

**Prequalification Process**  
**to Identify Bidders for**  
**Corporate Bond and ETF Investment Management Services**

**Update as of February 9, 2021**

The submission deadlines listed under “Advancing to the RFP Stage” on page three have been extended as follows:

- Questions on the prequalification process: 9:00 am Eastern Time on Tuesday, February 16, 2021
- Response to prequalification form: 5:00 pm Eastern Time on Tuesday, February 23, 2021

This PDF document contains:

- An explanatory note on the opportunity and prequalification process to identify bidders for Corporate Bond and ETF Investment Management Services for the Secondary Market Corporate Credit Facility.
- A vendor response form beginning on page four of this document. The form has editable response fields to enable completion.

For best results completing the form:

1. Do not use a browser to complete the PDF response form.
2. Save the PDF file locally before beginning to edit. Use the Save icon (image of a computer disc) at the top of the screen or click “File” and then “Save As” (do not use the right-click “Save As” feature).
3. Using Adobe Acrobat, open the saved PDF file and click on “Enable All Features” at the top of the PDF file.
4. Before each subsequent save, ensure that the cursor is not inside a text box.

February 1, 2021

**Prequalification Process  
to Identify Bidders for  
Corporate Bond and ETF Investment Management Services**

**Overview**

The Federal Reserve Bank of New York (“FRBNY”) is seeking to identify bidders for its upcoming request for proposal(s) for investment management services in support of the [Secondary Market Corporate Credit Facility](#) (“SMCCF”) portfolio.

The Board of Governors of the Federal Reserve System (“Board”) authorized FRBNY, on March 23, 2020, to establish and operate emergency lending facilities to support the flow of credit to households and businesses and the overall U.S. economy. Included among these facilities was the SMCCF, which was designed to support the market for corporate bonds through purchases in the secondary market. The SMCCF is operated by Corporate Credit Facilities LLC (“CCF”)<sup>1</sup>, with the U.S. Department of the Treasury (“Treasury”) providing the equity capital and FRBNY providing discount window financing and acting as managing member.

The SMCCF commenced operations on May 12, 2020 and over the ensuing months acquired a portfolio of corporate bonds and fixed income exchange-traded funds (“ETFs”). The SMCCF’s authorization to make new purchases ended on December 31, 2020. As of that date, the SMCCF had approximately \$14.3 billion in investment assets, consisting of \$5.5 billion in corporate bonds at amortized cost and \$8.8 billion in ETFs at market value.

At the inception of the SMCCF, certain vendor functions were put in place through direct negotiation with a single service provider to enable the SMCCF to enter the market as quickly as possible. This was done with a view to submitting those functions to a competitive procurement process after the SMCCF was well established. In line with this intention, FRBNY is initiating a competitive procurement process for two separate investment manager (“IM”) roles for the corporate bond and ETF portfolios, respectively. Applicants are welcome to submit responses for one or both roles; FRBNY could select one firm for both roles or a separate firm for each role. Both roles are currently performed by the SMCCF’s investment manager, BlackRock Financial Management, Inc. (“BlackRock”). These IM roles are distinct from the custody and fund administration services that are performed by State Street Bank and Trust Company (“State Street”) and the cash investment management role, which is currently performed by BlackRock and is the subject of a separate competitive procurement process.

**Opportunity**

FRBNY is seeking to engage one or two firms to manage the investment activities for the SMCCF’s bond and ETF portfolios. To that end, FRBNY is undertaking this prequalification process to select prospective bidders to participate in the upcoming request for proposal(s) (“RFP”) for the IM roles. FRBNY invites interested firms to complete the Vendor Response Form below for one or both of the IM roles by completing the relevant tables for bond and/or ETF requirements. FRBNY will then review the information provided and evaluate the responses. Meeting the minimum requirements of the prequalification process does not guarantee participation in the RFP itself. Prospective vendors selected for participation in the RFP will receive separate notification from FRBNY after the prequalification process is complete.

FRBNY is committed to diversity and inclusion in all aspects of its business and to the advancement of these values through its implementation of emergency lending facilities, including the SMCCF. FRBNY encourages all firms meeting the criteria set out below, including minority-, women- or veteran-owned business entities, to participate in the prequalification process.

