



जोखिम निर्धारण मॉडलों / श्रेणीनिर्धारण प्रणाली के  
प्रामाणीकरण के लिए  
प्रस्तावों का आमंत्रण  
**Request for Proposal (RfP)**  
**For**  
**Validation of Risk Assessment Models /**  
**Rating System**

**भारतीय लघु उद्योग विकास बैंक**

एमएसएमई विकास केंद्र,

भूखंड सं. सी-11, जी ब्लॉक, 6ठा तल,

बांद्रा-कुर्ला कॉम्प्लेक्स, बांद्रा(पूर्व), मुंबई-400051

वेबसाइट: [www.sidbi.in](http://www.sidbi.in)

**SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA**

MSME Development Center

Plot No.C-11, 'G' Block, 6th Floor,

Bandra Kurla Complex, Bandra (E), Mumbai - 400 051

Website: [www.sidbi.in](http://www.sidbi.in)

निविदा सं. / Tender No. 400/2015/1057/BYO/RiMD

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*The information provided by the Respondents in response to this tender document will become the property of SIDBI and will not be returned. SIDBI reserves the right to amend, rescind or reissue this Tender Document and all amendments will be advised to the Respondents and such amendments will be binding on them. This document is prepared by SIDBI for procurement of technical resources. It should not be reused or copied or used either partially or fully in any form.*

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# RFP – VALIDATION OF RISK ASSESSMENT MODELS/RATING SYSTEM

## 1. Introduction and Disclaimers

### 1.1 Purpose of RfP

The purpose of this RfP is to assign contract for validation of risk assessment models which includes reviewing of the Rating Model/System i.e. Risk Assessment Models (RAMs) and validation of Risk Assessment Models and Probability of Default (PD) assessment of RAMs under two Bid Systems viz. 1) Pre-qualification/ Eligibility Criteria and 2) Techno-Commercial bid. It is expected that selected Service Provider will:

- a. undertake the evaluation/ validation in a comprehensive, clear and constructive/contributory manner and also as per Reserve Bank of India (RBI) requirement in this regard; and
- b. develop a framework/ model for enabling validation and calibration of the risk assessment models internally along with all required manuals and documents, while providing initial hand holding / training for carrying out internal validation and calibration.

### 1.2 Information Provided

This RfP document contains statements derived from information that is believed to be relevant as on date but does not purport to provide all of the information that may be necessary or desirable to enable an intending contracting party to determine whether or not to enter into a contract or arrangement with SIDBI. Neither SIDBI nor any of its employees, agents, contractors, or advisors gives any representation or warranty, express or implied, as to the accuracy or completeness of any information or statement given or made in this document. Neither SIDBI nor any of its employees, agents, contractors, or advisors has carried out or will carry out an independent audit or verification exercise in relation to the contents of any part of the document.

### 1.3 Disclaimer

Subject to any law to the contrary, and to the maximum extent permitted by law, SIDBI and its officers, employees, contractors, agents, and advisors disclaim all liability from any loss or damage (whether foreseeable or not) suffered by any person acting on or refraining from acting because of any information including forecasts, statements, estimates, or projections contained in this RfP document or conduct ancillary to it whether or not the loss or damage arises in connection with any negligence, errors and omission, default, lack of care or misrepresentation on the part of SIDBI or any of its officers, employees, contractors, agents, or advisors.

## **1.4 Costs to be borne by Respondents**

All costs and expenses incurred by Respondents in any way associated with the preparation, and submission of responses, including but not limited to; the attendance at meetings, discussions, demonstrations, etc. and providing any additional information required by SIDBI, will be borne entirely and exclusively by the Respondent.

## **1.5 No Legal Relationship**

No binding legal relationship will exist between any of the Respondents and SIDBI till the time of execution of a contractual agreement.

## **1.6 Respondents Obligation to Inform Itself**

The Respondent must conduct its own investigation and analysis regarding any information contained in this RfP document and the meaning and impact of that information.

## **1.7 Evaluation of Offers**

Each Respondent acknowledges and accepts that SIDBI may in its absolute discretion apply selection criteria specified in the document for evaluation of proposals for short listing / selecting the eligible Service Provider(s). This RfP document will not form part of any contract or arrangement, which may result from the issue of this document or any investigation or review, carried out by a Respondent.

## **1.8 Acceptance of Selection Process**

Each Respondent to this RfP acknowledges to have read, understood and accepts the selection & evaluation process mentioned in this document. The Respondent ceases to have any option to object against any of these processes at any stage subsequent to submission of its responses to this RfP.

## **1.9 Errors and Omissions**

Each Respondent should notify SIDBI of any error, omission, or discrepancy found in this RfP document.

## **1.10 Acceptance of Terms**

Respondent by responding to SIDBI for this RfP, will be deemed to have accepted the terms of this RfP.

## **1.11 Requests for Proposal**

Respondents are required to direct all communications related to this RfP, through the Nominated Contact person:

Contact : V S Hedao  
Position : General Manager (RiMV)

Email : hedao@sidbi.in  
Telephone : +91 - 22 - 67531331  
Fax : +91 - 22 - 67531355

SIDBI may, in its absolute discretion, seek additional information or material from any Respondents after this RfP closing date and all such information and material provided must be taken to form part of that Respondent's response.

Respondents should provide details of their contact person, telephone, fax, email and full address(s) to ensure that replies to this RfP could be conveyed promptly.

If SIDBI, in its absolute discretion, deems that the originator of a query will gain an advantage by a response to a question, then SIDBI reserves the right to communicate such response to all Respondents.

SIDBI may, in its absolute discretion, engage in discussion with any Respondent (or simultaneously with more than one Respondent) after this RfP closing date to improve or clarify any response.

### **1.12 Notification**

SIDBI shall notify all short-listed Respondents in writing or by mail or other means of communication as soon as practicable about the outcome of their RfP response.

## 2. RfP Response

### 2.1 Critical Information

Events	Date	Time	
Last date for requesting any clarifications for pre-bid meeting	<b>September 17, 2014</b>	12:00 Noon	
Pre Bid meeting (no clarifications would be accepted after pre-bid meeting)	<b>September 22, 2014</b>	<b>15:00 PM</b>	
Last date for submission of bids	<b>September 26, 2014</b>	<b>15:00 PM</b>	
Address for Bid Submission	<b>The General Manager (RiMV)</b> Small Industries Development Bank of India 6 <sup>th</sup> Floor, MSME Development Center Plot No. C-11, G Block Bandra Kurla Complex (BKC), Bandra (E) Mumbai - 400 051 Phone No. : 022-67531100 / 67531331 Fax No. : 022-67531355		
Opening of Pre-qualification/ Eligibility bid	<b>September 29, 2014</b>	<b>15:30 PM</b>	
Date and time of opening of commercial bids	To be intimated at a later date		
Contact details in SIDBI			
Name	Designation	Phone	E-mail
Shri V S Hedao	GM(RiMV)	67531331	<a href="mailto:hedao@sidbi.in">hedao@sidbi.in</a>
Shri K C Vaid	DGM(RiMV)	67531269	<a href="mailto:kcvoid@sidbi.in">kcvoid@sidbi.in</a>
Shri C V Arun Kumar	AGM(RiMV)	67531368	<a href="mailto:cvarunkr@sidbi.in">cvarunkr@sidbi.in</a>
Shri Anil Pakhre	AM(RiMV)	67531339	<a href="mailto:anilp@sidbi.in">anilp@sidbi.in</a>

### 2.2 Cost of Bid Document

A Non-refundable amount of ₹ 1,000/- ( One thousand only) by way of Banker's Cheque / Demand Draft / Pay Order favoring 'Small Industries Development Bank of India' payable at Mumbai, must be submitted separately along with RFP response. The Bank may, at its discretion, reject any Respondent where the application money has not been remitted with this RFP response.

### 2.3 Earnest Money Deposit (EMD)

Each response must be accompanied by a refundable interest free security deposit of ₹ 40,000 /- ( Forty Thousand only) in the form of Demand Draft / Banker's Cheque drawn in favour of "Small Industries Development Bank of India" payable at Mumbai or Bank Guarantee as per format prescribed in **Annexure - IX**.

## 2.4 RfP Closing date

RfP Response should be received by SIDBI not later than the date and time mentioned in 'Critical Information' section at 2.1 above..

## 2.5 RfP Validity Period

The Bids must remain valid and open according to their terms for a period of 180 days from the date of the submission of bids.

## 2.6 Late RfP Policy

Responses received after the closing date and time would be considered as late submission and may not be accepted or opened. Bids received late shall be returned un-opened within 02 weeks from the bid submission date. The decision of SIDBI shall be final in this regard.

## 2.7 Receiving of RfP Response

Receiving of RfP response will be recorded by SIDBI in a 'Bid Receipt Register' kept for the purpose upon receiving the RfP response. The submission of the response should be in the format outlined in this RfP and should be submitted preferably through "hand delivery". If the submission to this, notwithstanding any copyright or other intellectual property right of the Respondent that may subsist in the submission or accompanying documents, RfP does not include all the documents and information required or is incomplete or submission is through Fax mode, the RfP is liable to be summarily rejected. All submissions, including any accompanying documents, will become the property of Bank. The Recipient shall be deemed to have licensed, and granted all rights to the Bank to reproduce the whole or any portion of their submission for the purpose of evaluation and to disclose and/or use the contents of the submission as the basis for any resulting RfP process.

## 2.8 Request for information

Respondents are required to direct all communications for any clarification related to this RfP, to the nominated contact person and must communicate the same in writing by the time mentioned in 'Critical Information' section above. No query / clarification would be entertained over phone.

All queries relating to the RfP, technical or otherwise, must be in writing only and may be sent via email. The Bank will try to respond to such queries, without any obligation in respect thereof, every reasonable query raised by the Respondents in the manner specified.

However, Bank will not entertain any query reaching the bank later than the time stipulated for the purpose.

The Bank may in its absolute discretion seek, but under no obligation to seek, additional information or material from any Respondents after the RfP closing date



and all such information and material provided must be taken to form part of that Respondents' response. Responses to queries will be provided to all Respondents via email. The Bank may in its sole and absolute discretion engage in discussion with any Respondent (or simultaneously with more than one Respondent) after the RfP closing date to clarify any response.

## **2.9 Pre-Bid Meeting**

1. The Bank shall hold a pre-bid meeting on the date and time mentioned in 'Critical Information' section above. Purpose of the meeting is to bring clarity on the scope of work and terms of the RfP being floated. The Respondents are expected to use the platform to have all their queries clarified. No enquiry will be entertained after the pre-bid meeting.
2. It would be the responsibility of the Respondents' representatives (only one authorized person per Service Provider) shall be permitted to participate in the meeting.
3. Clarification sought by Respondent should be made in writing (Letter/E-mail/FAX etc) and submitted on or before the respective last date as indicated in the Critical Information sheet. Bank reserves the right to accept or reject any other queries raised by the Respondent's representative during the pre-bid meeting.
4. The queries and responses (without identifying the source of enquiry) of the Bank would be displayed under the FAQ section, together with amendment to the bidding document, if any, will be posted on the Bank's ([www.sidbi.in](http://www.sidbi.in)) website and Central Public Procurement (CPP) Portal within 04 working days of the pre-bid meeting. It would be the responsibility of the Respondent to check the websites before final submission of bids.

## **2.10 Disqualification**

Any form of canvassing/ lobbying/ influence/ query regarding short listing, status, etc. will result in disqualification.

## **2.11 Selection process**

Respondents will be selected through three stage/ **two** bid evaluation process:

- 1) Pre-qualification/ Eligibility evaluation and
- 2) Techno-Commercial evaluation.

## **2.12 Details of Bids to be submitted**

Proposals along with the following documents must be submitted in a non-window sealed envelope superscribing "RfP – Validation of Risk Assessment Models/Rating System":

Request for Proposal  
For Validation of Risk Assessment Models/Rating System

Envelope	Bid Contents	No. of Copies	Label of Envelope	Reference in RfP
<b>I</b>	<p><b>Eligibility Bid</b></p> <p>i. DDs/ Instruments towards Bid Price &amp; Earnest Money Deposit (EMD) or <b>Bank Guarantee as per Annexure IX.</b></p> <p>ii. <b>Eligibility Bid</b> – Covering letter as per format prescribed in <b>Annexure-I</b></p> <p>iii. Response to Eligibility Criteria as per format prescribed in <b>Annexure-II</b></p> <p>iv. Power of Attorney as per format prescribed in <b>Annexure-IV</b></p> <p>v. Letter of competence as per format prescribed in <b>Annexure-VII</b></p> <p>vi. Non-disclosure Agreement as per <b>Annexure VIII.</b></p>	<p>Hardcopy – 1</p> <p>Editable Softcopy - 1</p>	<p>“Eligibility Bid for Validation of Risk Assessment Models / Rating System – RfP No. ”</p>	
<b>II</b>	<p><b>Technical and Commercial Bid</b></p> <p>1. Commercial Bid Covering letter as per format prescribed in <b>Annexure-III</b></p> <p>Response to Commercial Bid as per format prescribed in <b>Annexure-III</b></p>	<p>Hardcopy – 1</p>	<p>Two separate envelopes for</p> <p>“Technical Bid for Validation of Risk Assessment Models / Rating System – RfP No<b>400/2015/1057/BYO/RiMD</b>”</p> <p>AND</p> <p>“Commercial Bid for Validation of Risk Assessment Models / Rating System – RfP No<b>400/2015/1057/BYO/RiMD</b>”</p>	<b>Chapter 7</b>

**Request for Proposal  
For Validation of Risk Assessment Models/Rating System**

1. Above mentioned separately sealed sub-envelopes should be put together in another master sealed envelope super-scribing "Bid for Validation of Risk Assessment Models / Rating System – RfP No **400/2015/1057/BYO/RiMD**".
2. All the individual envelopes must be super-scribed with the following information as well:
3. Name of the Respondent, Contact Number and e-mail id.
4. Bids should be enclosed with all relevant documentary proofs / certificates/IT returns etc., duly sealed and signed.
5. Envelopes should also contain editable softcopies (in word format) of respective response documents.

## 2.13 Important

Respondents must note the following points during preparation and submission of bids.

