

## **REQUEST FOR EXPRESSION OF INTEREST**

### **PROVISION OF CONSULTANCY SERVICES FOR ESTABLISHMENT OF STATE OF THE ART FINANCIAL MARKET INFRASTRUCTURE AND THE ENABLING LEGAL AND REGULATORY FRAMEWORK IN SRI LANKA**

The Central Bank of Sri Lanka (CBSL) invites Expression of Interest (EOI) from eligible entities to provide consultancy services for the study of the domestic financial market requirements, gathering and analysis of information, project planning, procurement, customizing, delivering, installing, implementing and maintaining of a state of the art Information Technology (IT) solution for the proposed Electronic Trading Platform (ETP), Central Counterparty Clearing and Settlement System (CCP) and a Central Securities Depository (CSD) system, to facilitate electronic trading and straight-through processing (STP) of transactions in the domestic financial market, with emphasis to Government securities trading. The consultancy shall also facilitate the establishment of the required legal and regulatory framework based on international standards and best practices for the safe, efficient and effective functioning of the above systems ensuring the financial system stability in Sri Lanka.

#### **1. Introduction**

The existing financial market infrastructure, issuance, trading and settlement mechanisms of financial instruments are summarised below:

- 1.1. CBSL owns and operates a Real-time Gross Settlement System (RTGS) to facilitate for the settlement of financial transactions in local currency (LKR). Authorised banks, primary dealers and other entities are allowed to maintain LKR settlement accounts with CBSL for settlement of funds. Market participants interface with the RTGS via the SWIFT messaging network using the FIN-Copy service.
- 1.2. CBSL also owns and operates a Scripless Securities Settlement System (SSSS) and CSD for Government securities to facilitate settlement of Government securities transactions. CSD holds Government security title ownership of individual investors.
- 1.3. Government securities are issued in scripless form. Majority of such securities are traded over-the-counter (OTC) in the secondary market. Settlement of these transactions are facilitated by the SSSS on a delivery versus payment mechanism on real-time gross basis (DVP1) in collaboration with RTGS. CSD records ownership transfers resulting from above transactions.
- 1.4. Other financial market transactions, including the domestic foreign exchange market transactions are conducted OTC, and settlement of rupee leg of these transactions are facilitated by RTGS.

## 2. The Project

In view of the inherent limitations of the existing trading and settlement systems for domestic financial market transactions, CBSL is desirous of establishing a state-of-the-art IT solution consisting of an Electronic Trading Platform (ETP), a Central Counterparty Clearing and Settlement System (CCP) and a Central Securities Depository (CSD) system to facilitate electronic trading and straight-through processing (STP) of transactions in the domestic financial market.

## 3. Key Deliverables of the Consultant

- 3.1. The key deliverables include the development of a Project Plan together with a ‘Road Map’ acceptable to CBSL and the successful implementation of the proposed ETP, CCP and CSD within the agreed timeframe. The proposed ETP, CCP and CSD are required to comply with international standards and best practices in particular shall observe the CPSS-IOSCO “Principles for Financial Market Infrastructure (PFMI)”.
- 3.2. The prospective Consultant is expected to deliver, inter alia, the following:
  - (a) Advising CBSL on existing payments and settlement systems (including ETP, CCP and CSD) and practices elsewhere in the world which are capable of meeting current and future financial market requirements of Sri Lanka;
  - (b) Designing business specifications for proposed ETP, CCP and CSD following an assessment of the Sri Lankan financial market and the expected future developments in the market and associated risks at least for the next ten years, with a view to facilitate existing financial transactions and also that are expected to emerge along with anticipated developments in the domestic financial market;
  - (c) Studying the existing financial market legal/regulatory framework and making recommendations and / or proposals for introduction of any amendments and drafting of new acts/regulations to facilitate the implementation and operation of above financial market infrastructure;
  - (d) Drafting of system rules and bi laws that are necessary for the smooth functioning of proposed ETP, CCP and CSD;
  - (e) Articulating a well-considered governance and risk management framework in line with prudential regulatory and market monitoring requirements of CBSL,
  - (f) Drafting of Request for proposals (RFPs) for the selection of suitable firm or consortium for the supply and installation of necessary IT applications, systems software and hardware for the proposed financial market infrastructure (ETP, CCP and CSD);

- (g) Providing guidance and assistance in evaluating the RFPs referred to in (f) above for the selection of a suitable firm or consortium;
- (h) Assisting in contract negotiation with the selected firm or consortium;
- (i) Recommending changes or new functionalities to the existing RTGS system to facilitate proposed financial market infrastructure, including net settlement on DVP3 basis and other net settlement modes as applicable;
- (j) Providing advice until the successful implementation of proposed financial market infrastructure; and
- (k) Providing guidance and assistance in conducting post implementation reviews.

#### **4. Eligibility Criteria**

- 4.1. EOI can be forwarded by a firm or a consortium or a joint venture (the bidder) who individually or jointly has provided consultancy services elaborated in Section 3 above covering IT solutions for proposed ETP, CCP and CSD for financial market instruments, including Government securities or similar debt instruments.
- 4.2. The bidder must have one or more relevant and comparable live reference site(s) for each of the systems ETP, CSD and CCP. Further, the senior consultants of such reference sites shall actively engage in until the successful completion of the assignment.
- 4.3. The following information shall be provided in the EOI:
  - (a) A comprehensive corporate profile of the party responding to this EOI, including details of experience in similar assignments, with full contact details of references (Refer to the *Annexure – I: Corporate Profile*);
  - (b) The personnel serving on the proposed assignment, qualifications and experience in similar assignments;
  - (c) Potential conflict of interests; and
  - (d) Proposed activity schedule, estimated timeline, for delivery of the work specified in *Section 3 – Key Deliverables of the Consultant* above.
- 4.4. Each one of the shortlisted party considered to be appointed as the Consultant may require making a presentation to the evaluation committee at their own expense.

- 4.5. The party expressing interest in this assignment should have the legal capacity to enter into a contract with CBSL on all terms and conditions that are required to be agreed upon.
- 4.6. Only those bidders who have been short-listed based on EOI submitted would be invited to respond to the Request for Proposal (RFP).
- 4.7. CBSL expressly stipulates that the selection of the consultancy firm under the potential EOIs is on the understanding that this calling of request for EOI contains only the principal provisions of the assignment and that the scope of work set out in *Section 3 – Key Deliverables of the Consultant* is not exhaustive.
- 4.8. The EOI and all other relevant documents must be submitted as one original hard copy along with a softcopy in pdf format. The sealed envelope carrying EOI and other relevant documents should be labeled “**Provision of Consultancy Services for Establishment of State of the Art Financial Market Infrastructure and the Enabling Legal and Regulatory Framework in Sri Lanka**” on the top left-hand corner of the envelope.
5. Further information on the proposed assignment can be obtained by forwarding a request to the email address: [project.cmd@cbsl.lk](mailto:project.cmd@cbsl.lk). Responses to queries will be published in the CBSL website: <https://www.cbsl.gov.lk/en/tenders>.
6. All EOIs should be delivered to the following address by 1500 hrs. Sri Lanka time on or before 06<sup>th</sup> July, 2018:

**Chairman - Cabinet Appointed Consultant Procurement Committee**  
**C/O Superintendent of Public Debt**  
**Public Debt Department**  
**Central Bank of Sri Lanka,**  
**No 30, Janadhipathi Mawatha,**  
**Colombo 1, 00100,**  
**Sri Lanka.**

7. The Cabinet Appointed Consultant Procurement Committee reserves the right to accept any or reject any or all EOIs received in response to this Request for Expression of Interest.