**Portfolio Background and Investment Manager Responsibilities**

The SMCCF was originally designed to achieve three objectives: (1) to provide broad support for secondary credit markets to facilitate orderly and timely risk transfer; (2) to support primary issuance for solvent borrowers; and (3) to reduce the incidence and

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<sup>1</sup> The CCF also operated the Primary Market Corporate Credit Facility (“PMCCF”) to support corporate bonds through purchases in the primary market. The PMCCF, which closed on December 31, 2020, made no purchases and is not a part of this process. Accordingly, the Investment Management Agreement with BlackRock covering the PMCCF will terminate on February 5, 2021.

## Federal Reserve Bank of New York

severity of market dysfunction, fire sales, and indiscriminate liquidation. As noted above, the SMCCF is no longer authorized to make new purchases of corporate bonds and ETFs.

The role of the IM(s) is to provide investment management services to the SMCCF, including executing investment instructions, providing regular reporting, and overseeing and monitoring the SMCCF's investment holdings. These activities will be as defined in an investment management agreement. Current activities are documented in the existing [SMCCF Investment Management Agreement](#) between CCF and BlackRock (the "Existing IMA"), though given the cessation of new purchases the orientation will be away from asset acquisition and in furtherance of the portfolio wind down strategy that is adopted. Consistent with what is described in the Existing IMA, the FRBNY's SMCCF team and the relevant IM(s) will meet on a regular basis and agree on an approach for managing the portfolio of existing corporate bonds and/or existing ETFs. This work includes but is not limited to the design and implementation of a future strategy for winding down the portfolio. The IM(s) will execute any transactions as directed by the SMCCF team, consistent with the program terms and framework and in accordance with the terms and conditions to be specified in the investment management agreement between CCF and the IM(s). The IM(s) will monitor the performance and credit quality of the portfolio and generate reports as specified in the agreement.

The services of each IM role may be required for as long as the SMCCF investment portfolio holds corporate bonds or ETFs. More specific responsibilities of each IM role are laid out below.

### **Bonds**

The IM for the bond portfolio will act as a fiduciary and perform portfolio analysis, transact in bonds in the secondary markets, and manage the bond portfolio, as directed by the SMCCF. More specifically, the IM for the bond portfolio is responsible for:

- **Monitoring market developments** – provide periodic market monitoring, engage in dialogue with and elicit feedback from market participants, and conduct ongoing market analysis based on identified criteria.
- **Monitoring assets and issuers attributes** – monitor asset and issuer characteristics and developments to ensure ongoing compliance with the portfolio requirements.
- **Advising on investments** – provide advice on overseeing the SMCCF's portfolio of corporate bonds to align with the ongoing portfolio management objectives.
- **Executing trades** – to the extent required, perform secondary-market trade execution with FRBNY-approved counterparties and ensure best execution.
- **Managing post-transaction obligations** – confirm trades and provide settlement instructions to the custodian using standard SWIFT messages or other standard secure message protocols and monitor settlements until completed, including fails tracking and remediation on trades with the custodian and FRBNY-approved counterparties; resolve any settlement or other operational issues with the custodian.
- **Servicing bond portfolio assets** – provide monitoring, analysis, and recommendations for corporate actions on investments held in the SMCCF bond portfolio and support relevant instruction processing with the custodian.
- **Communicating with the Discount Window** – provide repayment notices and other notices to FRBNY Discount Window staff, under instructions from the SMCCF.
- **Monitoring bond portfolio performance** – monitor the performance and credit quality of individual corporate bonds and the SMCCF bond portfolio as a whole; advise on credit issues and distress situations.
- **Preparing regular reports** – provide in-depth periodic reporting on transactions, credit quality, pricing, and portfolio positions; report periodically on any distressed credits in the portfolio; prepare monthly portfolio reports.
- **Extracting and transmitting data under FRBNY technical requirements** – provide periodic transactions and position data to FRBNY via structured data files; securely transmit data to FRBNY with counterparty detail by 5:00PM on trade date (T) and position data by 9:00AM on T+1 and
- **Communicating with other service providers** - communicate and coordinate with other SMCCF service providers as needed.

