

Annexure - Inputs pertaining to the RFP for Selection of Investment Advisor to OIC PF Trust					
Submitted by		Darashaw and Company Private Limited			
Submitted on		2-Feb-18			
Deadline		12-Feb-18		14.30 Hrs	
Eligibility Criteria for Tender Process					
SN	Item	Benchmark in the Current Process	Queries	Submission	OIC PF TRUST Reply
1	License	SEBI Investment Adviser 2013	<p>SEBI Investment Advisers License is the lowest level of license for such services SEBI Portfolio Managers' License has much higher regulatory guidelines and compliance norms</p> <p>The service availed by OIC PF over the 9 years, especially in equities has been veering towards non-discretionary portfolio management services and not merely investment advisory services, which has contributed towards the trust becoming one among the best-in-class Retiral Trusts in the country.</p> <p>The trust should in fact make it a necessary eligibility condition for the bidder to have a Portfolio Managers' License to be eligible for the process</p> <p>If the Trust wishes to allow Investment Advisor License holders in the process the scoring should reflect the significant difference in the nature of these licenses, with PMS guidelines having much higher benchmarks including capital, SEBI reporting and scrutiny among others. Further, there is a dichotomy in the process because there is a higher score awarded for a service provider rendering Portfolio Management Service yet in the eligibility criteria for the process PMS License is excluded. How is this possible?</p>	<p>The scores could be 5 for PMS 1 for IA</p>	<p>As per our understanding Investment Advisory Services and Portfolio Management Services are two different things. Previous to Investment Advisory license, there was no specific license under which Investment Advisory Services were covered. In 2013 SEBI has come up with the license Specific to the Investment Advisory Services.</p> <p>As we are looking only for Investment Advisory Services - we are looking for eligible Investment Advisor as per SEBI Investment Advisory License & Credible players providing Investment Advisory Services.</p> <p>Trustees decision with regard to investments will be final</p> <p>SEBI as a regulator is the authority of issuing license. Investment Advisory is governed & regulated by SEBI and we are following the same</p>

2	Minimum Net Worth	INR 100 Crs	<p>It Is surprising that for the above eligibility criteria the benchmark is set at the lowest level and for this eligibility criteria of Minimum net worth it is 40 times the stipulation as per the license mentioned above. What is the rationale for the same?</p> <p>While we are well above this benchmark, this is merely a feedback based on the observations herein.</p>	The Trust may consider lowering it.	<p>There is difference between the Stipulation amount required for getting the License and the Net worth. These are two different things</p> <p>Anyone who is providing the Investment Advisory Services will definitely be meeting the Stipulation amount</p> <p>We have kept a nominal Net worth Criteria, so that there can be wider participation</p>
3	Minimum AUM from Retirement Trust Funds	INR 5000 Crs	<p>This is a really low benchmark considering the size of the OIC PF Corpus itself.</p> <p>The AUAM of the service provider may not be less than at least 10 times that of the trust. What is the rationale for the same?</p>	This may be revised upwards to more than 10 times that of the Trust's Corpus	AUM of 5000 has been kept to encourage maximum participation. For evaluation criteria appropriate scores have been assigned for higher AUM
4	Advisor/ Group blacklisting by any PSU/ SLU	Investment Advisor/Group Company should not have been blacklisted by any PSU/Central Level undertaking/State Level Undertaking	<p>SEBI is very clear with regards to the Segregation of businesses in the context of the services required by OIC PF Trust.</p> <p>This is achieved through the mandatory strict Chinese walls and the concept of Separately identifiable Department (as described by SEBI).</p> <p>Therefore, any considerations taken pertaining to the group company/ other entities and not pertaining to the entity rendering the service is not relevant to the service. What is the basis for its inclusion?</p>	There should be no submission sought pertaining to group companies or any other entity.	<p>We only want to deal with investment Advisor/group/entity/parties that are reputed & credible. Also, these are CVC guidelines which we have to abide by.</p> <p>This is non-negotiable. This reflect on our reputation and credibility</p>
5	Research Team	Should have Technical & Fundamental research Team	-	-	-