1. Authorized signatory must sign all the pages of the response
2. Relevant documents must be submitted as proof wherever necessary. All the pages must be sealed and signed by the authorized signatory of the respondent.
3. Faxed copies of any submission are not acceptable and will be rejected by the Bank.
4. Responses should be concise and to the point. Submission of irrelevant documents must be avoided.
5. If the bids do not contain all the information required or is incomplete, the proposal is liable to be rejected.
6. The RfP is hosted on SIDBI website <http://www.sidbi.in> and also on Central Public Procurement Portal (CPPP). SIDBI reserves the right to change the dates mentioned above. Changes and clarification, if any, related to RfP will be posted on website of SIDBI and CPPP. Respondents must have close watch on website and CPPP during the intervening period before submitting response to RfP.

### **3. Background:**

#### **3.1 About SIDBI**

SIDBI was set up in 1990 as the Principal Financial Institution for Promotion, Financing and Development of industries in the Small Scale Sector. SIDBI's operations have three main areas, viz., direct assistance, indirect assistance and development & support services. SIDBI has a network of 82 branch offices spread across the country, with Head Office at Lucknow. As on March 31, 2014, the total asset base of SIDBI stood at ₹ 67,810 crore. The financial products of SIDBI cater to diverse requirements of micro, small and medium enterprises (MSMEs) directly as also indirectly through other financial intermediaries/ corporations/ banks. Detailed information on the functions of the bank is provided on the website [www.sidbi.in](http://www.sidbi.in).

#### **3.2 Risk Management & System Infrastructure in SIDBI**

Initially, SIDBI was set up as a refinancing institution, with a relatively limited exposure in direct financing. Over the last few years, the share of direct lending has increased. The Bank has appraisal and credit monitoring systems which have been drawn from All India Financial Institutions. In the recent years, with the liberalisation of financial system, use of technology, increased competition for business from banks/ FIs, introduction of global standards for risk management, etc., RBI has suitably made need based changes in the risk management practices in the banking system. SIDBI, has also adopted improved risk management practices by introducing systems, structures, etc. in respect of credit risk management and market risk management. As part of the on-going process of introducing better risk management systems in SIDBI, Integrated Risk Management Systems have been implemented, though the RBI guidelines are presently applicable to the banks. Thus, presently SIDBI is in preparedness of compliance to Basel II norms. SIDBI has in place internal rating models as a tool for measuring credit risk for various borrower segments. As regards market risk, the Bank generates the liquidity and interest rate gap statements, undertakes duration & VaR analysis of investment portfolio, etc. The operational risk is controlled through traditional systems and procedures as well as Comprehensive Operational Risk Evaluator.

### **4. Project Scope**

#### **4.1 Objective/Purpose:**

Objective of the exercise is as enumerated at Para 1.1 above. The validation is proposed to cover three out of present eight models of risk assessment viz., Small and Medium Enterprise Model (SME), Large SME and SME Service.

The purpose of issuing this RfP is to invite pre-qualification / minimum eligibility and techno commercial bids from the eligible Respondents and selection of Respondent(s) for validation of the risk assessment models.

## 4.2 Scope at a Glance

The Scope of work includes but not limited to:

- a. Diagnostic study and Review of Risk Assessment Models (RAMs) and rating systems (including qualitative and quantitative review).
- b. Review of RAMs/rating system as part of validation should be (i) Developmental or Construction review, (ii) Deterministic or Methodological review (iii) Performance review and (iv) Benchmarking.
- c. Validation of the Bank's RAMs and rating systems and the estimation of PDs (both qualitative and quantitative validation).
- d. Refinement of RAMs and rating systems along with training thereof.
- e. Institution of policy and Framework for internal validation of rating system and RAMs.
- f. In addition, the respondent is expected to apprise and advise the bank of current trends, latest developments and best practices in the market in relation to the RAMs and rating systems.

Overall the validation should fulfill the requirements of Working Paper 14 of Basel Committee on Banking Supervision (BCBS) document also. Details of the scope have been briefly explained in Annexure X.

## 5. Evaluation Methodology for Bids

### 5.1 Objective

1. The objective of this evaluation methodology is to facilitate the selection of Consultant/Service Provider (SP) fulfilling minimum eligibility criteria and at optimal cost.
2. The selected Respondent will be entrusted with end-to-end responsibility of validation of RAMs / rating system and meet other related requirements as envisaged in this RfP.

### 5.2 Evaluation process

1. To meet Banks' requirements as envisaged in the RfP, the selected Respondent must have the requisite experience and expertise.
2. The evaluation process of the bids proposed to be adopted by Bank is indicated below. The purpose of it is only to provide the Respondents an idea of the evaluation process that Bank may adopt. Bank reserves the right to modify the evaluation process at any time during the Tender process (before submission of the technical and commercial responses by the prospective Respondent), without assigning any reason. Any time during the process of

evaluation, Bank may seek specific clarification from any or all of the Respondents.

3. Bank will evaluate proposals of the respondents on the basis of technical capability. Therefore, respondents should submit necessary details that would help evaluation for their responses. In order to evaluate the Service Provider competence level and methodology for the assignment, respondents may be required to make presentation to the evaluation committee., if felt necessary.
4. Bank will constitute an Evaluation Committee to examine in detail the competence of respondents to ensure capabilities to handle proposed project. Bank also reserves the right to include any outside consultants/experts in the said Evaluation Committee.
5. The Bank has adopted a Three stage/ Two (2) bid process in which the Respondent has to submit following bids in separate envelopes at the time of submission of bids as stipulated in this document.
6. **Techno Commercial Bids:** The Bank shall evaluate first the 'Eligibility Criteria' bids and based on its evaluation, 'Techno Commercial bids' shall be opened only for the bids qualifying the eligibility criteria. The final selection will be done based on the commercial evaluation of technically short listed Respondents subsequent to qualifying in eligibility criteria.
7. During evaluation of Bids, the Bank, at its discretion, may ask the Respondents for clarifications of their Bids. The request for clarification and the response shall be in writing (Fax/e-Mail), and it should be submitted within the time stipulated by the Bank. No change in the price of substance of the Bid shall be sought, offered or permitted.
8. The decision of the Evaluation Committee shall be final with regard to the processes / evaluations mentioned herein.

### 5.3 Preliminary Examination

1. The Bank will examine the Bids to determine whether they are complete in all respect, the documents have been properly signed, supporting papers/ annexures attached and the bids are generally in order.
2. The Bank may, at its sole discretion, waive any minor infirmity, nonconformity or irregularity in a Bid which does not constitute a material deviation, provided such a waiver does not prejudice or affect the relative ranking of any Respondent.
3. Prior to the detailed evaluation, the Bank will determine the substantial responsiveness of each Bid to the Bidding document. For purposes of these Clauses, a substantially responsive Bid is one, which conforms to all the terms and conditions of the Bidding Document without material deviations. Deviations from or objections or reservations to critical provisions, such as those concerning Bid amount, bid price, qualification criteria, insurance, Force

Majeure, etc will be deemed to be a material deviation. The Bank's determination of a Bid's responsiveness is to be based on the contents of the Bid itself, without recourse to extrinsic evidence. The Bank would also evaluate the Bids on technical and functional parameters including possible visit to inspect live site(s) of the Respondent, witness demos, Respondents presentation, verify functionalities / response times, etc.

4. If a Bid is not substantially responsive, it will be rejected by the Bank and may not subsequently be made responsive by the Respondent by correction of the nonconformity.
5. The Respondent is expected to examine all instructions, forms, terms and specification in the Bidding Document. Failure to furnish all information required by the Bidding Document or to submit a Bid not substantially responsive to the Bidding Document in every respect will be at the Respondent's risk and may result in the rejection of its Bid. The decision of SIDBI would be final and binding on all the respondents.

## 5.4 Evaluation of Eligibility Criteria

1. Bids submitted by all the Respondents would be evaluated for eligibility as mentioned in the 'Eligibility Criteria' section. Bids not complying with the eligibility criteria are liable to be disqualified/ rejected and will not be considered for further evaluation. Bank reserves the right to cancel the bid / call for clarifications in this regard.
2. Respondents must submit the proof of all the credentials as required for evaluation of eligibility criteria. Claims of the Respondents without verifiable facts won't be considered as credentials towards satisfying eligibility criteria.
3. The Respondent must satisfy the following minimum eligibility criteria at the RfP stage.
  - a. The Respondent must have undertaken **at least one** similar consultancy project as defined in the Scope, in any Scheduled Commercial Bank or in any All India Financial Institution ( as indicated by RBI) **in the last five years.**
  - b. At least **one of the client Banks/Financial Institutions**, for which the assignment has been undertaken, must be in India with a minimum balance sheet size of `50,000 crore at the time of assignment acceptance.
  - c. The Respondent should **not** have been in loss for at least two years out of the last three years. The respondent should submit its Annual Report/ Financial Statement / Certificate signed by its Auditors in this regard to the satisfaction of SIDBI
  - d. The Respondent should have demonstrated capability and domain expertise in the area of Banking, Credit and Management of credit,



market and operational risks, as evidenced from assignments completed for client banks/ financial institutions.

- e. The Respondent should have an Office in Mumbai/ Navi Mumbai/ Thane where its core team would be posted to undertake Bank's assignment.
- f. Respondent should have minimum 10 technical/professional staff, should already have been associated with similar support with them on permanent rolls.
- g. The respondent should have never been blacklisted / barred / disqualified by any regulator / statutory body.
- h. The Respondent must have a currently valid Sales Tax / VAT / Service tax registration certificate and PAN number.

## **5.5 Evaluation of Techno Commercial Bids**

1. In this stage, the Techno Commercial Bids of the Respondents, who have qualified Eligibility criteria in previous stage, will be taken for techno commercial evaluation. Respondents who do not qualify the minimum eligibility Criteria will not be invited for opening of Techno commercial bids.
2. The techno commercial bids which are submitted in separate sealed envelopes of the qualified respondents would be opened at this stage and evaluated individually.
3. The date for opening of techno commercial bids will be separately advised.
4. The techno commercial evaluation will be carried out through a two stage process. The first stage will be the Technical Scoring based on competency requirements indicated above followed by the Commercial Scoring stage. Weightages for the first and second stages are 75% and 25% respectively
5. The broad competency and technical requirements are:
  - a. The Respondent would be expected to have highly experienced, qualified and skilled personnel who has expertise in :
    - i. Credit risk assessment/rating system model design / building methodology / techniques, validation techniques /default estimation and calibration of models.
    - ii. conducting various types of tests for validation/modelling etc.
    - iii. data handling including cleaning with respect to completeness, accuracy and appropriateness aggregation.
    - iv. validation including qualitative & quantitative validation.
    - v. knowledge transfer.
    - vi. Documentation.

- vii. Familiarity with national and international (especially Basel norms & latest working papers) developments in related field.
- viii. Personnel with rich experience and relevant academic qualifications as well as the technical resources.

**6. Techno commercial scoring**

**i. Technical bid scoring**

For selecting the winning Technical bid, Relative Technical Score (RTS) method will be used for evaluation of RfP as detailed below.

The technical bids received from the Respondents will be opened on the notified date and time as mentioned in the 'Critical Information Summary' in the presence of representative of the Respondents, who wish to be present as per the schedule stipulated by Bank.

The evaluation/ selection process will be done with the combination of technical competence and commercial aspects. A maximum of 100 marks will be allocated for the technical evaluation based on criteria and weightages indicated below:

Sr.No.	Criteria/Indicator	Score
1	Competence of organisation and knowledge in credit risk management area	15
2	Understanding of work content and requirements of the Assignment	15
3	Competence of the project team to be deployed for the assignment. This weight would have sub weights of Team Leader -30% and Other Key professionals- 70% These are to be scored on Educational Qualifications -25% Experience in similar assignment – 75%	20
4	Appropriateness/ suitability of methodology and well defined work plan for the assignment	20
5	Competence pertaining to deliverables of the entire project	20
6	Acceptable schedule	10
<b>Total</b>		<b>100</b>

Relative Technical Score for each Respondent: (A)

$$RTS = T / T_{high} * 100$$

Where,

RTS = Relative score for Technical Proposal of each Respondent

T = Technical score of the current proposal  
T<sub>high</sub> = Highest technical score obtained

**( Only those bids with technical scoring of more than 65 would be considered for commercial bid process)**

### **ii Commercial bid scoring**

Relative Commercial Score (RCS) for each Respondent will be calculated as given below:

Relative Commercial Score for each Respondent:

$$(B) \text{ RCS} = L1 / L * 100$$

Where,

RCS = Relative score for Commercial Proposal of each Implementing Agency/Consultant

L = Amount quoted by the current proposal

L1 = Lowest Amount quoted by L1 proposal

Various stages of technical evaluation are presented below:

1. Shortlisting of Respondents on the methodology/approach, time frame for various activities, strengths of the Respondents in delivering the envisaged project.
2. Gathering further information/inputs from the Respondents in case sufficient clarity is not there in the response or as a matter of normalization.
3. Arriving at the final score on technical proposal.

## **5.6 Arithmetic errors correction**

1. Arithmetic errors, if any, in the price break-up format will be rectified on the following basis:
  - i) If there is discrepancy between the unit price and the total price, which is obtained by multiplying the unit price with quantity, the unit price shall prevail and the total price shall be corrected unless it is a lower figure.
  - ii) If there is discrepancy in the unit price quoted in figures and words, the unit price, in figures or in words, as the case may be, which corresponds to the total bid price for the item shall be taken as correct.
  - iii) If the Service Provider has not worked out the total bid price or the total bid price does not correspond to the unit price quoted either in words or figures, the unit price quoted in words shall be taken as correct.
  - iv) If the unit price quoted by the Respondent in figures and in words are equivalent but the total bid price of the item has not been worked out correctly, the unit price quoted by the Respondent shall be taken as correct.
  - v) The Respondents, for whom arithmetic corrections are warranted / required, must accept the arithmetic corrections in writing / mail, within a specified date and time as may be decided by the Bank, or their bid should be rejected.

## 5.7 Final Selection of the Eligible Respondent

### Calculation of Combined Score for the Final Selection

For the final selection, a combined score based on techno-commercial evaluation will be arrived at as follows:

$$\text{Combined score} = \text{RTS (A)} * 0.75 + \text{RCS (B)} * 0.25$$

The proposal having highest combined score will be declared as the preferred Respondent and eligible for award.

## 6. Terms and Conditions

### 6.1 General

The Respondents are expected to examine all instructions, forms, terms and specifications in the bidding documents. Failure to furnish all information required by the bidding documents may result in the rejection of its bid and will be at the Respondent's own risk.