### **ETFs**

The IM for the ETF portfolio will act as a fiduciary and is required to manage the ETF portfolio as directed by the SMCCF. More specifically, the IM for the ETF portfolio will be responsible for:

- **Monitoring market developments** – provide periodic market monitoring insights, engage in dialogue with and elicit feedback from market participants, and conduct ongoing market analysis based on identified criteria.
- **Performing ongoing portfolio management** – provide advice on ongoing ETF portfolio management.
- **Advising on portfolio disposition** – provide advice to the SMCCF on longer term disposition strategy.
- **Executing trades** – perform trade execution with FRBNY-approved counterparties and ensure best execution.
- **Managing post-trade obligations** – confirm trades and provide settlement instructions to the custodian using standard SWIFT messages or other standard secure message protocol and monitor settlements until completed, including fails tracking and remediation on trades with the custodian and FRBNY-approved counterparties; resolve any settlement or other operational issues with the custodian; reconcile holdings with the custodian.
- **Communicating with the Discount Window** – provide repayment notices and other notices to FRBNY Discount Window staff, under instructions from the SMCCF.
- **Monitoring and reporting on trading activity and portfolio performance** – monitor portfolio performance and provide periodic reporting on portfolio positions (including but not limited to net asset value-price basis, SMCCF’s percent ownership of each ETF), mark-to-market value, and income projections; report on any portfolio activity as required; escalate significant issues in the portfolio.
- **Conducting in-depth portfolio analysis** – perform ad-hoc analyses of the portfolio’s ETF holdings and the ETFs’ underlying bond holdings, monitor fixed income risk metrics and perform periodic reporting on credit quality migration of underlying bond holdings.
- **Extracting and transmitting data under FRBNY technical requirements** – provide periodic transactions and position data to FRBNY via structured data files; securely transmit data to FRBNY and
- **Communicating with other service providers** – communicate and coordinate with other SMCCF service providers as needed.

#### **Advancing to the RFP Stage**

In order to be considered for participation in the RFP, any interested vendor must:

- Provide the company overview information requested in Table 1,
- Complete the information requested in Table 2 (General Requirements).
- Complete the information in Table 3 (Corporate Bond Requirements) and/or 4 (ETF Requirements), depending on the role or roles your firm is seeking to perform, and
- Email the completed response to the pre-qualification to [ny.vendor.submissions@ny.frb.org](mailto:ny.vendor.submissions@ny.frb.org) by no later than 5:00 pm Eastern Time on Monday, February 22, 2021. Please use “SMCCF Prequalification Submission –Investment Management Role” as the subject line.

Applicants can provide additional relevant information in the comment box at the end of this document. Please focus responses on the most relevant information. Do not include general marketing materials in your submission, and be succinct in your responses to the questions.

Based on FRBNY’s review and assessment of your responses, FRBNY at its discretion will invite a number of firms to participate in an RFP. FRBNY will request more detailed documentation from firms selected to participate in the RFP to help determine whether they meet the requirements specified in the RFP.

Any questions on the prequalification process can be submitted by email to [ny.vendor.submissions@ny.frb.org](mailto:ny.vendor.submissions@ny.frb.org) no later than 5:00 pm Eastern Time on Friday, February 12, 2021. Please use “SMCCF Prequalification Questions – Investment Management Role” as the subject line. FRBNY will endeavor to communicate responses promptly. For other assistance with the prequalification process, please contact FRBNY by email to the same email address, with “SMCCF Prequalification Assistance – Investment Management Role” in the subject line.

If your firm doesn’t meet the investment manager role criteria listed in the document but offers services that could be relevant to the IM(s) or the SMCCF, please send a detailed description of your firm’s capabilities, such as workout expertise, analytical frameworks, or credit analysis services related to corporate bonds, to [ny.vendor.submissions@ny.frb.org](mailto:ny.vendor.submissions@ny.frb.org), using “SMCCF – Other

Services” as the subject line. FRBNY may retain this information in the event such services are required for the SMCCF. Furnishing such information does not guarantee, however, that FRBNY will consider your firm for future engagements.

