement pertaining to primary market transactions is placed before the FIAC for consideration.
(iv) The obligation of confidentiality on Portfolio Manager shall also continue to survive for a period of three (3) years after the date of termination/expiry of this Agreement.

11. RESTRICTIONS & PENALTY

(i) The performance of the obligations of the Portfolio Manager be subject to the restrictions as stated herein and more particularly in Schedule 2.

(ii) The Assets under the management of the Portfolio Manager are restricted to the extent of allocation made to the Portfolio Manager. Further, the Trust has the prerogative of making and/or revising the asset allocation to the Portfolio Manager during the course of this Agreement.

(iii) The investment process that will be followed by the Portfolio Manager while investing the investible fund shall be shared with the Trust within one month from the date of the Agreement. Any exceptions to the investment process shall be recorded in writing and shared with the Trust.

(iv) The Portfolio Manager shall not indulge in any kind of speculative transactions.

(v) Investment decisions should be taken by the Portfolio Manager with maximum emphasis on safety and optimum returns. The Portfolio Manager shall charge the agreed fee from the Trust for rendering portfolio management services without guaranteeing or assuring, either directly or indirectly, any return. The Portfolio Manager shall be responsible for the acts of omissions or commissions by its personnel. However, the liability to the Trust shall not exceed the investment with the Portfolio Manager.

(vi) The Portfolio Manager shall not purchase or sell Securities exceeding 5 per cent or more through and one single broker, of the aggregate purchases and sales of Securities made by the Portfolio Manager, 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.

For the calculation of broker limit, all the security transactions in primary as well as secondary market are to be included except investments in bank fixed deposits and Collateralized Borrowing and Lending Obligations (CBLO).

(vii) The Portfolio Manager shall not utilise the services of the sponsor or any of its associates or its associate brokers, employees or their relatives (or the services of the sponsor of any other Portfolio
Manager appointed by the EPFO, or any of their associates or its associate brokers, employees or their relatives), for the purpose of any securities transaction, distribution, and sale of securities in secondary market. 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. For the purpose of this sub-section, "associate" includes a person, — (i) who directly or indirectly, by himself, or in combination with relatives, exercises control over the Portfolio Manager or (ii) in respect of whom the Portfolio Manager, directly or indirectly, by itself, or in combination with other persons exercises a control, or (iii) whose director, officer or employee is a whole time director, officer or employee of the Portfolio Manager. Portfolio Manager will have to submit a detailed list of its associates and sponsor to the EPFO. The same will be shared by the EPFO with the appointed Portfolio Managers.

(viii) At no point of time shall investible fund exceeding Rs. 1 (one) lakh be kept idle beyond two (2) working days. Idle Investible Fund will mean Investible Fund that are invested in savings bank accounts.

The aforesaid period of two (2) working days shall exclude one working day for transfer of Investible Fund to the Designated Bank Accounts and bank holidays. If idle Investible Fund exceeds an amount of Rs. 1 (one) lakh for a period of more than two working days, the Portfolio Manager shall pay to the Trust penalty to the extent of savings bank deposit rate offered by State Bank of India plus 4% for such number of days the Investible Fund were idle. The penalty for idle funds will not be applicable for situations as mentioned in clause 14 (ii).

For example if the number of working days for which Investible Fund are idle is 5 and the savings bank deposit rate is 4 per cent, the penalty payable to the Trust would be at the rate of 8 per cent for a period of 3 days.

(ix) The performance evaluation of the Portfolio Manager shall be carried out on a monthly, quarterly and annual frequency by the Investment Monitoring Cell.