### 6.2 Definitions

In this RfP, the following terms shall be interpreted as indicated:

1. **"The Bank"** / **"SIDBI"** means Small Industries Development Bank Of India (SIDBI);
2. **"The Contract"** means the agreement entered into between the Bank, represented by its Head Office / Regional Offices and the Respondent, as recorded in the Contract Form signed by the parties, including all attachments and appendices thereto and all documents incorporated by reference therein;
3. **"The Contract Price/ Value/ Order Value"** means the price payable to the Respondent under the Contract for the full and proper performance of its contractual obligations;
4. **"The Services"** means those services ancillary to the providing resources for validation and other such obligations of the Respondent covered under the Purchase Contract;
5. **"TCC"** means the Terms and Conditions of Contract contained in this section;
6. **"The Respondent"** means the individual or firm or company supplying or intending to supply the Services under this Contract; and
7. **"The Project Site"** means Small industries Development Bank of India, Mumbai and/ or Lucknow Office.

### 6.3 Clarification of Bids

1. The Respondent or its official representative is invited to attend pre-bid (date and venue mentioned in Bid Information Sheet). It would be the responsibility of the Respondents' representatives to be present at the venue of the meeting.
2. Clarification sought by Respondent should be made in writing (Letter/E-mail/FAX, etc.) and submitted at least one day prior to the date of pre-bid meeting. Bank has discretion to consider any other queries raised by the Respondent's representative during the pre-bid meeting.
3. The text of the clarifications asked (without identifying the source of enquiry) and the response given by the Bank, together with amendment to the bidding document, if any, will be posted on the website. No individual clarifications will be sent to the Respondents. It would be the responsibility of the Respondent to check the website before final submission of bids.

### 6.4 Amendment to the bidding document

1. At any time prior to the date of submission of Bids, the Bank, for any reason, may modify the Bidding Document, by amendment.
2. The amendment will be posted on Bank's website [www.sidbi.in](http://www.sidbi.in).
3. All Respondents must ensure that such amendments/ modifications have been considered by them before submitting the bid. Bank will not have any responsibility in case some omission is done by any Respondent.
4. In order to allow prospective Respondents reasonable time in which to take the amendment into account in preparing their Bids, the Bank, at its discretion, may extend the deadline for the submission of Bids.

### 6.5 Language of Bid

The bid prepared by the Respondents as well as all correspondence and documents relating to the Bid exchanged by the Respondent and the Bank and supporting documents and printed literature shall be written in English.

### 6.6 Commercial Bid

#### 1. Bid Currency :

Bids should be quoted in Indian Rupee only.

#### 2. Earnest Money Deposit (EMD):

1. All the responses/bids must be accompanied by a refundable interest free security deposit of amount of ₹ 40,000/- (₹ Forty Thousand only).
2. EMD should be in the form of Demand Draft in favour of "Small Industries Development Bank of India" payable at Mumbai or in the form of Performance

Security. Format of Performance Security is prescribed in Annexure IX. Any bid received without EMD in proper form and manner shall be considered unresponsive and rejected.

3. No interest will be paid on EMD.
4. In case the EMD is submitted in the form of a BG, the same should be valid till the date of bid validity (180 days from the submission of bid) with claim period of one month beyond the BG validity.
5. Request for exemption from EMD will not be entertained.
6. The EMD amount of all unsuccessful Respondents would be refunded immediately upon happening of any the following events:

The end of the bid validity period, including extended period (if any),

OR

Receipt of the signed contract from the selected Respondent.

7. Respondent will be refunded the EMD amount only after submission of performance bank guarantee by the Respondent.
8. The bid security may be forfeited if:
  - ❖ Respondent withdraws its bids during the period of bid validity.
  - ❖ Respondent makes any statement or encloses any form which turns out to be false/ incorrect at any time prior to signing of the contract.
  - ❖ In case of successful Respondent, if the Respondent fails to sign the contract or fails to furnish performance bank guarantee or fails to perform as per contract.

## 6.7 MSME Status

Bidder is required to inform its MSME status as per following definition, if applicable.

Enterprise Category	Manufacturing (Original Investment in P&M)	Services (Original Investment in Equipment)
Micro	Up to ` 25 lakh	Up to ` 10 lakh
Small	Up to ` 500 lakh	Up to ` 200 lakh
Medium	Up to ` 1000 lakh	Up to ` 500 lakh

## 6.8 Period of Validity of Bids

1. Prices and other terms offered by Respondents must be firm for an acceptance period of 180 days from last date for submission of bids as mentioned in bid information sheet.
2. In exceptional circumstances the Bank may solicit the Respondents consent to an extension of the period of validity. The request and response thereto shall be made in writing.
3. Bank, however, reserves the right to call for fresh quotes at any time during the period, if considered necessary.

## 6.9 Last date for submission of Bids

1. The bids must be received by the Bank at the specified address not later than date and time mentioned in Bid Information Sheet
2. In the event the specified date for the submission of bids, being declared a holiday for the Bank, the bids will be received up to the appointed time on the next working day of the Bank.
3. The Bank may, at its discretion, extend the deadline for submission of Bids by amending the Bid Documents, in which case, all rights and obligations of the Bank and Respondents previously subject to the deadline will thereafter be subject to the deadline as extended.

## 6.10 Late receipt of Bids

Any bid received by the Bank after the deadline for submission of bids prescribed by the Bank will not be accepted and returned unopened to the Respondent.

## 6.11 Modification And/ Or Withdrawal of Bids:

1. The Respondent may modify or withdraw its bid after the bid's submission, provided that written notice of the modification including substitution or withdrawal of the bids is received by the Bank, prior to the deadline prescribed for submission of bids or its extension.
2. The Respondent modification or withdrawal notice shall be prepared, sealed, marked and dispatched. A withdrawal notice may also be sent by Fax and followed by a signed confirmation copy received by the Bank not later than the deadline for submission of bids or its extension.
3. No bid may be modified or withdrawn after the deadline for submission of bids.
4. Bank has the right to reject any or all bids received without assigning any reason whatsoever. Bank shall not be responsible for non-receipt / non-delivery of the bid documents due to any reason whatsoever.

## 6.12 Opening of Bids by the Bank

1. Bids, except commercial bids, received within stipulated time, shall be opened as per schedule given in the bid information sheet.
2. On the scheduled date and time, bids will be opened by the Bank Committee in the presence of Respondent representatives. It is the responsibility of the Respondent/ Respondent's representative to be present at the time, on the date and at the place specified in the tender document. The Respondents' representatives who are present shall sign a document evidencing their attendance.
3. If any of the Respondents or all Respondents who have submitted the bids and are not present on the specified date and time of opening will be deemed that such Respondent(s) is/ are not interested to participate in the opening of the Bid/s and the bank at its discretion will proceed further with opening of the technical bids in their absence.
4. The Respondent's name, presence or absence of requisite EMD and such other details, as the Bank at its discretion may consider appropriate, will be announced at the time of bid opening.
5. Bids that are not opened on the Bid opening date shall not be considered for further evaluation, irrespective of the circumstances. Withdrawn bids will be returned unopened to the Respondents.

## 6.13 Clarification of bids:

1. During evaluation of Bids, the Bank, at its discretion, may ask the Respondents for clarifications of their Bids. The request for clarification and the response shall be in writing (Fax/e-mail), and no change in the price of substance of the Bid shall be sought, offered or permitted.
2. Respondent to submit point by point compliance to the technical compliance and it should be included in the Bid.
3. Any deviations from the specifications should be clearly brought out in the bid.
4. Respondent to quote for entire package on a single responsibility basis for the services it proposes to offer under the contract.

## 6.14 Preliminary Examination

1. The Bank will examine the Bids to determine whether they are complete, the documents have been properly signed, supporting papers/ documents attached and the bids are generally in order.
2. The Bank may, at its sole discretion, waive any minor infirmity, nonconformity or irregularity in a Bid which does not constitute a material deviation, provided



such a waiver does not prejudice or affect the relative ranking of any Respondent.

3. Prior to the detailed evaluation, the Bank will determine the substantial responsiveness of each Bid to the Bidding document. For purposes of these Clauses, a substantially responsive Bid is one, which conforms to all the terms and conditions of the Bidding Document without material deviations. Deviations from or objections or reservations to critical provisions, such as those concerning Bid security, performance security, qualification criteria, insurance, Force Majeure, etc will be deemed to be a material deviation. The Bank's determination of a Bid's responsiveness is to be based on the contents of the Bid itself, without recourse to extrinsic evidence. The Bank would also evaluate the Bids on technical and functional parameters including possible visit to inspect live site(s) of the Respondent, Respondents presentation, etc.
4. If a Bid is not substantially responsive, it will be rejected by the Bank and may not subsequently be made responsive by the Respondent by correction of the nonconformity.
5. The Respondent is expected to examine all instructions, forms, terms and specification in the Bidding Document. Failure to furnish all information required by the Bidding Document or to submit a Bid not substantially responsive to the Bidding Document in every respect will be at the Respondent's risk and may result in the rejection of its Bid.
6. The decision of the Bank would be final and binding upon all the Respondents.

## **6.15 Minimum Eligibility / Evaluation**

1. Pursuant to the evaluation of Preliminary Examination, minimum eligibility Criteria as specified in this RfP (**Annexure II**) is verified. The Respondent should satisfy the pre-qualification criteria as specified at Annexure II of this RfP. All the documentary proofs to be submitted along with the bid. In this regard, Bank reserves the right to cancel the bid / call for clarifications in this regard
2. During evaluation, Bank at its discretion can ask the Respondents for clarifications.
3. Bank may waive off in its discretion, any minor infirmity or nonconformity or irregularity in a bid, which does not constitute a material deviation, provided such waiving, does not prejudice or effect the relative ranking of any Respondent.

## **6.16 Evaluation / Opening of Techno Commercial Bids**

1. Respondents who qualify in Minimum Eligibility Criteria as per the criteria mentioned would be short listed for commercial evaluation.

2. Respondents who do not qualify the minimum eligibility Criteria will not be invited for opening of commercial bids.
3. SIDBI will award the contract to the Respondent(s) whose bid has been determined to be substantially responsive and has been determined as eligible as per the evaluation process mentioned in para 5 of this RfP.

### **6.17 No Commitment to Accept Lowest or Any Offer**

1. The Bank reserves its right to reject any or all the offers without assigning any reason thereof whatsoever. The decision of the bank would be final and binding in this regard.
2. The Bank will not be obliged to meet and have discussions with any Respondent and/ or to entertain any representations in this regard.
3. The bids received and accepted will be evaluated by the Bank to ascertain the best and lowest bid in the interest of the Bank. However, the Bank does not bind itself to accept the lowest or any Bid and reserves the right to reject any or all bids at any point of time prior to the order without assigning any reasons whatsoever. The bank reserves the right to re-tender.

### **6.18 Conditional Bids**

Conditional bids shall not be accepted on any ground and shall be rejected straightway. If any clarification is required, the same should be obtained before submission of bids.

### **6.19 Contacting the Bank**

1. After opening of Bid to the time a communication in writing about its qualification or otherwise received from the Bank, Respondent shall NOT contact the Bank on any matter relating to its Bid. Any effort by the Respondent(s) or its representative(s) to influence the Bank in its decisions on Bid evaluation, Bid comparison may result in the rejection of the Respondent's Bid.

### **6.20 Award of Contract**

The Bank will award the contract to the Respondent, out of the Respondents who have responded to Bank's tender as referred above, who has been determined to qualify to perform the assignment satisfactorily as per the terms mentioned in this RfP, and whose Bid has been determined to be substantially responsive, and is qualified through the Bid process mentioned herein.

## 6.21 Use of Contract Documents and Information

1. The Respondent shall not, without the Bank's prior written consent, disclose the Contract, or any provision thereof, or any specification, plan, drawing, pattern, sample or information furnished by or on behalf of the Bank in connection therewith, to any person other than a person employed by the Respondent in the performance of the Contract. Disclosure to any such employed person shall be made in confidence and shall extend only as far as may be necessary for purposes of such performance.
2. The Respondent will treat as confidential all data and information about the Bank, obtained in the execution of its responsibilities, in strict confidence and will not reveal such information to any other party without the prior written approval of the Bank.
3. In this regard non disclosure instrument must be furnished to the Bank as per **Annexure VIII** hereto.

## 6.22 Subcontracts

The successful Respondent shall not assign to others, in whole or in part, its obligation to perform under the contract, except with the Bank's prior written consent.

The successful Respondent shall notify and obtain concurrence from the Bank in writing of all subcontracts / Franchisees awarded under the Contract/Assignment, if not already specified in the bid. Such notification, in the original bid or later, shall not relieve the Respondent from any liability or obligation under the Contract/assignment.

## 6.23 Price

Prices quoted by the Respondents should include all local taxes, VAT, duties, levies, transportation costs, etc.

Once a contract price is arrived at, the same must remain firm and must not be subject to escalation during the performance of the contract due to fluctuation in foreign currency, change in the duty/tax structure, changes in costs related to the materials and labour or other components or for any other reason.

While any increase in the rates of applicable taxes or impact of new taxes subsequent to the submission of commercial bid shall be borne by SIDBI, any subsequent decrease in the rates of applicable taxes or impact of new taxes shall be passed on to SIDBI in its favour. This will remain applicable throughout the contract period.

## 6.24 Expenses:

It may be noted that SIDBI will not pay any amount/ expenses/ charges/ fees/ travelling expenses/ boarding expenses/ lodging expenses/ conveyance expenses/ out of pocket expenses.

## 6.25 Terms of Payment

The standard payment terms are given below:

Payments on submission of invoices as per agreed schedule would be made. However, first payment to the Service Provider will be payable after submission of Performance Bank Guarantee for an amount equivalent to 10% of the order value.

The performance bank guarantee should be as per the format given in Annexure -VI.

All the payments will be made by SIDBI, Mumbai/Lucknow electronically through RTGS/ NEFT. Service Provider to submit Bank Mandate Form (as per Annexure -V) along with cancelled cheque in original before raising first invoice.

The Respondent must accept the payment terms proposed by the Bank. The financial bid submitted by the Respondent must be in conformity with the payment terms proposed by the Bank. Any deviation from the proposed payment terms would not be accepted. The Bank shall have the right to withhold any payment due to the Respondent, in case of delays or defaults on the part of the Respondent. Such withholding of payment shall not amount to a default on the part of the Bank.