**Commitment to Diversity**

FRBNY does not permit its vendors to discriminate on the basis of race, color, religion, national origin, sex, sexual orientation, gender identity, age, genetic information, or disability. If selected to participate in the RFP, your firm will be required to provide information about its equal opportunity and diversity processes, including efforts to promote the fair inclusion of women, minorities, and veterans in its workforce.

**Vendor Response Form**

*Table 1. Company Overview.*

1. Legal name of company providing IM services.	
2. Number of full-time employees at the company.	
3. Legal name of ultimate parent company, if applicable.	
4. Primary contact for prequalification process.	Name:  Title:  Phone:  Email:
5. If your firm is majority owned by minorities, women, or veterans, please indicate so. If your firm has been certified diverse, please list certifications. (FRBNY collects this information for analytical purposes; it does not use this information in the selection of vendors for the SMCCF.)	Diverse ownership:  Certifying organization name:  Diverse certification #:
6. Which role (or roles) is the firm interested in providing?	Check one or both, as applicable. <input type="checkbox"/> Corporate Bonds <input type="checkbox"/> ETFs

*Table 2. General Minimum Requirements.*

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
1. Registered Investment Adviser under the Investment Advisers Act of 1940	The firm is currently, and has for at least five years, been registered with the SEC as an investment adviser and acts in a fiduciary capacity for institutional accounts.		

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
2. Total Assets Under Management (AUM)	The firm currently manages at least \$50 billion AUM in marketable securities.		
	Provide your firm's total AUM (in \$ billions) in marketable securities as of December 31, 2020.		
3. Regulatory compliance	The firm has not, in the past three years, been subject to civil or criminal charges alleging behavior of a fraudulent, deceptive and/or manipulative nature. <sup>2</sup>		
	Describe any issues, including any explanations that you believe may impact our assessment of your response.		
4. Experience facing major custodians	The firm has an active relationship with at least one major U.S. custodian on behalf of an institutional investor client.		
5. Experience in trade processing and settlement	Briefly describe your firm's process for trade processing and settlement through the custodian(s).		
6. Protection of the CCF's information	The firm maintains policies and corresponding controls to preserve confidentiality of client information.		

<sup>2</sup> For this item, checking "no" will not automatically disqualify your firm from consideration for the RFP process. FRBNY will take into account the information you provide in the comment box.

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
	Briefly describe your firm's procedures for limiting and controlling access to customer information on a need-to-know basis.		
7. Risk Management Program	The firm has a comprehensive risk management program and a structured risk assessment process.		
	Briefly describe the scope and key elements of the program.		
8. Cyber Security	The firm maintains cyber security policies, standards, risk management practices, and corresponding controls to prevent and mitigate cyber-attacks and protect the confidentiality, integrity, and availability of client data.		
	Provide an overview of the firm's cyber security risk management practices along with the cyber security policies, standards, and controls.		
9. Business continuity and disaster recovery capabilities	In the event of a disaster situation or other material business interruption, the firm has in place and has periodically tested a business continuity and disaster-recovery program reasonably designed to i) safeguard and access data, ii) back up data, iii) support remote staff, and iv) maintain operations.		
	Briefly describe the firm's business continuity and disaster-recovery program.		

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
10. Internal Control Reviews and Reporting	The firm has an external auditor review internal controls (e.g., AICPA – System and Organizational Controls (SOC) 1 and 2, or similar) or is willing to have one performed for the investment management responsibilities outlined below.		
11. IT Vendor Management	The firm maintains IT Vendor Management policies, standards, and corresponding controls to properly mitigate 3rd party risk and its downstream effects.		
12. IT Risk and Change Management	The firm maintains an IT Risk & Change Management policy, standard, and corresponding controls to ensure that (i) IT Risks are documented & managed, (ii) that technology changes are properly tested, vetted and reported and (iii) technology incidents are properly documented, repaired and reported.		
13. Secure Electronic Data Delivery	The firm can deliver data electronically from its reporting system to the FRBNY in a secure manner.		
	Describe the technologies, protocols and security capabilities that your firm supports for delivery of data and reports to clients.		