6	Minimum Experience as Investment Advisor to Retirement Funds	3 years	Considering that the OIC PF Trust has itself benefitted from availing Investment Advisory Services over the past decade and also the fact that any service provider with as low as 3 years of experience would not have withered the favorable as well as unfavorable cycles of the market, the Trust may revise this limit upwards to 10 years minimum experience of service rendered to Retiral Funds. Why is the benchmark so low, even below what has been availed by the OIC PF Trust itself?	Minimum Experience as Investment Advisor to Retirement Funds of 10 years.	SEBI Investment Advisory License came in 2013, therefore 3 years of work experience is required. How we can ask for experience greater than License regulation date?
7	Minimum Team	5 dedicated Analysts/Advisors	<p>Various service providers have members of their wealth management team not catering dedicatedly to Retirement benefits Investment management and Advisory.</p> <p>These submissions are not relevant and hence may not considered.</p> <p>Does this pertain to only the personnel catering dedicatedly to Retirement benefits Trusts? If not, Why?</p>	<p>Minimum team dedicated to Investment Advisory services to Retirement Benefits Funds should be of 10 members with requisite certifications</p> <p>It must be certified to the Trust by the Compliance officer of the service provider that all team members hold the required certifications as specified by SEBI</p> <p>The individual team members must declare in writing that none of their clientele is outside of the Retirement benefits Industry.</p> <p>Scoring can be given as follows based on number of certified team members: 10+ members - score 5 7+ members - score 3 5+ members - score 3 <5 members – ineligible</p>	We are only considering the Experience pertaining to Retirement Trust Fund

Eligibility Criteria for Opening of Financial Bid					
SN	Item	Benchmark in the Current Process	Queries	Submission	OIC PF TRUST Reply
1	Minimum Score on Technical Bid	70%	-	-	-
Bid Evaluation Criteria					
SN	Item	Benchmark in the Current Process	Queries	Submission	OIC PF TRUST Reply
1	Separate Legal entity for Investment Advisory	Yes - 5	<p>SEBI is very clear with regards to the Segregation of businesses in the context of the services required by OIC PF Trust.</p> <p>This is achieved through the mandatory strict Chinese walls.</p> <p>All teams whether a part of the same entity or a part of the group should adhere to these rules of Chinese walls.</p> <p>This structure is immaterial unless the underlying principle is implemented. Recognizing this, SEBI has issued a consultation paper recently wherein it specifies that over 15% cross shareholding may not meet their Chinese walls criteria.</p> <p>Why is this requirement present, despite SEBI's clear guidelines of segregation of businesses?</p>		<p>In line with SEBI investment Advisory License requirement and to follow the industry best practice – Advisors having Separate Legal entity for Investment Advisory services are required.</p> <p>The structure is material. Therefore we have asked for detailed corporate profile and have given significant weightage to entity structure, principles followed, risk governance & Management, group/entity rating and independent directors. This reflects on the group/entity investment risk management & philosophy,</p>
2	SEBI IA License	Yes - 5	<p>Detailed Comments provided in table above for eligibility criteria.</p> <p>Why is the PMS License not Scored here but scored elsewhere for Equity PMS?</p>	<p>The scores could be 5 for PMS 1 for IA</p>	Already addressed
3	Independent legal/compliance/Back office team	Yes - 5	-	-	-

4	Whether the entity has been blacklisted from any PSU/State level undertaking/Central level undertaking/Regulator or any disciplinary action pending against them	Yes - 5	<p>It is redundant to retain this parameter in the technical Criteria with scoring it is already an eligibility criteria.</p> <p>Why is this parameter being repeated twice despite there being no degrees of variation in the answer and hence not meriting a scoring?</p>	This criteria may be excluded from technical requirements	Already addressed – this is non-negotiable – we only want to deal with reputed and credible players
5	Group Risk Management Structure and Policy	<p>Policy in place – 2</p> <p>Type of Policy - 3</p>	<p>SEBI is very clear with regards to the Segregation of businesses in the context of the services required by OIC PF Trust.</p> <p>This is achieved through the mandatory strict Chinese walls and the concept of Separately identifiable Department (as described by SEBI).</p> <p>Therefore, any considerations taken pertaining to the group company/ other entities and not pertaining to the entity rendering the service is not relevant to the service.</p> <p>Policy in this context should be only for the Service in question.</p> <p>Why is the policy of the group being referenced and sought as opposed to the policy in place for the service sought by OIC PF Trust and the relevant team?</p>	<p>The following scores may be assigned based on number of years for which the policy for the service in question was has been in existence:</p> <p>10+ years - 5 score 7+ years - 3 score 5+ years - 1 score <5 years - 0 score</p>	Already addressed