TDS/Service Tax and other applicable taxes, if any, will be deducted while releasing the payment.

All Payments will be made to the Respondent in Indian Rupee only.

## 6.26 Time Frame

The assignment will have to be completed in a duration of 16 weeks from the date of letter of intent/ award of contract or such time frame as may be mutually agreed to by SIDBI and the respondent. The Bank shall have the right to withhold any payment due to the respondent, in case of delays or defaults on the part of the respondent. Such withholding of payment shall not amount to a default on the part of the Bank.

## 6.27 Governing language

The Contract/Assignment shall be written in English. All correspondence and other documents pertaining to the Contract/Assignment, which are exchanged by the parties, shall be written in English.

All documentations, Manuals, presentations etc. are to be delivered for all the activities under the validation should be English.

## 6.28 Applicable laws

The Contract shall be interpreted in accordance with the laws prevalent in India.

**Compliance with all applicable laws:** The Respondent shall undertake to observe, adhere to, abide by, comply with and notify the Bank about all laws in force or as are or as made applicable in future, pertaining to or applicable to them, their business, their employees or their obligations towards them and all purposes of this Tender and shall indemnify, keep indemnified, hold harmless, defend and protect the Bank and its employees/ officers/ resource/ personnel/ representatives/ agents from any failure or omission on its part to do so and against all claims or demands of liability and all consequences that may occur or arise for any default or failure on its part to conform or comply with the above and all other statutory obligations arising there from.

**Compliance in obtaining approvals/ permissions/ licenses:** The Respondent shall promptly and timely obtain all such consents, permissions, approvals, licenses, etc., as may be necessary or required for any of the purposes of this project or for the conduct of their own business under any applicable Law, Government Regulation/Guidelines and shall keep the same valid and in force during the term of the project, and in the event of any failure or omission to do so, shall indemnify, keep indemnified, hold harmless, defend, protect and fully compensate the Bank and its employees/ officers/ resource/ personnel/ representatives/agents from and against all claims or demands of liability and all consequences that may occur or arise for any default or failure on its part to conform or comply with the above and all other statutory obligations arising there from and the Bank will give notice of any such claim or demand of liability within reasonable time to the Respondent.

## 6.29 Performance Bank Guarantee

The successful Respondent(s) shall provide Performance Bank Guarantee in the form of an unconditional Bank Guarantee (BG) from a scheduled commercial Bank for an amount equivalent to 10% of contract value and valid for a period of 180 days + 30 days (invocation period) from the date of acceptance of completion of validation exercise by the Bank. The performance

bank guarantee to be submitted within ONE month from the date of award of contract as per the format provided by Bank.

### **6.30 Forfeiture of performance security**

The Bank shall be at liberty to set off/adjust the proceeds of the performance guarantee towards the loss, if any, sustained due to the Respondent's failure to complete its obligations under the contract. This is without prejudice to the Bank's right to proceed against the Respondent in the event of the security being not enough to fully cover the loss/damage.

### **6.31 Termination of Contract:**

The Bank shall have the option to terminate the contract/ work-order without assigning any reason thereof, in whole or in part by giving the successful Respondent/ service provider with 90 days prior notice in writing. The successful Respondent shall not have any right to terminate the agreement entered into subsequent to this RfP, for convenience.

The Bank reserves the right to cancel the contract in the event of happening one or more of the following Conditions:

- ❖ Failure of the successful Respondent to accept the contract
- ❖ Delay in deploying the resources
- ❖ Serious problems in quality of resources deployed

In addition to the cancellation of purchase contract, Bank reserves the right to appropriate the damages through encashment of Performance Security and/ or Performance Bank Guarantee given by the Respondent.

### **6.32 Force Majeure:**

If the performance as specified in this RfP is prevented, restricted, delayed or interfered by reason of Fire, explosion, cyclone, floods, War, revolution, acts of public enemies, blockage or embargo, any law, order, proclamation, ordinance, demand or requirements of any Government or authority or representative of any such Government including restrictive trade practices or regulations, Strikes, shutdowns or labour disputes which are not instigated for the purpose of avoiding obligations undertaken, or any other circumstances beyond the control of the party affected, then notwithstanding anything here before contained, the party affected shall be excused from its performance to the extent such performance relates to prevention, restriction, delay or interference and provided the party so affected uses its best efforts to remove such cause of non-performance and when removed the party shall continue performance with utmost dispatch.

If a Force Majeure situation arises, the Respondent shall promptly notify the Bank in writing of such condition, the cause thereof and the change that is necessitated due to the conditions. Until and unless otherwise directed by the Bank in writing, the Respondent shall continue to perform its obligations under the Contract as far as it is reasonably practical, and shall seek all reasonable alternative means for performance not prevented by the Force Majeure event.

### **6.33 Resolution of Disputes**

It will be the Bank's endeavor to resolve amicably any disputes or differences that may arise between the Bank and the Respondent from misconstruing the meaning and operation of the Bid/Tender and the breach that may result.

In case of Dispute or difference arising between the Bank and a Respondent relating to any matter arising out of or connected with this agreement, such disputes or difference shall be settled in accordance with the Arbitration and Conciliation Act, 1996. The Arbitrators shall be chosen by mutual discussion between the Bank and the Respondent OR in case of disagreement each party may appoint an arbitrator and such arbitrators may appoint an Umpire before entering on the reference. The decision of the Umpire shall be final.

The Respondent shall continue work under the Contract during the arbitration proceedings unless otherwise directed in writing by the Bank or unless the matter is such that the work cannot possibly be continued until the decision of the Arbitrator or the umpire, as the case may be, is obtained.

Arbitration proceedings shall be held at Mumbai, India, and the language of the arbitration proceedings and that of all documents and communications between the parties shall be English;

Notwithstanding anything contained above, in case of dispute, claim & legal action arising out of the contract, the parties shall be subject to the jurisdiction of courts at Mumbai, India only.

Any notice given by one party to the other pursuant to this Contract shall be sent to the other party in writing or by fax or by email and confirmed in writing to the other party's specified address. The same has to be acknowledged by the receiver in writing.

A notice shall be effective when delivered or on the notice's effective date, whichever is later.

## Annexure – I Bid Forwarding Letter

### Bid Forwarding Letter

(To be submitted on Service Provider's letter head)

Date:

The General Manager (RiMV)  
Small Industries Development Bank of India,  
6th Floor, MSME Development Centre,  
Plot No. C-11, G Block  
Bandra Kurla Complex (BKC), Bandra (E)  
**Mumbai - 400 051**

Dear Sir,

#### Validation of Risk Assessment Models / Rating System

I/ We, the undersigned, offer to submit my/ our bid in response and accordance with your **tender No. 400/2015/1057/BYO/RiMD**. Having examined the tender document including all annexures carefully, I/ we am/ are hereby submitting my/ our proposal along with the requisite EMD and all other documents as desired by the Bank.

Further, I/ we agree to abide by all the terms and conditions as mentioned in the tender document. I/ We agree to abide by this offer till 180 days from the last day for submission of offer (Bid). If our offer is accepted, I/ we undertake the above referred assignment from xxxxxxxxxxxxxxxx.

I/ We have also noted that SIDBI reserves the right to consider/ reject any or all bids without assigning any reason thereof.

Yours sincerely,

Date

Signature of Authorised Signatory ...

Place

Name of the Authorised Signatory ...

Designation ...

Phone & E-mail:

Name of the Organisation ...

Seal ...



## Annexure – II Minimum Eligibility Criteria

### A. General Details

1. Name of the Respondent : \_\_\_\_\_
2. Number of Years in the operation : \_\_\_\_\_
3. Bank Mandate Form: (please tick appropriate option as the case may be)
  - Already Submitted with SIDBI
  - Being submitted herewith
4. Respondents Bank Account Details as in Bank Mandate Form :

S.N.	Bank Name and Branch	Account Type / No.	IFSC Code

5. Name of Account Manager/Project Leader for SIDBI:  
\_\_\_\_\_

### B. Compliance to Minimum Eligibility Criteria

SNo	Minimum Eligibility Criteria	Respondent's Response	Complied (Yes/No) Should not be left blank	List of Supporting Documents for compliance
1	The Respondent must have undertaken <b>at least one</b> similar consultancy project as defined in the Scope, in any Scheduled Commercial Bank or in any all India Financial Institution <b>in the last five years.</b>			
2	At least <b>one of the client Banks/All India Financial Institutions</b> , for which the assignment has been undertaken, must be in India with a minimum balance sheet size of `50,000 Crore at the time of that assignment acceptance.			
3	The Respondent should <b>not</b> have been in cash losses for at least two years out of the last three years. The respondent should submit its Annual Report/ Financial Statement / Certificate signed by its Auditors in this regard to the satisfaction of SIDBI			
4	The Respondent should have demonstrated capability and domain expertise in the area of Banking, Credit and Management of credit, market and operational risks, as			

**Request for Proposal  
For Validation of Risk Assessment Models/Rating System**

	evidenced from assignments completed for client banks/ financial institutions.			
5	The Respondent should have an Office in Mumbai/ Navi Mumbai/ Thane where its core team would be posted to undertake Bank's assignment/contract			
6	Minimum 10 technical/professional staff should already have been associated with similar support.			
7	The Respondent should have never been blacklisted / barred / disqualified by any regulator / statutory body.			
8	The Respondent must have a currently valid Sales Tax / VAT / Service tax registration certificate and PAN number.			
9	The respondent should not have supplied / provided risk assessment models / rating models to SIDBI			

## Minimum Eligibility Criteria

The Respondent is required to meet the following eligibility criteria and provide adequate documentary evidence for each of the criteria stipulated below:

SNo	Criteria	Proof to be Submitted
1	The Respondent must have undertaken <b>at least one</b> similar consultancy project as defined in the Scope, in any Scheduled Commercial Bank or in any all India Financial Institution <b>in the last five years.</b>	Proof of same to be attached by way of Purchase Order or Project Completion Certificate from the customer by mentioning the time frame clearly  <b>Project Details &amp; References from the Banks/ FIs/ companies to be provided in the format mentioned below</b>
2	At least <b>one of the client Banks/All India Financial Institutions</b> , for which the assignment has been undertaken, must be in India with a minimum balance sheet size of `50,000 Crore at the time of that assignment acceptance.	
3	The Respondent should have demonstrated capability and domain expertise in the area of Banking, Credit and Management of credit, market and operational risks, as evidenced from assignments completed for client banks/ financial institutions.	
4	The Respondent should <b>not</b> have been in cash losses for at least two years out of the last three years. The respondent should submit its Annual Report/ Financial Statement / Certificate signed by its Auditors in this regard to the satisfaction of SIDBI	Supporting the fact the Respondent should furnish auditor's certificate / certified Annual report for last three years ending March' 2014. If audited balance sheet is not finalised for FY 2014, CA certified provisional / un-audited may be furnished. However, audited balance sheet for FY 2014 to be submitted by the successful Respondent latest before start of the project.
5	The Respondent should have an Office in Mumbai/ Navi Mumbai/ Thane where its core team would be posted to undertake Bank's assignment	Certificate of Incorporation/ CA Certificate to be furnished/ Any other address proof issued by statutory authority.
6	Minimum 10 technical/professional staff should already have been associated with similar support.	Declaration by the Respondent and should also submit Bio-data of the person(s) including key professionals and proposed team leader
7	The Respondent should have never been blacklisted / barred / disqualified by any regulator / statutory body.	Declaration by the Respondent.
8	The Respondent must have a currently valid Sales Tax / VAT / Service tax registration certificate and PAN number.	Self certified copies of relevant documents.
9	The respondent should not have supplied / provided risk assessment models / rating models to SIDBI	Declaration by the Respondent.

**Note: Proposals of Respondents who do not fulfill the above criteria or who fail to submit any documentary evidence (as per the formats mentioned, if any) thereon would be rejected.**

**Format for Details of projects:**

SNo	Client Name and Location	Name of the Project	Project Start and End Date	Scope / Description of the Project	Order Value (in ` Lakh)

**Format for Reference Details:**

S.No	Name of the Client	Reference Person Name	Designation	Address	E-Mail	Telephone & Mobile No.

➤ **Bio-Data should include:**

At least 10 bio-data with minimum qualification and with minimum experience years required to undertake the envisaged exercise should be attached along with Bid forwarding Letter.

Bio-data should include the following details.

- 1) Name of the Resource
- 2) Designation
- 3) Qualification
- 4) Total Work Experience
- 5) Work Experience with the present Respondent:
- 6) Work experience in similar projects ( validation of risk assessment models/rating systems)
- 7) Project Management Skills (for validation exercises)
- 8) Project presently working
- 9) Certifications if any

## Annexure – III Techno - Commercial Bid

**Techno commercial bid should be submitted in two separate sealed envelopes one for Technical and another for Commercial.**

### A. Technical

#### Part 1 – Executive Summary

This should be a brief overview of your tender/bid covering how you intend to achieve the outputs and your assessment of the resources required.

#### Part 2 – Technical details

This may be divided into 6 sections as under

- |           |   |
|-----------|---|
| Section 1 | Any Qualification to Terms of Reference   |
| Section 2 | Technical Response (including method of implementation)   |
| Section 3 | Names & CVs of personnel to work on this project  |
| Section 4 | Personnel Inputs – include person days without any reference to fees                                  |
| Section 5 | Previous experiences  |
| Section 6 | Matters not appropriate in any other appendix, e.g. Joint Ventures, Disclosures, Conflict of Interest |

### B. Commercial Tender

This should have all prices for the duration of the contract. Your Commercial Tender should be structured in four Sections.

- |           |  |
|-----------|--|
| Section 1 | Confirmation of acceptance of SIDBI's Conditions of Contract   |
| Section 2 | Pricing using either a fees and expenses basis, <b>or</b> on a milestone basis.  |
| Section 3 | A list of the names and designation of all nominated personnel proposed to work on this project                            |
| Section 4 | Matters not appropriate in any other appendix, e.g. commercial aspects of Joint Venture Company, Parent Company guarantees |

**Note: Respondents are requested to note the following:**

- Grand total cost should be inclusive of all taxes, and will be used to arrive at L1 Service Provider.
- TDS will be deducted as per rules applicable.
- In case of any deviation in general terms and conditions, bids would be liable for rejection.

Date	Signature of Authorised Signatory ...
Place	Name of the Authorised Signatory ...
	Designation ...
	Name of the Organisation ...

Seal ...