**Table 3. Minimum Requirements for the Investment Manager of the Bond Portfolio.**

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
1. Corporate Bonds Investment Management	The firm has a track record overseeing investments in corporate bonds as a fiduciary serving institutional clients for at least five years.		
	Describe the firm’s business activity with respect to corporate bonds. Include a discussion of 1) your experience in advising on and managing this product for institutional accounts, 2) evaluating credit quality of individual issuers, and 3) advising on distressed credits.		
	Provide the number of years your firm has served institutional investors in the corporate bond market.		
2. Assets Under Management (AUM)	The firm currently manages at least \$50 billion AUM in corporate bonds.		
	Provide AUM for corporate bonds (in \$ billions) as of December 31, 2020.		
	What is your firm’s aggregate AUM for your top 10 accounts as of December 31, 2020?		

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
3. Corporate Bond Market Monitoring and Execution Strategy	Describe your firm’s ability to monitor and report on prevailing corporate bond market conditions; provide relevant metrics on market functioning; and recommend a portfolio management approach based on market conditions (e.g., trading liquidity), including periodic transactions taking into account the Federal Reserve’s portfolio management objectives. Please include any relevant information on your firm’s staffing model covering these activities as well as your firm’s groups or systems that would support these activities, including market or sector analysts, strategists, and data/systems used to inform transactional activities.		
	Provide details on your experience and capabilities in managing to an index of corporate bonds.		
	Describe your experience and ability to advise institutional clients (including public sector clients) on bespoke investment strategies involving corporate bonds.		

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
4. Trading System for Corporate Bonds	The firm executes corporate bond trades for its clients on established electronic trading platforms.		
	Provide details on how your firm executes trades, including names of all platforms on which you execute at least 5% of your US corporate bond trading.		
5. Trading capabilities - experience in trading bonds with eligible counterparties	The firm has active trading relationships in corporate bonds with at least five FRBNY-approved counterparties <sup>3</sup> , which include all counterparties that were previously approved as <a href="#">Eligible Sellers</a> for the SMCCF.		
	List the applicable eligible counterparties and the firm's dollar trading volume with each of these counterparties over the past 12 months, as well as trading relationships with other significant corporate bond market participants.		
	Indicate the number of staff who routinely execute corporate bond trades for institutional clients.		
6. Custodians	List the U.S. custodians with which your firm has relationships. Indicate whether you engage in corporate bond activity with those custodians.		
7. Corporate Bond Activity and Portfolio Reporting	The firm can provide automated periodic client reporting on activity and portfolio holdings (e.g., trade blotters, positions, mark to market, credit ratings, and trade fails and exceptions).		

<sup>3</sup> Eligible Sellers were onboarded during the early operations of the SMCCF. Eligible Sellers could potentially also serve as eligible counterparties to purchase securities sold to the extent the program winds down operations through sales.

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
	Please describe your capabilities for such reporting, including the scope (e.g., types of reports, data capabilities) and degree of automation.		
	The firm can develop and provide custom client reporting.		
	Describe your firm’s experience and capabilities (e.g., staffing, tools) for a) generating custom reports on activity and holdings, b) creating market dashboards (e.g., rates, spreads, volumes, liquidity indicators, etc.) and c) monitoring and reporting on adherence to best execution standards.		
	Describe your firm's capabilities to provide online reports to clients, including the degree to which reports can be configurable by the client.		

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
8. Ethical Wall and Staffing	Describe your firm's staffing model to support these investment management activities, including your ability to segregate staff performing the SMCCF IM role from other firm staff behind an ethical wall. Describe the staffing (size, roles, skills, and experience) that your firm would be prepared to segregate to perform this role.		