6	Group - Net worth	500 Crs - 5 300 - 500 Crs - 3 100 - 200 Crs - 2 0 - 100 Crs - 1 Ineligible	<p>The detailed comment pertaining to SEBI mandated Chinese walls and irrelevance of group company submissions is as above for reference.</p> <p>Further, as per SEBI guidelines, no guarantee of returns, performance or principal invested is permissible under these licensed by the service provider. Hence the entire risk is borne by the trust.</p> <p>In this context, scoring a group net worth of more than 2000 times and 1200 times the SEBI requirement as 5 and 3 respectively is a benchmark which is excessively high.</p> <p>Further, the net worth of only the entity providing the service is relevant and is already an eligibility criteria.</p> <p>The scoring should be intended to rank the service provided by various bidders.</p> <p>Why is the data pertaining to the Group Net Worth material to the process, given the above context?</p>	This need not be a technical parameter with scoring.	Already addressed
7	Long term credit rating of the Group	AAA, AA+ - 5 AA, AA- - 4 A+ and below - 2	<p>These criteria are applicable for evaluating borrowing entities.</p> <p>Further, as per SEBI guidelines, no guarantee of returns, performance or principal invested is permissible under these licensed by the service provider. Hence the entire risk is borne by the trust. Hence the relevance of this parameter is also limited for the service in question.</p> <p>Why is the data pertaining to credit rating material to the process, given the above context?</p>	This criteria need not be retained as it is irrelevant for the service in question	Only want to deal with entity that are reputed and can be trusted.
8	Listed/Non-listed	Listed - 5 Not Listed - 2	<p>This criteria is not material in evaluating the performance and credentials of the service provider.</p> <p>SEBI has equally stringent compliance requirements for both categories of entities providing the service under the same license.</p> <p>Further, if a parent or group company is, it does not imply the same case as the entity which is providing the service being listed considering the strict nature of SEBI regulations pertaining to segregation of businesses.</p> <p>Why is the data pertaining to listing status material to the process, given the above context?</p>	This criteria need not be retained as it is irrelevant for the service to be provided.	<p>Listed entities are transparent, frequently audited and results are published on time. Just to ensure that the entity/advisor is functioning in extreme transparent manner. Also, this criteria is not a mandatory criteria.</p> <p>As the entire risk is borne by trust – trust want to be extremely conservative and does not want to compromise on any these important criteria</p>

9	Group size and profitability at Group Level	Revenue > 500 crs - 2.5 Else - 1 Profit > 100 Crs - 2.5 Else - 1	The detailed comment pertaining to SEBI mandated Chinese walls and irrelevance of group company submissions is as above for reference. Hence submissions pertaining to group entities is not relevant for service in question. Further, as per SEBI guidelines, no guarantee of returns, performance or principal invested is permissible under these licensed by the service provider. Hence the entire risk is borne by the trust. Hence the relevance of this parameter is also limited for the service in question. Why is the data pertaining to size of the Group in terms of Revenue and Profits material to the process, given the above context?	This criteria need not be retained as it is irrelevant for the service in question.	We believe in how a firm is making revenue is important. We have faced this challenge in the past where advisors have quoted a fee of 1 paisa resulting in doubt from where they will be making money, which can also deteriorate the advisory services. Just to ensure that organization has other source of revenue and will not be compromising on the advisory services to earn easy money
10	Independent Directors at Group level	>5 - Score 5 <5 - Score 2	Why is the data pertaining to the Group material to the process, given the above context?	-	To ensure that quality of the Top management and independent directors to ensure that no malpractices prevail at the organizational level
11	Investment Advisory Entity – Board composition and members profile	For the Independent Investment Advisory Board of Advisory entity – 5Marks, otherwise mark	Dependence on an Advisory board indicates that there is a lack of in-house expertise which is in fact counterproductive. Further, assistance from external agents implies that inputs are taken from sources which are not SEBI registered/ regulated as they are not a part of the teams rendering these services. 1 These services are therefore not governed by the SEBI guidelines including rules for Chinese walls. Agents who are SEBI registered would be influencing the advice being rendered to the Trust and hence such service providers should be considered ineligible. What is the basis for inclusion of weight age for having an advisory board considering the serious issues pertaining to SEBI compliance?	Presence of Advisory boards where members are not SEBI compliant must render such service providers to be Ineligible	We have asked for Independent Investment Advisory Board and Not the Dependent Investment Advisory Board. Objective of Independent Advisory board is to bring in the expertise in independent way to further enhance the best practices.
12	Equity & Equity PMS	Yes - 5 No - 1	We request for clarity on what is the meaning of "Equity" in the phrase 'Equity' and 'Equity PMS'. This is a dichotomy in the process because there is a higher score awarded for a service provider rendering Portfolio Management Service yet in the eligibility criteria for the process PMS License is excluded. How is this possible?		This means returns of recommended Equity & Equity PMS by the Investment Advisor