## Annexure – IV Power of Attorney Power of Attorney

(To be executed on non-judicial stamp paper)

BY THIS POWER OF ATTORNEY executed at \_\_\_\_\_ on \_\_\_\_\_, 2014, We \_\_\_\_\_, a Company within the meaning of the Companies Act, 2013, having its Registered Office at \_\_\_\_\_ (hereinafter referred to as "the Company") doth hereby nominate, constitute and appoint <Name>, <Employee no.>, < Designation> of the Company, as its duly constituted Attorney, in the name and on behalf of the Company to do and execute any or all of the following acts, deeds, matters and things, namely :-

Execute and submit, modify or withdraw, on behalf of the Company a Proposal and other papers / documents with 'Small Industries Development Bank of India' ("SIDBI") relating to 'Request for proposal No. 400/2015/1057/BYO/RiMD' dated September 05, 2014 for "Validation of Risk Assessment Models and Rating System" and to attend meetings and hold discussions on behalf of the Company with SIDBI in this regard.

THE COMPANY DO hereby agree to ratify and confirm all whatsoever the attorney shall lawfully do or cause to be done under or by virtue of these presents including anything done after revocation hereof but prior to actual or express notice thereof being received by the person or persons for the time being dealing with the attorney hereunder.

IN WITNESS WHEREOF, \_\_\_\_\_ has caused these presents to be executed by \_\_\_\_\_ on the day, month and year mentioned hereinabove.

For and on behalf of the Board of  
Directors of

WITNESS:  
Signature of \_\_\_\_\_

Common Seal

Attested

\* \* \* \*

**Note : In case respondent is company, Power of Attorney is required to be submitted on stamp paper of ` 100/- as per the format provided in RfP.**

## Annexure – V Bank Mandate Form

### बैंक अधिदेश फ़ॉर्म /BANK MANDATE FORM

(दो प्रतियों में प्रस्तुत किया जाए /To be submitted in Duplicate)

(कृपया सूचनाएँ साफ अक्षरों में भरें। जहाँ-कहीं लागू हो, उस पर सही का निशान लगाएँ।)  
(Please fill in the information in CAPITAL LETTERS. Please TICK wherever it is applicable)

1. विक्रेता/आपूर्तिकर्ता का नाम Name of Service Provider / Respondent :

विक्रेता का कूट Service Provider Code (if applicable) \_\_\_\_\_

2. विक्रेता/आपूर्तिकर्ता का पता Address of the Service Provider / Respondent :

नगर/City \_\_\_\_\_ पिनकोड Pin Code \_\_\_\_\_

ई-मेल आईडी /E-mail id: \_\_\_\_\_

एसटीडी कूट के साथ दूरभाष सं./Phone No. with STD code: \_\_\_\_\_

मोबाइल सं./Mobile No.: \_\_\_\_\_

स्थायी खाता संख्या/Permanent Account Number \_\_\_\_\_

एमएसई पंजीकरण/सीए प्रमाणपत्र/MSE Registration / CA Certificate \_\_\_\_\_

(यदि लागू हो/if applicable)

3. बैंक खाते का विवरण / Particulars of Bank account:

हिताधिकारी का नाम Beneficiary Name			
बैंक का नाम Bank Name		शाखा का नाम Branch Name	
शाखा का स्थान Branch Place		शाखा का नगर Branch City	
पिनकोड PIN Code		शाखा कूट Branch Code	
एमआईसीआर सं. MICR No.			
खाते का स्वरूप Account type	बचत/Saving	चालू/Current	नकद उधार Cash Credit
खाता सं. Account No.	(जैसी चेकबुक में अंकित है ( ) )as appearing in the Cheque book)		
<p>(बैंक से आपूर्त एमआईसीआर<sup>1</sup> चेक पर अंकित कूट संख्या। कृपया यह सुनिश्चित करने के लिए कि बैंक का नाम, शाखा का नाम एवं कूट तथा खाता संख्या सही है, अपने बैंक का निरस्त किया हुआ चेक संलग्न करें ( ) )Code number appearing on the MICR<sup>1</sup> cheque supplied by the Bank. Please attach a cancelled cheque of your bank for ensuring accuracy of the bank name, branch name &amp; code and Account Number)</p>			
आईएफएससी कूट <sup>2</sup> IFSC CODE <sup>2</sup>	आरटीजीएस अंतरण के लिए For RTGS transfer		एनईएफटी अंतरण के लिए For NEFT transfer

4. अधिदेश के प्रभावी किए जाने की तिथि

Date from which the mandate should be effective :

मैं एतद् द्वारा घोषित करता हूँ कि ऊपर दिए गए विवरण सही और पूर्ण हैं। यदि अपूर्ण या गलत सूचना के कारण लेनदेन भुगतान (में कोई बिलम्ब होता है या भुगतान नहीं हो पाता है ,तो मैं सिडबी / आईडीबीआई बैंक को उसके लिए उत्तरदायी नहीं बनाऊँगा। मैं यह भी वचन देता हूँ कि यदि मेरे खाते के विवरण में कोई परिवर्तन होगा ,तो मैं उसकी सूचना दूँगा ,ताकि **भा.रि.बैंक के आरटीजीएस/एनईएफ़टी** के माध्यम से राशि जमा किए जाने के प्रयोजन के लिए अभिलेख अद्यतन किए जा सकें।

I hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected for reasons of incomplete or incorrect information, I shall not hold SIDBI / IDBI Bank responsible. I also undertake to advise any change in the particulars of my account to facilitate Update of records for purpose of credit of amount through **RBI RTGS/NEFT**.

स्थान/Place : \_\_\_\_\_

दिनांक/Date : \_\_\_\_\_ पार्टी/प्राधिकृत हस्ताक्षरकर्ता के हस्ताक्षर  
Signature of the party / Authorized Signatory

.....  
प्रमाणित किया जाता है कि ऊपर दिए गए विवरण हमारे अभिलेख के अनुसार सही हैं।Certified that particulars furnished above are correct as per our records.

बैंक की मुहर/Bank's stamp :

दिनांक/Date :

(बैंक के प्राधिकृत अधिकारी के हस्ताक्षर)(Signature of the Authorized Official from the Banks)

**टिप्पणी : यदि आरटीजीएस/एनईएफ़टी संबंधी कोई प्रभार होगा ,तो उसका वहन पार्टी करेगी।**

**N.B.: RTGS/NEFT charges if any, is to be borne by the party**

**1.2: आईएफएससी/एमआईसीआर के बारे में टिप्पणी**

भारतीय वित्तीय प्रणाली कूट एक अक्षरांकीय/वर्णांकीय कूट है ,जो भारत में किसी बैंक-शाखा की अनन्य रूप से पहचान के लिए बनाया गया है। यह 11 अंकों का कूट है ,जिसमें प्रथम 4 अक्षर बैंक के कूट को दर्शाते हैं ,जबकि पाँचवाँ अंक नियंत्रण अंक के रूप आरक्षित है) वर्तमान में पाँचवें स्थान पर 0 है (तथा शेष अंक शाखा की पहचान हैं। चेक पर अंकित एमआईसीआर कूट) चुम्बकीय स्याही अंक पहचान (में 9 अंक होते हैं ,जिनसे बैंक-शाखा की पहचान होती है। भा.रि.बैंक ने सभी बैंकों को सूचित किया है कि वे अपने ग्राहकों को जारी किए जाने वाले चेक पत्रकों पर आईएफएससी मुद्रित कराएँ। कोई ग्राहक भी अपनी बैंक-शाखा से संपर्क कर उस शाखा का आईएफएस कूट प्राप्त कर सकता है।

**1.2: Note on IFSC / MICR**

Indian Financial System Code (IFSC) is an alpha numeric code designed to uniquely identify the bank-branches in India. This is 11 digit code with first 4 characters representing the bank's code, the next character reserved as control character (presently 0 appears in the fifth position) and remaining 6 characters to identify the branch. The MICR code, (Magnetic Ink Character Recognition) that appears on cheques, has 9 digits to identify the bank-branch. RBI had since advised all the banks to print IFSC on cheque leaves issued to their customers. A customer may also contact his bank-branch and get the IFS Code of that branch.



## Annexure VI – Performance Guarantee Format

### Performance Bank Guarantee

(To be executed on non-judicial stamp paper)

(This is a sample format and final content is subject to  
Verification before execution of the document)

#### **BANK GUARANTEE**

**(To be obtained from Scheduled Commercial Bank)**

**Small Industries Development Bank of India  
MSME Development Centre,  
Plot No. C-11, G Block,  
Bandra Kurla Complex (BKC),  
Bandra (E), Mumbai - 400 051**

KNOW ALL MEN BY THESE PRESENTS that in consideration of the Small Industries Development Bank of India (SIDBI), a Corporation constituted and established under the Small Industries Development Bank of India Act, 1989, and having its Head Office at SIDBI Tower, 15 Ashok Marg, Lucknow, 226001, and office at , MSME Development Centre, Plot No. C-11, G Block, Bandra Kurla Complex (BKC), Bandra (E), Mumbai - 400 051 (hereinafter called the SIDBI) having agreed to award a contract to M/s. ' Service Provider Name' having its office at ' Service Provider's Office Address', (hereinafter called "the Service Provider") for undertaking "**Validation of Risk Assessment Models and Rating System**" on the terms and conditions contained in the relevant Agreement dated \_\_\_\_\_ made between the Service Provider and the SIDBI (hereinafter called "the said Agreement") which terms, inter alia, stipulates for submission of Bank guarantee for 10% of the contract value i.e. ` . \_\_\_\_\_ (Rupees \_\_\_\_\_ only), for the due fulfillment by the Service Provider of the terms and conditions of the said Agreement.

At the request of the Service Provider, We (Bank name & address) \_\_\_\_\_ (herein after referred to as (Bank name) \_\_\_\_\_ which term shall mean and include, unless to repugnant to the context or meaning thereof, its successors and permitted assigns), hereby issue our guarantee No \_\_\_\_\_ in favour of **Small Industries Development Bank of India (SIDBI) as under**

1. We, do hereby unconditionally and irrevocably undertake to pay to SIDBI, without any demur or protest, merely on receipt of a written demand before the close of banking business hours on or before \_\_\_\_\_, at our counters at (Bank address) \_\_\_\_\_ from SIDBI an amount not exceeding \_\_\_\_\_ by reason of any breach by the Service Provider of the terms and conditions contained in the said Agreement, the opinion of the SIDBI regarding breach shall be final, conclusive and binding on us.
2. We do hereby guarantee and undertake to pay forthwith on written demand to SIDBI such sum not exceeding the said sum of \_\_\_\_\_ only as may be specified in such written demand, in the event of the Service Provider failing or neglecting to

perform the contract entered into by it with SIDBI for providing **Validation of Risk Assessment Models and Rating System** services to SIDBI in the manner and in accordance with the design specification, terms and conditions, contained or referred to in the said Agreement during its tenure.

3. We further agree that the guarantee herein contained shall remain in full force and effect till all obligations of Service Provider under or by virtue of the said Agreement have been fully and properly carried out or till validity date of this guarantee i.e. \_\_\_\_\_, whichever is earlier.
4. We undertake to pay to SIDBI all the money as per this Guarantee, notwithstanding any dispute or disputes raised by the Service Provider in any suit or proceeding pending before any court, tribunal or authority relating thereto and our liability under these being absolute and unequivocal.
5. We further agree with you that SIDBI shall have the fullest liberty without our consent and without affecting any manner our obligation hereunder (i) to vary any of the terms and conditions of the said Agreement (ii) to extend time for performance by the said Service Provider from time to time or postpone for any time (iii) to exercise or forbear to exercise any of the powers exercisable by SIDBI against said Service Provider and to forbear or enforce any of the terms and conditions relating to the said agreement and we shall not be relieved from our liability by reasons of any such variations or modifications or extension being granted to the said Service Provider for any forbearance act or omission on the part of SIDBI or any indulgence by the SIDBI to the said agreement or by any such matter or thing whatsoever which under the law relating to sureties would, but for this provisions, have an effect of so relieving us. However, nothing contained hereinbefore shall increase our liability under the guarantee above \_\_\_\_\_ or extend beyond \_\_\_\_\_
6. The liability under this guarantee is restricted to \_\_\_\_\_ (Rupees \_\_\_\_\_) and will expire on (date) \_\_\_\_\_ and unless a claim in writing is presented to us at (bank & address) \_\_\_\_\_ on or before (date) \_\_\_\_\_ all your rights will be forfeited and we shall be relieved of and discharged from all our liabilities hereunder.
7. The Guarantee herein contained shall not be determined or affected by Liquidation or winding up or insolvency or closure of the Service Provider or any change in the constitution of the Service Provider or of the Bank.
8. The executants has the power to issue this guarantee and executants on behalf of the Bank and hold full and valid Power of Attorney granted in their favour by the Bank authorizing them to execute this guarantee.
9. This guarantee shall remain in force until (date) \_\_\_\_\_. Our liability hereunder is conditional upon your lodging a demand or claim with us and unless a demand or claim is lodged with us on or before (date) \_\_\_\_\_, your rights under the guarantee shall be forfeited and we shall not be liable thereunder. This guarantee shall be governed by and construed in accordance with the laws of India.

10. We, (bank name, place) \_\_\_\_\_lastly undertake not to revoke this guarantee during its currency except with the previous consent of the SIDBI in writing.
11. Notwithstanding anything to the contrary contained herein, the liability of (bank name & place) under this guarantee is restricted to a maximum total amount of ` \_\_\_\_\_ (Rupees \_\_\_\_\_).
12. Our liability pursuant to this guarantee is conditional upon the receipt of a valid and duly executed written claim, in original, by (bank name & address) \_\_\_\_\_, delivered by hand, courier or registered post, prior to close of banking hours on (date)\_\_\_\_\_, failing which all rights under this guarantee shall be forfeited and we shall absolutely and unequivocally discharged of all of its obligations hereunder. This Guarantee shall be governed by and construed in accordance with the laws of India and competent courts in the city of (place\_\_\_\_\_ ) shall have exclusive jurisdiction.
13. Kindly return the original of this guarantee to (bank name & address) upon the earlier of  
 (a) its discharge by payment of claims aggregating to ` \_\_\_\_\_ (Rupees \_\_\_\_\_) (b) fulfillment of the purpose for which this guarantee was issued; or  
 (c)\_\_\_\_\_ (date)”
14. All claims under this guarantee will be made payable at (bank name & address) \_\_\_\_\_ by way of DD payable at Mumbai/ RTGS/ NEFT.