(x) In the event of breach of any obligation stated herein, the Trust will intimate the same to the Portfolio Manager in writing. The Portfolio Manager should rectify the same within 30 days of the EPFO communicating it to the Portfolio Manager in writing.
Subject: RE: UTMOST PRIORITY: amendment in clause 11(vii) of PMS
Agreement relating to primary market issuances

To: inc.epfo@epfindia.gov.in
Cc: "ICIC II IMC <rc1.lmc@epfindia.gov.in>, rc2.lmc@epfindia.gov.in,
oc1.lmc@epfindia.gov.in, oc2.cao@epfindia.gov.in,
"AMC PA IMC <acc.fa.imc@epfindia.gov.in>, cpfo@epfindia.gov.in,
"DGM (PM&CS)" <dgm.pm.cs@abl.co.in>

Date: 12/08/16 06:08 PM
From: RAMASESHU <a.ramaseshu@sbl.co.in>

RE: Amendment in terms of Agreement of Portfolio M... (27kB) image001.gif (4kB)

Dear Sir,

With reference to your mail dated 11th Aug 2016 on the captioned subject, we submit our response as under:

Some of the top arrangers in the corporate bond market include names like SBI Capital Markets, ICsec PD, Axis Bank et al which are covered under the associates/sponsor clause for one or the other fund manager. SBI is the promoter of SBI Capital Markets, ICICI Bank is the promoter of ICsec PD and we understand that an Official of UTI AMC sits in the board of directors of Axis Bank thereby invoking the associate/sponsor clause and affecting the respective fund manager.

We are of the opinion that the proposed change to the clause would make it rather restrictive to the fund manager to operate effectively in the market. In the case of corporate bond bidding, issuers tend to give very short notice for bidding and at times also tend to close the issue within a short span of time of subscription/negotiation. It may operationally prove to be very difficult as there may not be enough time to seek written approval of the Trust which may lead to missing the deal and may not be in the best interest of the Fund.

This may also lead to a situation in which one fund manager may not be able to participate waiting for the written permission from Trust while others do and may miss out on the deal which will have further repercussions on the performance evaluation of the fund manager.

In view of the above and also referring our mail dated 09/Nov/2015 & 28/06/2016 (attached herewith), we request for favourable consideration to continue the relaxation of the said clause till completion of the current assignment. The matter of relaxation of the said clause was also discussed in the Performance Review Meeting dated 22/July/2016.

However if EPFO ultimately decides/wishes to go ahead with the change in clause as proposed, we request IMC EPFO to have a system in place that ensures a response is given to the fund manager from the appropriate authority of EPFO within the reasonable time that is required to close/confirm participation in the deal.

Thanks & Regards,
A.Srinivas Ramaswani
Chief Dealer(PM&CS)
SBI-EPFO
Ph: 022-22891430

From: inc.lmc@epfindia.gov.in [mailto:ac1.lmc@epfindia.gov.in]
Sent: Thursday, August 11, 2016 12:03 PM
To: mailto:ac1.lmc@epfindia.gov.in
Dear PMs,

The portion of clause 11 (vii) of Portfolio management service agreement pertaining to primary market transactions states:

".........However, Investment can be made in primary market issuances in which 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 broker is one of the Lead Managers) does not subscribe to more than 50% of the issue size."

The said provision was examined, and it was felt that there could be possible conflict of interest if the said provision continues to prevail as it is. Accordingly, EPFO is looking to amend the said provision of clause 11 (vii) as follows:

".........However, Investment can be made in primary market issuances in which sponsor or any of its associates or its associate brokers is one of the Lead Managers, provided there is consensus amongst all selected Portfolio managers to invest in that issuance and the Portfolio manager (whose sponsor or any of its associates or its associate broker is one of the Lead Managers) does not subscribe to the issue without prior written approval of the Trust."

Please provide your comments on this matter latest by TOMORROW. This may be treated at utmost priority.

Regards,

IMC EPFO.
Dear Sir,

We have perused the amendments proposed by you. Our comments to the same are as under:

i. EPFO investment requirements are growing year on year at a robust pace and are, even at the current stage, non-satiable with the limited opportunities in primary markets and limit constraints. If the amendment, as proposed, is implemented on investments in issues arranged by associates, investment opportunities would be severely limited (since the associates of portfolio managers are major institutional arrangers, ranked top 5 in primary issuances). This could result in difficulty in deploying funds as per the investment pattern and thereby impact the performance of the portfolio;

ii. Investor response against primary offers is time bound as the issuer’s offer is valid for a limited period (a standard market practice). Any waiting time in investing in primary market issuance can lead to an opportunity loss for EPFO, especially in a volatile market; and

iii. If a prior written approval is required for investing in issues arranged by major institutional arrangers like Axis Bank (being an associate of UTI), ICICI Bank (being associate of I-Sec PD) and SBI Caps (being an associate of SBI), it will push issuers to have a primary issuances managed by lesser known, non-transparent non-institutional arrangers.