13	REITS & Real Estate Funds		<p>Please clarify the meaning of this parameter.</p> <p>Why is the weight age so high for a parameter which is barely 1-2% of the portfolio and why is the focus not on Fixed income and equity which constitutes over 95% of the portfolio?</p>	Further clarity is necessary	REITS: Real Estate Investment Trusts – trust can make upto 5% of the incremental investment in this category. Please refer the Ministry of Finance Investment Pattern for details
14	Mutual Funds (Managed & Advised)	Yes – 5 No - 1			
15	Debt & Debt Portfolio	Yes – 5 No - 1	Please elaborate on the meaning of this parameter.	Further clarity is necessary	Portfolio consisting of bonds
16	<p>Technical Research Capability: a. Fixed Income b. Equity c. Currency d. Commodity</p> <p>Fundamental Research Capability: a. Fixed Income b. Equity i. Sector Reports ii. Individual Stock Coverage Reports c. Currency d. Commodity</p>	If all covered – 5 Else - 1	<p>Evaluation of research capabilities needs to be basis the Quality of coverage not solely based on the breadth of coverage of assets.</p> <p>95% of portfolio is driven by fixed income research</p> <p>Further, the research view is the most crucial output of the research team. It is immaterial if it comes through TR or Fundamental.</p> <p>The veracity and correctness of research is not being evaluated and scored in this process.</p> <p>Why is there no stipulated mechanism to score the veracity and accuracy of the research and focus is solely on the coverage of asset classes?</p> <p>REITS, commodities, currency and all other asset classes beyond fixed income and Equities constitutes a very very small percentage weightage in the PF Portfolio. Why have these collectively been given over 18% weightage across the scoring criteria in different places (including research, REITS parameter etc.)?</p>	<p>Evaluation of not merely coverage but veracity and correctness of research is to be included.</p> <p>Due weightage given to be given to fixed income as opposed to various other related and unrelated market segments.</p>	<p>Investment pattern is very dynamic and the environment in which we operate is also very dynamic. Over the last couple of years the Investment pattern has gone through significant changes, today trust can invest in bonds, equity, REITs, Asset Backed Securities. Therefore the Quality of research across the asset class becomes very important.</p> <p>Few years back equity was never an asset class for Retirement Trust. Today it's a reality. At trust we want to be ahead of the curve and want to build an expertise keeping future in mind</p> <p>Our trust is largely making long term investments and thus Fundamental research is very important along with technical research. Thus, capability on both front is required.</p>

17	<p>Performance of the Managed product (Fixed Income and Equity portfolio)</p> <p>For calculation the last year investment & yield on that investment will be taken, scoring will be as follow:</p>	<p>Composite Yield above Gsec + 60 bps - 5</p> <p>above Gsec + 40 bps - 4</p> <p>above Gsec + 20 bps - 3</p> <p>above Gsec + 10 bps - 2</p> <p>Equity Returns above Nifty + 300 bps - 5</p> <p>above Nifty + 200 bps - 4</p> <p>above Nifty + 150 bps - 3</p> <p>above Nifty + 100 bps - 2</p> <p>above Nifty + 300 bps - 1</p>	<p>In principle, returns generated above Gsec + 60 bps deserves full marks and this is perfectly fine with us as well.</p> <p>However, the service in question is not the same as that of a managed product. Hence returns of a managed product is not a relevant criteria.</p> <p>A service provider who is good with a managed product need not necessarily have the credentials required to service OIC PF trust in the capacity as sought by the trust through this process.</p> <p>Hence the question remains as to which returns should be submitted herein - returns of all portfolios advised by the service provider or only the top performing portfolio?</p>	<p>Scoring the performance of the service provider is necessary however, in light of the concerns highlighted, further clarity is required.</p>	<p>Return of all the Retirement Trust portfolios advised by the client alongwith the composite return of all the portfolio</p>
18	<p>Size of Individual Clients</p>	<p>> 2000 Crs - 5</p> <p>1000 - 2000 - 3</p> <p>500 - 1000 - 2</p>	<p>While size of individual clients is being scored, how is the count of such clients being factored in the process?</p> <p>Is the service provider with 1 client >2000 Crs to be scored the same as the service provider with 10 clients with >2000 crores?</p>	<p>Further clarity is necessary</p>	<p>Objective is to have an advisor with mix of client size. This indicates that the advisor has the focus & capability to service clients having different size. This is also to gauge that there is uniformity in servicing the clients irrespective of the size.</p>