In witness where of we ..... have set and subscribed our hand and seal this .....day of .....2014 .

SIGNED, SEALED AND DELIVERED.

BY

AT

- IN THE PRESENCE OF WITNESS :
- 1) Name .....
  - Signature.....
  - Designation.....
  - 2) Name .....
  - Signature.....
  - Designation.....

## Annexure –VII Letter of Competence

### Letter of Competence

(To be executed on a non judicial stamp paper)

RfP No : ..... dated .....

This is to certify that we [*Insert name of Respondent*], address.....are fully competent to undertake and successfully deliver the services as per scope mentioned in the above RfP. This recommendation is being made after fully understanding the objectives of the project and requirements of providing services as mentioned in the captioned RfP.

We also certify that all the information given by in response to this RfP is true and correct.

Thanking you,

Yours sincerely,

---

Date Signature of Authorised Signatory ...

Place Name of the Authorised Signatory ...

Designation ...

Name of the Organisation ...

Seal ...

---

## Annexure – VIII Non-disclosure Agreement

### NON-DISCLOSURE AGREEMENT

(Sample Format - TO BE EXECUTED ON A NON-JUDICIAL STAMPED PAPER of ₹ 100/-)

WHEREAS, we, \_\_\_\_\_, having Registered Office at \_\_\_\_\_, hereinafter referred to as the Respondent, are agreeable to execute “**Validation of Risk Assessment Models and Rating System**” as per scope defined in the Request for Proposal (RfP) No. **400/2015/1057/BYO/RiMD** dated September 05, 2014 for Small Industries Development Bank of India, having its Head office \_\_\_\_\_, hereinafter referred to as the BANK and,

WHEREAS, the Respondent understands that the information regarding the Bank's Infrastructure shared by the BANK in their RfP is confidential and/or proprietary to the BANK, and

WHEREAS, the Respondent understands that in the course of submission of the offer for the said RfP and/or in the aftermath thereof, it may be necessary that the Respondent may perform certain jobs/duties on the Bank's properties and/or have access to certain plans, documents, approvals, data or information of the BANK;

NOW THEREFORE, in consideration of the foregoing, the Respondent agrees to all of the following conditions, in order to induce the BANK to grant the Respondent specific access to the BANK's property/information:

The Respondent will not publish or disclose to others, nor, use in any services that the Respondent performs for others, any confidential or proprietary information belonging to the BANK, unless the Respondent has first obtained the BANK's written authorisation to do so;

The Respondent agrees that information and other data shared by the BANK or, prepared or produced by the Respondent for the purpose of submitting the offer to the BANK in response to the said RfP, will not be disclosed to during or subsequent to submission of the offer to the BANK or thereafter to anyone outside the BANK;

The Respondent shall not, without the BANK's written consent, disclose the contents of this RfP or any provision thereof, or any specification, plan, pattern, sample or information (to be) furnished by or on behalf of the BANK in connection therewith, to any person(s) other than those employed/engaged by the Respondent for the purpose of submitting the offer to the BANK and/or for the performance of the Contract in the aftermath. Disclosure to any employed/engaged person(s) shall be made in confidence and shall extend only so far as necessary for the purposes of such performance.

Authorised Signatory

Name:

Designation:

Office Seal:

## Annexure – IX EMD / Performance Security Form

### EMD / PERFORMANCE SECURITY FORM

(Sample Format - TO BE EXECUTED ON A NON-JUDICIAL STAMPED PAPER)

To: **SMALL INDUSTRIES DEVELOPMENT BANK OF INDIA(SIDBI)**

**MSME Development Centre,  
Plot No. C-11, G Block,  
Bandra Kurla Complex (BKC),  
Bandra (E), Mumbai - 400 051**

WHEREAS ..... (Name of Service Provider) (hereinafter called 'the Service Provider') has undertaken, in pursuance of Request for Proposal (RFP) Tender No. **400/2015/1057/BYO/RiMD** dated **September 05, 2014** for the "Validation of Risk Assessment Models and Rating System" (hereinafter called the 'the RfP') to you.

AND WHEREAS, it has been stipulated by you in the said RfP that the Service Provider shall furnish you with a Bank Guarantee from a scheduled commercial Bank for the sum specified therein, as security for compliance with the Service Provider's performance obligations in accordance with the RfP.

AND WHEREAS we -----Bank having its registered office at ----- and inter alia a branch office situate at ----- have agreed to give a performance guarantee in lieu of EMD of ` 40,000/- (Rs Forty Thousand only) on behalf of the Service Provider.

We \_\_\_\_\_ **Bank** further undertake not to revoke and make ineffective the guarantee during its currency except with the previous consent of SIDBI in writing.

We ----- Bank do hereby unconditionally and irrevocably undertake to pay to SIDBI without any demur or protest, merely on demand from SIDBI, an amount not exceeding ` 40,000/- (Rs Forty Thousand only) by reason of any breach of the terms of the RfP dated ---- by Service Provider. We hereby agree that the decision of SIDBI regarding breach of the terms of the RfP shall be final, conclusive and binding on us.

WE do hereby guarantee and undertake to pay forthwith on demand to SIDBI a sum not exceeding `...../- (Rupees ..... only) (amount of the Guarantee in words and figures) and we undertake to pay you upon your first written demand declaring the Service Provider to be in default under the RfP and without cavil or argument, any sum or sums within the limit of `...../- (Rupees ..... only) (Amount of guarantee) as aforesaid, without your needing to prove or to show grounds or reasons for your demand or the sum specified therein.

Our obligation to make payment under this Guarantee shall be a primary, independent and absolute obligation and we shall not be entitled to delay or withhold payment for any reason. Our obligations hereunder shall not be affected by any act, omission, matter or thing which but for this provision might operate to release or otherwise exonerate us from our obligations hereunder in whole or in part, including and whether or not known to us or you:

- (i) any time or waiver granted to the Service Provider;
- (ii) the taking, variation, compromise, renewal or release of or refusal or neglect to perfect or enforce any rights, remedies or securities against the Service Provider;

- (iii) any Variation of or amendment to the RfP or any other document or security so that references to the Contract in this Guarantee shall include each such Variation and amendment;
- (iv) any unenforceability, invalidity or frustration of any obligation of the SERVICE PROVIDER or any other person under the RfP or any other document or security waiver by you of any of the terms, provisions, conditions, obligations UNDER RfP or any failure to make demand upon or take action against the SERVICE PROVIDER;
- (v) any other fact, circumstance, provision of statute or rule of law which might, were our liability to be secondary rather than primary, entitle us to be released in whole or in part from our undertaking; and;
- (vi) any change in constitution of the Service Provider;
- (vii) any petition for the winding up of the SERVICE PROVIDER has been admitted and a liquidator or provisional liquidator has been appointed or an order of bankruptcy or an order for the winding up or dissolution of the Service Provider has been made by a Court of competent jurisdiction;

The written demand referred to in paragraph above shall be deemed to be sufficiently served on us if you deliver to us at the branch address as set out in paragraph 3.

Notwithstanding anything contained hereinabove, this guarantee is valid until the ..... day of <validity date> and a claim in writing is required to be presented to us within 30 days from <validity date> i.e. on or before <claim period> failing which all your rights will be forfeited and we shall be relieved of and discharged from all our liabilities mentioned hereinabove.

Signature and Seal of Guarantors (Service Provider's Bank)

.....

Date.....

Address .....

.....

.....

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## Annexure – X Brief details of Scope of Project

### C. SCOPE

#### Phase I. Diagnostic for validation

1. Undertake Diagnostic review of existing risk assessment models and rating system.  
The diagnostics should cover
  - i. Understanding the Bank's credit portfolio composition and the targeted customer segments.
  - ii. Understand usage of the models – whether models are used for one or more of the following purposes
    - a. As a guide to credit decisions driven by market and business imperatives
    - b. As the primary tool for credit decision
    - c. Risk Based pricing
  - iii. Review the established risk and credit management systems, procedures, and control functions for ensuring the periodic and independent review of all elements of the internal rating and modeling process, including approval of model revisions, vetting of model inputs and review of model results, such as direct verification of risk computations. Proxy and mapping techniques and other critical model components should receive special attention.
  - iv. Assessment of methodologies used for model construction from a conceptual perspective and adequacy of usage with respect to the business segment for which the model is being utilized. In case of expert-judgment methodologies being used, the assessment will include a study of the different parameters considered in the model against a benchmark model.
  - v. Assess the accuracy, completeness, and appropriateness of model inputs and results and focus on both finding and limiting potential errors associated with known weaknesses and identifying unknown model weaknesses.
  - vi. Assessment as to whether the written rating definitions are clear and detailed enough to allow third parties to understand the assignment of ratings, such as independent audit body and RBI
  - vii. Communicate data requirements for model validation – For quantitative performance analysis; data related to historical performance of the credit portfolio would be required. Review data provided for adequacy.
  - viii. Formulation of the Data Augmentation approach – The data augmentation approach would be adopted based on Basel guidelines related to data augmentation for model validation and Bank's inputs.
  - ix. Review of integrity of management information system pertaining to rating system/models.
  - x. Review of accuracy, granularity and completeness of rating/position data. Suitability of data - This exercise may also investigate the sample that has been used for model validation. A check may be done to understand whether the trend shown by the sample data is expected to continue in the future. This phase of validation will include a review of the data samples used by the Bank and the assumptions made.
  - xi. Review risk assessment model calibration and overrides - The calibration of the grades and the PDs (probability of default) these grades are mapped to are to be reviewed.
  - xii. Review qualitatively and quantitatively to include.



- a. Qualitative Validation:
    - i. Review of the conceptual soundness of the following elements
    - ii. Model Design: Concept, methodology / technique, philosophy, assumptions, developmental evidence and rationale.
    - iii. Model Governance: Review of Rating model governance, integrity, operations, process and override design, exceptions monitoring, data integrity.
    - iv. Model Documentation: sufficiency and completeness.
  - b. Quantitative Validation
    - i. Model Efficiency
    - ii. Discriminatory power
    - iii. Model Calibration
    - iv. Model Stability
    - v. Conduct Benchmarking and backtesting, wherever applicable to the type of portfolio, using external and/or pooled data, wherever applicable and outline the results.
- xiii.** Review of models may also cover the following:
- i. Review of the scope of the models to be validated.
  - ii. Review of concept notes, technical documentations and other collaterals relating to the proposed products to understand the structures and the adequacy of the documentation of risk management/rating system and processes
  - iii. Validate the appropriateness of the input parameters used in a particular model. This would also involve extensive use of independent / internal data sources to verify the deal input variables, Default and loss characteristics.
  - iv. Verify the independence of access controls around model and review controls for data inputs (automated or manual).
  - v. Review the role of overrides in the Rating Process.
  - vi. Review of the development data set and validation data set to be used for model validation, review of their completeness, accuracy, timeliness and appropriateness.
  - vii. Review of the default data set: its completeness, accuracy and appropriateness.
  - viii. Structural Review of existing credit rating models, validation of the appropriateness of the chosen model build methodology/ techniques, estimation and initial model calibration.

## **Phase II. Model Validation**

- 2.** Validation of the Bank's rating systems and the estimation of PDs to include:
  - i. Internal rating models / system used by the Bank is sufficient to cover all of the Bank's activities and geographical coverage of operations and accordingly the structure of internal rating models/system is adequate.
  - ii. Data flows and processes associated with risk measurement/ rating system are transparent and accessible to both the internal and external auditors and they have access to model's specifications and parameters.
  - iii. Document the validation procedure, tests and reasons if applicable to conclude that the model is valid.
  - iv. Internal validation of models is done in future satisfactorily and objectively by the Risk Management Vertical.

- v. Accuracy, robustness, consistency and reliability is achieved in risk assessment models and rating systems.
3. Perform qualitative & quantitative validation of current rating models/system to assess the model design, governance, documentation, discriminatory power, consistency in prediction of PDs, calibration, stability of models and appropriate usage of models in business decision making process.  
Qualitative & Quantitative validation to include:
  - a. Model Design: Concept, methodology / technique, philosophy, assumptions, developmental evidence and rationale.
  - b. Model Governance: Review of Rating model governance, integrity, operations, process and override design, exceptions monitoring, data integrity.
  - c. Model Documentation: sufficiency and completeness.
  - d. Model Efficiency
  - e. Model Calibration
  - f. Model Stability
4. Validation of any significant change in the risk measurement process. Validate the model dynamics using generally accepted quantitative methodologies and verify the relevance of using a particular class of model for a particular product line. Effectively, the validation exercise will also seek to ensure that the usage of the models is consistent with the interests of its business application. Generally, this would involve ensuring that the inherent methodological assumptions or the methodology horizon is appropriate for the business application.
5. Validation of the model's accuracy to cover broadly the following :
  - a. Ensure that the formulae used in the calculation process are validated by Risk Management Vertical, which in all cases should be independent from the business area.
  - b. Verify internal rating models' / systems' accuracy by back testing and ensure that the model provides a reliable measure of potential losses over time.
  - c. Assessment of the adequacy of processes adopted for identification, assessment and monitoring of risk positions across the Bank and verification thereof.
6. Validate the process of updation of PD's based on annual PD/CDR published by external rating agencies.
7. Re-performance of valuations for assessment of values derived from a particular model. Justification also needs to be provided for any adjustments made on the input parameters and output.
8. Conduct data augmentation activities wherever required for low default portfolios and undertake techniques for validation of low default portfolios as listed in Basel Committee papers.
9. Conduct Benchmarking and backtesting, wherever applicable to the type of portfolio, using external and/or pooled data, wherever applicable and outline the results.
10. Conduct the appropriate tests prescribed by Basel Working Paper 14 (both discriminatory - Gini coefficient, AUC, ROC, Pietra index, Bayesian error rate etc and predictive power - binomial test, chi-square test, etc.) as part of the validation of the rating models/system, demonstrate the rationale, applicability and appropriateness of the techniques chosen including limitations, if any
11. For the validation process the consultant/service provider shall arrange the different types of Financial and Qualitative data (past data and real-time data or test data/ stimulated (dummy) data) from various sources like: public sector banks, State Level Financial Institutions (SLFIs), NBFCs, Cooperative Banks, Foreign Banks, Service Sectors, Transport Sectors, Equipment Finance, Green Field Projects, Textile Sectors, Automobile Sectors, etc.( SIDBI to provide internal data to the possible

available extent. Other relevant external data from Banks / FIs (available with / arranged by the Consultant) who are agreeable to share the same for this assignment, and other data available in public domain may also be used. The sample size of data should be mutually agreed upon between the parties based on the requirements of the assignment and practical aspects of data acquisition. Report should be made separately according to the category of data type and source types / sector types.