Given the foregoing, ICICI Securities Primary Dealership is not agreeable to the changes proposed by EPFO vide its email dated August 11, 2016.

Regards,
Yatin Vinekar
I-Sec PD EPFO

Date: 16/08/16 02:23 PM
From: Yatin Vinekar <Yatin.Vinekar@licotp.com>
Subject: Re: UTMOST PRIORITY: amendment in clause 11(vii) of PMS Agreement relating to primary market issuances

Date: 12/08/16 07:04 PM
From: b.aswin.kumar@hsbc.co.in

To: fa cao <fa.cao@epfindia.gov.in>,
    acc imc <acc.fa.imc@epfindia.gov.in>,
    rc2 imc <rc2.imc@epfindia.gov.in>,
    imc epfo <imc.epfo@epfindia.gov.in>, ac1.imc@epfindia.gov.in
Cc: jaya.nliram@hsbc.co.in, tusharpradhan@hsbc.co.in

Dear Sir,

As desired PFA the response w.r.t to the amendment in clause 11(vii):

Kindly refer to our mail dated 28/6/2016 wherein we had stated the impact of the relaxation as under:

Investment were done in the primary market. There were no secondary market transactions during the period of relaxation. However, going forward the continuation of relaxation is sought for the tenor of the mandate as the restricted list contains several large entities, with a dominant presence in the financial markets and the major participants in the secondary markets. The restricted list (400+ entities) includes players like SBI, PNB, BoB, ICICI Bank, Insurance Companies, Mutual Funds etc., which restrict the EPFO Fund Managers to invest in opportunities available in the secondary markets.

We would request to relax the clause for the tenor of mandate to be able to use the secondary market transactions to optimise the EPFO returns.

We had given feedback for clause 11(vii) w.r.t secondary market transactions with associates / sponsors of the portfolio managers as these are large and important institutional players in the markets. The clause restricts us from dealing with them in the secondary markets resulting in loss of opportunity for EPFO investments.

Further to the same, the current change suggested in the amendment will add to the turn around time taken for a transaction while utilizing the services of the arrangers in the primary market who are the associates / sponsors of the portfolio managers as primary market transactions can be conducted at a short notice. This could result in loss of opportunity for EPFO investments.

Sponsors / associates of the portfolio managers are large institutional players. As arrangers of corporate bond issuances they have a dominant market share of 50%. The balance market share of 50% in the primary corporate bond issuance market is shared largely by intermediaries and a few institutional players. The arranger list available to EPFO for its primary market investments will remain concentrated to the few active non institutional arrangers.

We would request you to kindly reconsider the suggestions presented w.r.t clause 11(vii).

This is for your information.

Regards,

Aswin Kumar Balasubramanian
AVP, Fixed Income | HSBC Asset Management (India) Pvt. Ltd.
16, V. N. Road, Fort, Mumbai - 400 001, India

Phone 91 22 6614 5140
Email b.aswin.kumar@hsbc.co.in
Website www.ame.com/in

Our greatest glory is not in never falling, but in getting up every time we do.