**Table 4. Minimum Requirements for the ETF Investment Manager.**

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
1. Business Activity in the Fixed Income ETF Market	Describe the firm’s business activity with respect to fixed income ETFs. Include a discussion of your experience in 1) advising on and managing these products for institutional accounts, 2) advising clients on the creation and redemption of ETF shares through authorized participants and engaging authorized participants on behalf of clients, 3) sponsoring ETFs (state the percentage of the firm’s total revenue derived from ETF sponsorship in your response), and 4) engaging in any other activity involving ETFs. Please specify the sectors within fixed income ETFs in which you are most active (e.g., corporates).		
2. Experience in the ETF Market	The firm has at least five years of experience overseeing ETFs within institutional client portfolios.		
	Provide the number of years your firm has engaged in the ETF market on behalf of institutional clients.		
	Provide the number of years your firm has engaged in the fixed-income ETF market for institutional clients.		

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
3. Assets Under Management (AUM)	Provide the dollar amount of institutional fixed-income ETF AUM as of December 31, 2020, excluding the AUM of ETFs sponsored by your firm. Please categorize by sector within fixed income (e.g., corporates).		
4. Activity in Primary and Secondary Markets for Fixed-Income ETFs	Provide the gross amount of fixed-income ETF primary-market activity (i.e., direct purchases from and sales to authorized participants) and total volume of fixed-income ETFs traded in the secondary market over the past 12 months. Please break down the amounts by the sectors within fixed income (e.g., corporates).		

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
5. Fixed-Income ETF Portfolio Strategy	Describe your firm’s ability to monitor and report on prevailing market conditions in ETFs and underlying corporate bonds, to provide relevant metrics on market functioning, and to recommend a disposition approach based on market conditions including allocations across eligible ETFs, taking into account the Federal Reserve’s portfolio management objectives. Include any relevant information on your firm’s support groups (e.g., research, quantitative analysts, etc.) or systems that would support these activities, including market or sector analysts, strategists, or data/systems used to inform portfolio management decisions.		



Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
6. Trade Execution for ETFs	Provide details on how your firm executes fixed-income ETF trades (e.g., venues, types of counterparties, and trading protocols). Please specify any differences in your firm’s trading execution between sectors within fixed-income ETFs.		
7. Trading Capabilities – Experience in Trading ETFs with Eligible Counterparties	The firm has active trading relationships in fixed-income corporate-bond ETFs with at least three of the CCF’s current eligible counterparties <sup>4</sup> which include all counterparties that were previously approved as <a href="#">Eligible Sellers</a> for the SMCCF.		
	List the applicable eligible counterparties and the firm’s dollar trading volume with each of these counterparties over the past 12 months, as well as trading relationships with other significant ETF market participants.		
8. Custodians	List the U.S. custodians with which your firm has relationships. Indicate whether you engage in fixed-income ETF activity with those custodians.		
9. Corporate Bond ETF Activity and Portfolio Reporting	The firm can provide automated periodic detailed client reporting on trade execution and portfolio holdings, including trade blotters, positions, market value trade fails and exceptions, and best execution trading performance. The firm can also provide public credit ratings and other attributes of ETF’s underlying holdings.		

<sup>4</sup> Eligible Sellers were onboarded during the early operations of the SMCCF. Eligible Sellers could potentially also serve as eligible counterparties to purchase securities sold to the extent the program winds down operations through sales.

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
	Please describe your capabilities for such reporting, including the scope (e.g., types of reports, data capabilities) and degree of automation.		
	The firm can develop and provide custom client reporting.		
	Describe your firm’s experience and capabilities (e.g., staff, tools) for a) generating automated custom reports on activity and holdings, b) creating market dashboards (e.g., premium/NAV, trading volume), and c) monitoring and reporting on adherence to best execution standards.		
	Describe your firm’s capabilities to provide online reports to clients, including the degree to which reports can be configurable by the client.		

Requirement	Description	Does your firm meet the requirement stated?	
		Yes	No
10. Ethical Wall and Staffing	Describe your staffing model for these investment management activities, including your ability to segregate staff performing the SMCCF IM role from other firm staff behind an ethical wall. Describe the staffing (size, roles, skills, and experience) that your firm would be prepared to segregate to perform this role.		

Additional comments:

A large, empty rectangular box with a thin black border, occupying most of the page below the 'Additional comments:' label. It is intended for providing further information or feedback.