12. Conduct performance review to analyse the overall performance of the credit risk assessment framework/models and rating system. This is to determine how well the risk assessment models/rating system framework works in practice to anticipate and manage future credit losses over the horizon that the rating system was built for, primarily focusing on comparison of the actual model performance / outcome against the expected model performance. (to be guided by the Basel Working Paper 14 and include both discriminatory as well as predictive power tests such as Gini coefficient, AUC, ROC, Pietra index, Bayesian error rate, binomial test, chi-square test etc.).

### **Phase III. Model / Process Refinement**

Based on the outcome of the validation exercise, recommendations for changes in existing risk assessment models/rating system as well as recommendations for changes to the scoring / rating process/ calibration etc., shall be made. The recommendations could include the following or more other aspects;

13. Create framework to archive models, model development process, validation processes, logs and audits, enable segmentation of credit exposures based on PD/LGD values, migration analysis
14. Develop policy for model validation, calibration and bench marking the model using internal data. As also develop framework based on PD of internal data for a meaningful mapping to external rating grades/ PD.
15. Institute methodology for the identification of key parameters for the development/refinement of models.
16. Institute validation framework to enable the bank to independently conduct ongoing validation.
17. Refinement of the existing risk assessment models and rating system (including methodology, architecture, rating parameters , risk weights, calculation methodology, documentation etc.) based on agreed suggestions with the Bank's team including recalibration and review of benchmarking ( including by coparison to external ratings or by rank order test or any other best fit test).
18. Provide detailed recommendation on recalibration/rebuilding or any other modification including structural modification to rating models/system.
19. Development of methodology of the new credit rating models (development of new variants for different borrower / industry segment, clusters, etc). The task also includes full documentation of the said models (model document containing detailed assumptions, approach and methodology, strengths and limitations, portfolio coverage, data collection and analysis, model governance etc.).
20. List of additional models that maybe suggested if there are mismatches between the model design and the borrower segments to which these models cater to ( along with complete details of the newly recommended models)

### **Phase IV. Training:**

21. Conduct presentations/workshops for the Bank's internal team to share knowledge on all aspects of validation exercise as also the model validation results. (The workshops/presentations/trainings may be conducted before, during and after the validation exercise/ project period)

22. Project Team and / or End-user training is a key element of all assignments. As part of this assignment, comprehensive workshop detailing the aspects of a Model validation exercise, approach taken for the assignment, its outcome and the way-ahead needs to be provided. This dedicated training is in addition to the hands-on training that the project team of the Bank should be provided with in the course of the assignment, on the validation conducted for the Bank. (The participants in the workshops/trainees, location etc., would be decided by the Bank).
23. Conduct presentations/workshops for the Bank's internal team to share the model validation results.
24. The areas covered during the training workshop would broadly include;
  - a) Model validation techniques (including statistical tests)
  - b) Overview of the assignment executed, its outcome and findings
  - c) Requirements as per the IRB approaches for Basel II and model validation methodology and process in this context.
  - d) Challenges and best practices for implementation of internal rating models and scorecards.

#### **Phase V – Knowledge Transfer and Hand holding**

25. To undertake annual validation (for at least one more year) of rating models/system which would be available at that point of time along with providing requisite training and hand holding. Also, one additional cycle of validation of the rating models covered under this assignment post completion of the project on hand holding basis to enable the Bank to conduct validation internally.
26. By the end of the assignment training and sufficient hand holding needs to be provided to, the members of the Bank to be involved in the validation exercise to undertake a repeat exercise after usage of the refurbished models for an appropriate time including providing hand holding.
27. As part of Knowledge transfer as also as a part during the course of the validation following would be the deliverables (not limiting to the details given below the Service Provider/consultant may provide additional deliverables pertinent to the project.):
  - 1) Model Validation Document consisting data analysis, results, assumptions, limitations, and further areas of work/improvements.
  - 2) A consolidated report containing detailed list of various data (along with its source) used for validation purpose, ability of rating model/system to validate all the data of different types from different sources. Discrepancies observed should be mentioned in report along with the possible source of discrepancy. The expected discrepancies are :-
    - Choice / Retaining of Parameters / Risk Drivers & Scorecard Variables
    - Changes to Algorithm / Statistical Inputs wherever Relevant
    - Changes required in Weighting and Combinatorial Methodology
    - Re-benchmarking of grades
    - Proposed Limits, i.e., Caps and Floors as applied to scorecard variables.)
  - 3) Model Validation Framework (to include in detail the techniques used for validation) for regulatory ratification
  - 4) Validation Spreadsheet (excel prototype)
  - 5) Research papers used for benchmarking during validation exercise
  - 6) Refined Models
  - 7) Model Documentation of Refined Models (covering methodology, assumptions, mathematical logic, etc.)
  - 8) Interim and Final Presentations made during the discussions sessions/workshops

- 9) All Manuals and documents pertaining to the Validation project, including validation reports along with related data, recommendations based on validation study, gap study reports, report and presentations on modifications/calibrations required for meeting the requirements of / compliance of findings in validation report.
- 10) Tool(s) for internal validation of rating models/validation should include the following features.
  - a. Discriminatory power test, calibration tests, etc.
  - b. Help structure and relationship discoveries, referential integrity analysis
  - c. Enable frequency distribution/identification
  - d. Pattern distribution and identification
  - e. Identify data scarcity, outliers, percentiles, domain checks,
  - f. Perform data quality functionalities
  - g. Enable application of flexible business rules for validation
  - h. Capable of providing customizable reports
  - i. Capable of enrich data from internal/external/third party sources
  - j. Perform linear/non-linear modeling, statistical tests and analysis
  - k. Provide customized analytics
  - l. Enable carry out calibration in rating models / system.
  - m. Enable rating migration analysis, CDR analysis and reporting, portfolio level PD analysis and reporting

**On the overall the validation project should fulfill the requirements of Working paper 14 of BCBS document.**

**D. OTHER DOCUMENTATION**

The Consultant/Service Provider in addition to documents as required in the scope has to provide at least the following documents at different phases during the contract period. This is an indicative list and the actual requirement will be spelt out in due course/at the time of signing the contract.

- Project Management Plan
- Project Schedule
- Process Documentation, etc.

The Project Management Plan should include the following:

- Project Implementation Schedule
- Quality Assurance Plan
- Requirements Management Process
- Change Management Process
- Release Management Process
- Quality Control/ Testing Plan
- Documentation Management Process
- Progress Reporting and Distribution Process
- Project Communication Plan

The Progress Report content and frequency will/may be mutually agreed between SIDBI and the Service Provider

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## Annexure – XI SERVICE LEVEL AGREEMENT

### SERVICE PROVIDER AGREEMENT

THIS SERVICE PROVIDER AGREEMENT is made at \_\_\_\_\_ on the \_\_\_\_\_ day of the year 2014 between (Name of Service Provider) having its office at (Address of the Service Provider), (hereinafter referred to as Service Provider which expression shall unless it be repugnant to the subject or context thereof include its successors and assigns etc, as the case may be) of the one part

And

Small Industries Development Bank of India, a ..... (hereinafter referred to as "SIDBI", which expression shall, unless it be repugnant to the subject or context thereof, include its successors and assigns) of the Other Part.

(The Service Provider and SIDBI are hereinafter collectively referred to as the "Parties" and individually as the "Party").

WHEREAS:

- A. SIDBI is desirous of appointing the Service Provider for the purpose of providing the Services more particularly specified in **Schedule** to this Agreement.
- B. The Service Provider has represented to SIDBI that the Service Provider has the requisite skill, knowledge, experience, expertise, infrastructure and capability to carry out the Services, and also has trained and experienced persons having requisite skills, knowledge, experience and expertise to perform the functions in terms of this Agreement and the Service Provider has agreed to perform the Services.
- C. Relying on the above and at the request of the Service Provider, SIDBI has chosen the Service Provider for carrying out the Services on the terms and conditions contained in this Agreement.

NOW, THEREFORE, THIS AGREEMENT WITNESSETH AND THE PARTIES HERETO AGREE AS FOLLOWS:

1. In this Agreement unless there is anything repugnant to the subject or context thereof, the expressions listed below shall have the following meanings viz.:

"Services" means the services agreed to be provided / provided by the Service Provider in terms of this Agreement and more particularly specified in Schedule to this Agreement.

"This Agreement" means this service provider agreement, all amendments made thereto from time to time, the Schedules hereto as also all other related transaction documents.

#### 2. APPOINTMENT AND TERM

(a) SIDBI appoints the Service Provider for providing / performing the Services and the Service Provider agrees to provide the Services, subject to the terms and conditions set out herein and for the consideration specified in this Agreement.

(b) This Agreement shall become effective from the Effective Date and be in force and

effect till the period specified in **Schedule** hereto unless terminated earlier.

### 3. PAYMENT

(a) The Service Provider will, unless disputed by SIDBI, be paid charges specified in Schedule hereto for the Services.

(b) All such costs which are required to be incurred by the Service Provider in relation to the Services and which have been agreed to between the parties shall be borne by SIDBI. The Service Provider shall furnish to SIDBI all necessary receipts and other documents evidencing the incurrence of such costs, in a form and manner satisfactory to SIDBI.

(c) This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof (as stated in Schedule).

### 4. Confidentiality of Information:

- a) For the purpose of this Agreement, "Confidential Information" shall mean:
  - i) Any non-public information in any form (including but not limited to documents, drawings, samples, correspondence, specifications, plans, forecasts, data analysis) emanating directly or indirectly from SIDBI and shall include any compilation of otherwise public information in a form not publicly known;
  - ii) Any other non-public information which may from time to time be identified by SIDBI as being of a confidential nature and as being subject to the terms of this Agreement.
- b) "Confidential Information" does not include information which:
  - i) is publicly known at the time of disclosure;
  - ii) after disclosure becomes publicly known, other than as a result of any breach of this Agreement;
  - iii) Service Provider can show that it was known to it prior to its disclosure by SIDBI;
  - iv) Service Provider can show that it was developed independently by associated members of Service Provider who were not aware of the content of the information disclosed by SIDBI to Service Provider;
  - v) Service Provider can show that it was made available to it by a third party who had a right to do so and who had not imposed on Service Provider any obligation of confidentiality or restricted use in respect thereof;
  - vi) is required to be disclosed by a judicial or quasi-judicial body.

All Confidential Information will be held in complete and strict confidence during the term of this Agreement. Service Provider will be entitled to share the Confidential Information only with those of its employees who are directly concerned with the Services and who would be required to carry out their respective duties relating to the Services. Any employee to whom confidential information is disclosed shall be expressly informed of its confidential nature and Service Provider will use reasonable efforts to ensure that they observe instructions contained in this Agreement, as fully as if, such persons had executed this Agreement. The obligations of this clause shall survive one year after the expiry / termination of this Agreement.

- c) In the event that Service Provider is required to disclose Confidential Information by law or by an order of a judicial or quasi-judicial body, Service Provider agrees to:
  - i) promptly notify SIDBI of the existence, terms and circumstances surrounding the requirement.

- ii) consult with SIDBI on the advisability of taking legally available steps to resist or narrow such requirement or to waive compliance, in whole or part and
- iii) furnish only that portion of the Confidential Information as is legally required to be furnished / disclosed.
- d) Either party's liability for any and all losses to the other party arising out of any negligent or other acts or omissions in connection with anything furnished as Confidential Information, regardless of the cause of loss or damage shall never exceed the value of the Service and both parties covenant not to sue the other for a greater amount.

5. Settlement of Disputes:

Should SIDBI and Service Provider be unable to reach agreement on the meaning or interpretation of any of the terms set out hereto or any other matters arising out of the Agreement, the matter in dispute shall be referred to an arbitrator to be agreed between the parties and the decision of the arbitrator shall be final and binding on both parties. The place of arbitration shall be Mumbai.

6. Governing Law and Jurisdiction:

This Agreement shall be governed by the Laws of the Republic of India and the courts of competent jurisdiction at Mumbai shall have exclusive jurisdiction to determine any dispute under this Agreement. Notwithstanding the above, in the event of a dispute the Parties shall make all efforts to amicably resolve the dispute before referring the matter to a court of law.

7. Notices:

Any notice or request to be given or made under this Agreement shall be in writing at the address mentioned herein below or such other address as one party may inform the other in writing.

SERVICE PROVIDER ADDRESS	SIDBI .....
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Any notice, demand, letter or communication may be sent by the parties by registered post, speed post, courier, or by hand delivery. Such notices shall be deemed effective upon delivery to the addressee.

IN WITNESS WHEREOF the Parties have caused this Agreement to be executed on the day, month and year first hereinabove written in the manner hereinafter appearing.

For XXXXXXXXXXXXXXXXXX

SIGNED AND DELIVERED XXXXXXXXXXXXXXXXXX  
by the hand of Shri xxxxxxxxxxxx, Designation.

For SIDBI:

SIGNED AND DELIVERED by .....



## SCHEDULE

### **I Services:**

The Service Provider shall perform / provide the following Services (“**the Services**”):

#### **Phase I. Diagnostic for validation**

1. Undertake Diagnostic review of existing risk assessment models and rating system.
  - a. The diagnostics should cover
    - i. Understanding the Bank’s credit portfolio composition and the targeted customer segments.
    - ii. Understand usage of the models – whether models are used for one or more of the following purposes
      - a. As a guide to credit decisions driven by market and business imperatives
      - b. As the primary tool for credit decision
      - c. Risk Based pricing
    - iii. Review the established risk and credit management systems, procedures, and control functions for ensuring the periodic and independent review of all elements of the internal rating and modeling process, including approval of model revisions, vetting of model inputs and review of model results, such as direct verification of risk computations. Proxy and mapping techniques and other critical model components should receive special attention.
    - iv. Assessment of methodologies used for model construction from a conceptual perspective and adequacy of usage with respect to the business segment for which the model is being utilized. In case of expert-judgment methodologies being used, the assessment will include a study of the different parameters considered in the model against a benchmark model.
    - v. Assess the accuracy, completeness, and appropriateness of model inputs and results and focus on both finding and limiting potential errors associated with known weaknesses and identifying unknown model weaknesses.
    - vi. Assessment as to whether the written rating definitions are clear and detailed enough to allow third parties to understand the assignment of ratings, such as independent audit body and RBI
    - vii. Communicate data requirements for model validation – For quantitative performance analysis; data related to historical performance of the credit portfolio would be required. Review data provided for adequacy.
    - viii. Formulation of the Data Augmentation approach – The data augmentation approach would be adopted based on Basel guidelines related to data augmentation for model validation and Bank’s inputs.
    - ix. Review of integrity of management information system pertaining to rating system/models.
    - x. Review of accuracy, granularity and completeness of rating/position data. Suitability of data - This exercise may also investigate the sample that has been used for model validation. A check may be done to understand whether the trend shown by the sample data is expected to continue in the future. This phase of validation will include a review of the data samples used by the Bank and the assumptions made.