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Subject: RE: UTMOST PRIORITY: amendment in clause 11(vii) of PMS Agreement relating to primary market issuances

To: ac1.imc@epfindia.gov.in  
c: fa cao <f.ca@epfindia.gov.in>,  
epc imc <epc.ca@epfindia.gov.in>,  
rc1 imc <rc1.ca@epfindia.gov.in>,  
rc2 imc <rc2.ca@epfindia.gov.in>,  
imc epfo <mc.epfo@epindia.gov.in>

Date: 12/08/16 02:35 PM
From: Puneet N Srivastava <Puneet.Srivastava@relianceada.com>

Dear Sir,

The current Investment Management Agreement is comprehensive in nature and encompasses safeguards to prevent conflict of interest, presented as under:

1) First, the condition which requires all portfolio managers to invest in that issuance, and

2) Second, Investment cap of 50% on the portfolio manager whose sponsor or any of its associates or its associate broker is one of the Lead Managers. This condition is highly unlikely to be breached since the highest portfolio allocation to any portfolio manager (in this case SBI) is 35%.

Thanks & Regards
Puneet N Srivastava
9887137917
Portfolio Manager – RNLAM – EPFO

From: ac1.imc@epfindia.gov.in [mailto:ac1.imc@epfindia.gov.in]
Sent: Thursday, August 11, 2016 12:03 PM
To: A Ramaseshu; yatin Vinekar; Jaya Nigam; Puneet N Srivastava; manish Joshi
Cc: fa cao; acc imc; rc1 imc; rc2 imc; imc epfo

Subject: UTMOST PRIORITY: amendment in clause 11(vii) of PMS Agreement relating to primary market issuances

Dear PMs,

The portion of clause 11 (vii) of Portfolio management service agreement pertaining to primary market transactions states:

"........However, investment can be made in primary market issuances in which 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 broker is one of the Lead Managers) does not subscribe to more than 50% of the issue size."

The said provision was examined, and it was felt that there could be possible conflict of interest if the said provision continues to prevail as it is. Accordingly, EPFO is looking to amend the said provision of clause 11 (vii) as follows:
Subject: Re: UTMOST PRIORITY: amendment in clause 11(vii) of PMS Agreement relating to primary market issuances

Date: 12/08/16 04:22 PM
From: Manish Joshi <Manish.Joshi@uti.co.in>

To: APFC IMC <ap1.imc@epindia.gov.in>
Cc: acc.imc <acc.Ja.imc@epindia.gov.in>,
fa.caao <f.a.caao@epindia.gov.in>,
imc.epfo <imc.epfo@epindia.gov.in>,
c2l.imc <c2l.imc@epindia.gov.in>,
Amandeep S Chopra <Amandeep.Chopra@uti.co.in>,
Intlyazur Rahman <rahman@uti.co.in>,
Ranjani K Biswal <Ranjani.Biswal@uti.co.in>,
Vivek Maheshwar <Vivek.Maheshwar@uti.co.in>,
Dilip Mohanty <Dilip.Mohanty@uti.co.in>

Dear Sir,

This has reference to the mail on the proposed amendment in clause 11 (vii) of PMS agreement between portfolio managers and CBT EPFO. The probable ramifications of the proposed amendment are as under.

1. At times issuers may give short notice for issuance. In such instances there may not be sufficient time to seek prior written approval of the trust, thereby missing the whole issue.

2. The process of seeking prior approval may delay the decision making process resulting in one of the portfolio manager, whose sponsor or associate is the lead manager, missing the issue. On both these instances there may be opportunity loss for EPFO.

Insurance companies, National pension scheme and provident funds are those entities whose investment pattern and the asset duration are similar to that of EPFO. These entities compete with EPFO in subscribing to issuances in primary market, which is highly competitive. As per the statute all these entities have to necessarily invest certain minimum percentage in debt securities.

The dynamics of the market is such that on few occasions the issuers may give short notice for issuances. At times such issuances are subscribed within short span of opening of issue. In such instances there may not be sufficient time to seek prior written approval for investment, resulting in missing few issuances due to short time line which may be loss of opportunity for EPFO.

Currently there are few institutions who are either sponsors or associates of one of the portfolio managers of EPFO and also among the top lead managers in primary market. They act as lead managers in most of the issuances. Proposed amendment may lead to taking extra time in decision making in most of the issues, which may not be in the best interest of EPFO.

In view of the above we may continue to adhere to the current system.

Regards

Manish Joshi
Fund Manager - PMS
Tel: 022 - 66786880/9004087536