

**Washington State Treasurer**  
**Questions regarding RFP for Custody and Lending Services**  
**February 17, 2011**

1. In Section VI-3 Technology and Systems and Requirements discusses TM\$. Please clarify the number of files required to populate TM\$ and please provide the file formats. Also, in part A.1. please clarify last sentence in paragraph regarding not allowing a direct FTP to OST server via Internet given prior sentence allowing FTP and HTTPs.

There would be 3 files that would populate TM\$: the market pricing file, securities on loan, and reinvestment of cash for securities lending. In regard to the file transfer process, OST currently can accept FTP without issue. However, HTTPs would have to go through the Department of Information Systems (DIS), which is an agency separate from OST. At the moment there may not be a direct link to OST, but there are possible alternatives if that were an issue.

2. In Attachment A Section VII – Agreements, Question 3 asks for us to provide a copy of our funds transfer authorization agreement. Please confirm the purpose of this agreement and if it is to allow you to execute cash or securities transfers online.

Not all institutions have a formal, detailed Funds Transfer Authorization Agreement. This agreement governs the movement of funds between OST and the custody provider. We have seen cases ranging from a very formal Agreement to a short paragraph containing wire instructions with a list of OST personnel authorized to give instructions to the custody provider. Our preference is for the latter but we will sign a Funds transfer Authorization Agreement once vetted by our attorneys. The goal is for OST to see all contract attachments in advance in order to avoid delays in contract execution.

3. In order to prepare a securities lending estimate please provide in addition to what was already provided in Exhibit A and Exhibit B price and market value per security. If an excel spreadsheet can be provided that would be preferable.

Please see Excel Spreadsheets attached to the e-mail sent to your RFP contact person.

4. In calculating our securities lending estimate are we to consider the lending reinvestment guidelines identified in your investment policies or as restrictions are shown in Attachment A, Section 3. Securities Lending which imply that you can only invest in US Agency backed mortgage repo? Please define.

Please use the assumptions in Attachment A, Section 3. The primary rationale for this is to make it easier to compare different proposals, e.g., for everyone to use the same reinvestment assumptions. Additionally, our experience for nearly 20 years has been that the most attractive option, given our current reinvestment guidelines, has been repo. Please note that our investment policies allow some products that we do not actually utilize, e.g., commercial paper. Our policies and guidelines are reviewed periodically and are subject to change. Changes proposed for the GSEs may necessitate a change in state statutes governing the eligible

investments for all public funds in Washington State and could have an impact on the OST lending reinvestment guidelines.

5. For securities lending, please state if any of the securities are pledged and therefore not eligible to be lent. How does lender determine lendable assets from pledged assets? If pledged are they held in the portfolio or transferred out of the account. Please also state if there is any possibility that the assets will be pledged in the future.

The OST portfolios do not contain pledged assets. All securities in custody would be available for lending. We are not aware of any future plans to pledge assets.

6. How does OST communicate in real time the amount of repos completed each day in order to govern reinvestments restrictions? Is there a remedy period if a party is over capacity? Please define.

For ease in complying with our policy limitations on repo, we coordinate with the lender ahead of time via the Reinvestment Guidelines so that daily coordination is unnecessary. Repo must be done with primary dealers and there will be a couple dealers, which OST heavily utilize, who would not be available for the lenders to use for repos. Others would be available to utilize up to a maximum amount, which is currently \$200-300 million.

7. Do you have any temporary or permanently impaired assets from investment in your prior cash collateral reinvestment program? If so, please discuss.

No

8. Please provide an estimate of how many delivery repos are done in a given day.

During our latest fiscal year we had 1,007 repo transactions, an average of 4 a day. This is a typical pattern if we are utilizing repos for our liquidity. Should we utilize interest-bearing deposit accounts to provide for our liquidity needs the number of repo transactions could be significantly reduced.

9. Is the custodian responsible for reinvestment of any residual cash balances? If so, please provide the average cash balance held across portfolios.

Our goal is to end each day with a zero cash balance in all of our settlement accounts. Under normal circumstances a failed purchase is the only thing that could result in an end of day cash balance in our account. Those balances may be invested by the custody provider or returned to the state.

10. Is the Custodian being asked to execute trades or to settle trades the State has already placed through external brokers?

There will be no execution of trades required.

11. If the custodian is being asked to execute trades, what type of securities transactions will we be asked to execute.

There will be no execution of trades required.

12. Will the State provide a sample of the daily files sent from the State to the custodian and from the custodian to the state.

Please see the link [“Current TM\\$ File Interface Requirements.”](#)

13. Question #8 under the Reporting and Data Requirements section references a daily pricing file sent to OST by 2pm PT. Is the pricing file for securities traded and settled the current day or is the request for all securities held in the State portfolios each day.  
[The pricing file is for all securities held in the State’s portfolio each day as well as all current day trades with future settlement dates.](#)
  
14. Please clarify what the State mean by a "Funds Transfer Authorization Agreement" As we don't have a form that goes by that name. We are not sure if that is a securities lending document or a securities transfer document.  
[Please see Question 2 above.](#)
  
15. How many assets, on average, are held (in total) in all of the accounts?  
[Roughly 200 different assets are held on average.](#)
  
16. How many transactions, on average, are processed in all of the accounts on an annual basis? Does this include the daily trading and any repo’s that may be traded as well?  
[Please see page 6 of the RFP, which shows annual purchases, sales, and repos for the last 5 years.](#)