- xi.** Review risk assessment model calibration and overrides - The calibration of the grades and the PDs (probability of default) these grades are mapped to are to be reviewed.
- xii.** Review qualitatively and quantitatively to include
  - a. Qualitative Validation:
    - i. Review of the conceptual soundness of the following elements
    - ii. Model Design: Concept, methodology / technique, philosophy, assumptions, developmental evidence and rationale.
    - iii. Model Governance: Review of Rating model governance, integrity, operations, process and override design, exceptions monitoring, data integrity.
    - iv. Model Documentation: sufficiency and completeness.
  - b. Quantitative Validation
    - i. Model Efficiency
    - ii. Discriminatory power
    - iii. Model Calibration
    - iv. Model Stability
    - v. Conduct Benchmarking and backtesting, wherever applicable to the type of portfolio, using external and/or pooled data, wherever applicable and outline the results.
- xiii.** Review of models may also cover the following:
  - i. Review of the scope of the models to be validated.
  - ii. Review of concept notes, technical documentations and other collaterals relating to the proposed products to understand the structures and the adequacy of the documentation of risk management/rating system and processes
  - iii. Validate the appropriateness of the input parameters used in a particular model. This would also involve extensive use of independent / internal data sources to verify the deal input variables, Default and loss characteristics.
  - iv. Verify the independence of access controls around model and review controls for data inputs (automated or manual).
  - v. Review the role of overrides in the Rating Process.
  - vi. Review of the development data set and validation data set to be used for model validation, review of their completeness, accuracy, timeliness and appropriateness.
  - vii. Review of the default data set: its completeness, accuracy and appropriateness.
  - viii. Structural Review of existing credit rating models, validation of the appropriateness of the chosen model build methodology/techniques, estimation and initial model calibration.

## **Phase II. Model Validation**

- 2.** Validation of the Bank's rating systems and the estimation of PDs to include:
  - i. Internal rating models / system used by the Bank is sufficient to cover all of the Bank's activities and geographical coverage of operations and accordingly the structure of internal rating models/system is adequate.
  - ii. Data flows and processes associated with risk measurement/ rating system are transparent and accessible to both the internal and external auditors and they have access to model's specifications and parameters.

- iii. Document the validation procedure, tests and reasons if applicable to conclude that the model is valid.
- iv. Internal validation of models is done in future satisfactorily and objectively by the Risk Management Vertical.
- v. Accuracy, robustness, consistency and reliability is achieved in risk assessment models and rating systems.
3. Perform qualitative & quantitative validation of current rating models/system to assess the model design, governance, documentation, discriminatory power, consistency in prediction of PDs, calibration, stability of models and appropriate usage of models in business decision making process.  
Qualitative & Quantitative validation to include:
  - a. Model Design: Concept, methodology / technique, philosophy, assumptions, developmental evidence and rationale.
  - b. Model Governance: Review of Rating model governance, integrity, operations, process and override design, exceptions monitoring, data integrity.
  - c. Model Documentation: sufficiency and completeness.
  - d. Model Efficiency
  - e. Model Calibration
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4. Validation of any significant change in the risk measurement process. Validate the model dynamics using generally accepted quantitative methodologies and verify the relevance of using a particular class of model for a particular product line. Effectively, the validation exercise will also seek to ensure that the usage of the models is consistent with the interests of its business application. Generally, this would involve ensuring that the inherent methodological assumptions or the methodology horizon is appropriate for the business application.
5. Validation of the model's accuracy to cover broadly the following :
  - a. Ensure that the formulae used in the calculation process are validated by Risk Management Vertical, which in all cases should be independent from the business area.
  - b. Verify internal rating models' / systems' accuracy by back testing and ensure that the model provides a reliable measure of potential losses over time.
  - c. Assessment of the adequacy of processes adopted for identification, assessment and monitoring of risk positions across the Bank and verification thereof.
6. Validate the process of updation of PD's based on annual PD/CDR published by external rating agencies.
7. Re-performance of valuations for assessment of values derived from a particular model. Justification also needs to be provided for any adjustments made on the input parameters and output.
8. Conduct data augmentation activities wherever required for low default portfolios and undertake techniques for validation of low default portfolios as listed in Basel Committee papers.
9. Conduct Benchmarking and backtesting, wherever applicable to the type of portfolio, using external and/or pooled data, wherever applicable and outline the results.
10. Conduct the appropriate tests prescribed by Basel Working Paper 14 (both discriminatory - Gini coefficient, AUC, ROC, Pietra index, Bayesian error rate etc and predictive power - binomial test, chi-square test, etc.) as part of the validation of the rating models/system, demonstrate the rationale, applicability and appropriateness of the techniques chosen including limitations, if any
11. For the validation process the consultant shall arrange the different types of Financial and Qualitative data (past data and real-time data or test data/ stimulated (dummy) data) from various sources like: public sector banks, State Level Financial Institutions

(SLFIs), NBFCs, Cooperative Banks, Foreign Banks, Service Sectors, Transport Sectors, Equipment Finance, Green Field Projects, Textile Sectors, Automobile Sectors, etc.) SIDBI to provide internal data to the possible available extent. Other relevant external data from Banks / FIs (available with / arranged by the Consultant) who are agreeable to share the same for this assignment, and other data available in public domain may also be used. The sample size of data should be mutually agreed upon between the parties based on the requirements of the assignment and practical aspects of data acquisition. Report should be made separately according to the category of data type and source types / sector types.

12. Conduct performance review to analyse the overall performance of the credit risk assessment framework/models and rating system. This is to determine how well the risk assessment models/rating system framework works in practice to anticipate and manage future credit losses over the horizon that the rating system was built for, primarily focusing on comparison of the actual model performance / outcome against the expected model performance. (to be guided by the Basel Working Paper 14 and include both discriminatory as well as predictive power tests such as Gini coefficient, AUC, ROC, Pietra index, Bayesian error rate, binomial test, chi-square test etc.).

### **Phase III. Model / Process Refinement**

Based on the outcome of the validation exercise, recommendations for changes in existing risk assessment models/rating system as well as recommendations for changes to the scoring / rating process/ calibration etc., shall be made. The recommendations could include the following or more other aspects;

13. Create framework to archive models, model development process, validation processes, logs and audits, enable segmentation of credit exposures based on PD/LGD values, migration analysis
14. Develop policy for model validation, calibration and bench marking the model using internal data. As also develop framework based on PD of internal data for a meaningful mapping to external rating grades/ PD.
15. Institute methodology for the identification of key parameters for the development/refinement of models.
16. Institute validation framework to enable the bank to independently conduct ongoing validation.
17. Refinement of the existing risk assessment models and rating system (including methodology, architecture, rating parameters , risk weights, calculation methodology, documentation etc.) based on agreed suggestions with the Bank's team including recalibration and review of benchmarking ( including by coparison to external ratings or by rank order test or any other best fit test).
18. Provide detailed recommendation on recalibration/rebuilding or any other modification including structural modification to rating models/system.
19. Development of methodology of the new credit rating models (development of new variants for different borrower / industry segment, clusters, etc). The task also includes full documentation of the said models (model document containing detailed assumptions, approach and methodology, strengths and limitations, portfolio coverage, data collection and analysis, model governance etc.).
20. List of additional models that maybe suggested if there are mismatches between the model design and the borrower segments to which these models cater to ( along with complete details of the newly recommended models)

### **Phase IV. Training:**

21. Conduct presentations/workshops for the Bank's internal team to share knowledge on all aspects of validation exercise as aslo the model validation results. (The

wokrshiops/presentations/trainings may be conducted before, during and after the validation exercise/ project period)

22. Project Team and / or End-user training is a key element of all assignments. As part of this assignment, comprehensive workshop detailing the aspects of a Model validation exercise, approach taken for the assignment, its outcome and the way-ahead needs to be provided. This dedicated training is in addition to the hands-on training that the project team of the Bank should be provided with in the course of the assignment, on the validation conducted for the Bank.(The participants in the workshops/trainees, location etc., would be decided by the Bank.
23. Conduct presentations/workshops for the Bank's internal team to share the model validation results.
24. The areas covered during the training workshop would broadly include;
  - a) Model validation techniques (including statistical tests)
  - b) Overview of the assignment executed, its outcome and findings
  - c) Requirements as per the IRB approaches for Basel II and model validation methodology and process in this context.
  - d) Challenges and best practices for implementation of internal rating models and scorecards.

#### **Phase V – Knowledge Transfer and Hand holding**

25. To undertake annual validation (for atleast one more year) of rating models/system which would be available at that point of time along with providing requisite training and hand holding. Also, one additional cycle of validation of the rating models covered under this assignment post completion of the project on hand holding basis to enable the Bank to conduct validation internally.
26. By the end of the assignment training and sufficient hand holding needs to be provided to, the members of the Bank to be involved in the validation exercise to undertake a repeat exercise after usage of the refurbished models for an appropriate time including providing hand holding.
27. As part of Knowledge transfer as also as a part during the course of the validation following would be the deliverables (not limiting to the details given below the Service Provider/consultant may provide additional deliverables pertinent to the project.):
  - 11) Model Validation Document consisting data analysis, results, assumptions, limitations, and further areas of work/improvements.
  - 12) A consolidated report containing detailed list of various data (along with its source) used for validation purpose, ability of rating model/system to validate all the data of different types from different sources. Discrepancies observed should be mentioned in report along with the possible source of discrepancy. The expected discrepancies are :-
    - Choice / Retaining of Parameters / Risk Drivers & Scorecard Variables
    - Changes to Algorithm / Statistical Inputs wherever Relevant
    - Changes required in Weighting and Combinatorial Methodology
    - Re-benchmarking of grades
    - Proposed Limits, i.e., Caps and Floors as applied to scorecard variables.)
  - 13) Model Validation Framework (to include in detail the techniques used for validation) for regulatory ratification
  - 14) Validation Spreadsheet (excel prototype)
  - 15) Research papers used for benchmarking during validation exercise
  - 16) Refined Models

- 17) Model Documentation of Refined Models (covering methodology, assumptions, mathematical logic etc.)
- 18) Interim and Final Presentations made during the discussions sessions/workshops
- 19) All Manuals and documents pertaining to the Validation project, including validation reports along with related data, recommendations based on validation study, gap study reports, report and presentations on modifications/calibrations required for meeting the requirements of / compliance of findings in validation report.
- 20) Tool(s) for internal validation of rating models/validation should include the following features.
  - a. Discriminatory power test, calibration tests etc,
  - b. Help structure and relationship discoveries, referential integrity analysis
  - c. Enable frequency distribution/identification
  - d. Pattern distribution and identification
  - e. Identify data scarcity, outliers, percentiles, domain checks,
  - f. Perform data quality functionalities
  - g. Enable application of flexible business rules for validation
  - h. Capable of providing customizable reports
  - i. Capable of enrich data from internal/external/third party sources
  - j. Perform linear/non-linear modeling, statistical tests and analysis
  - k. Provide customized analytics
  - l. Enable carry out calibration in rating models / system.
  - m. Enable rating migration analysis, CDR analysis and reporting, portfolio level PD analysis and reporting

**On the overall the validation project should fulfill the requirements of Working paper 14 of BCBS document.**

#### **OTHER DOCUMENTATION**

The Consultant/Service Provider in addition to documents as required in the scope has to provide at least the following documents at different phases during the contract period. This is an indicative list and the actual requirement will be spelt out in due course/at the time of signing the contract.

- Project Management Plan
- Project Schedule
- Process Documentation, etc.

The Project Management Plan should include the following:

- Project Implementation Schedule
- Quality Assurance Plan
- Requirements Management Process
- Change Management Process
- Release Management Process
- Quality Control/ Testing Plan
- Documentation Management Process
- Progress Reporting and Distribution Process
- Project Communication Plan

The Progress Report content and frequency will/may be mutually agreed between SIDBI and the Service Provider

**II Period of Service:**

This Agreement shall be effective from the \_\_\_\_\_ day of \_\_\_\_\_, Two Thousand and Fourteen (“**Effective Date**”).

Service provider would complete the Services within a period of time indicated as per the plan below. However reasonable changes in timelines could occur due to delays in availability of data and / or feedback / inputs from the Bank / third party. Such delays would be brought into the notice of the Bank and would be mutually agreed upon.

Activities	Weeks											
	1	2	3	4	5	6	7	8	9	10	11	12
Phase I												
Phase II												
Phase III												
Phase IV												
Phase V												

**III Payment of Charges:**

Fee for the proposed validation assignment, as per proposal submitted separately, is `xxxx lakhs. (Rupees xxxxxx lakh only)

The fees quoted above are exclusive of applicable taxes and duties. **No overheads** such as travel, conveyance, boarding and lodging will be charged for the execution at SIDBI, Mumbai.

The fees shall be payable as per the following schedule:

- a. 25% along with the Mandate letter
- b. 25% on submission of report on model validation and recommendations on model refinement if any.
- c. 25% on submission of all the deliverables, as per RfP
- d. 25% on completion of validation by Banks internal team with handholding from service provider.

Subject to SIDBI being satisfied that Service Provider is or has been carrying out their duties, obligations and responsibilities under this Agreement, the professional fees shall be paid within 30 (thirty) calendar days of receipt of an invoice.

If for any reason SIDBI is dissatisfied with the performance of the service, an appropriate sum may be withheld from any payment otherwise due. In such an event SIDBI shall identify the particular Services with which it is dissatisfied together with the reasons for such dissatisfaction and payment of the amount outstanding will be made by SIDBI within 7 calendar days upon remedy of any unsatisfactory work or resolution of outstanding queries by Service provider.