

THE BANK OF KHYBER

Expression of Interest (EOI)

**SERVICES REQUIRED TO CONDUCT EXTERNAL VALIDATION OF EXISTING
CUSTOMERS AND FACILITY RISK RATING MODELS OF BANK OF KHYBER**

Last Date for Submission: 10th July, 2018 at 10 : 30 A.M.
Opening Date: 10th July, 2018 at 10 : 40 A.M

Description of Work

A. Introduction

Model validation provides confidence using various performance measures that the model is performing at optimum level. It also provides a sense of security that risk rating models are developed appropriately and that they clearly depict credit worthiness of the borrower for adequate decision making and approvals.

Bidders are required to submit their sealed proposals (EOI) in line with Khyber Pakhtunkhwa Procurement Rules 2014 to the office of the Head Procurement Division, The Bank of Khyber on or before 10th July, 2018 at 10:30 AM. And shall be opened on same day at 10:40 AM at The Bank of Khyber, Head Office.

Proposals should be in the prescribed format along-with all the relevant documents as per the **Terms & Conditions** and **Bidder Eligibility Criteria**.

Terms and Conditions

1. Bidder is required to submit its Company Profile along-with Proposal that must comply with the following **Bidder Eligibility Criteria** (Annexure – A).
2. Proposals submitted Late / after due date and time or Incomplete will not be considered.
3. Only Shortlisted Firms will be invited to submit their Technical and Financial proposals.
4. The competent authority reserves the right to accept or reject any proposal as per KPPRA rules 2014.
5. All sections in the bid should be adequately flagged and numbered.
6. Bidder is required to assign a dedicated onsite Project Manager to manage the project and report to the stakeholders as per requirement.
7. Bids not complying with all the given clauses in this tender document are liable to be rejected.

Bidder Eligibility Criteria

Bidder is required to submit its Proposal in accordance with the **Mandatory** requirements mentioned in the Bidder Eligibility Criteria. Failing to which the proposal will not be considered

| # | Mandatory Requirements | Attached (Yes / No) Reference (Page / Annexure) |
|----|--|---|
| 1 | Name of the Bidding Firm. Name of authorized contact person along-with his designation, contact number, email address and postal address. | |
| 2 | The bidder should provide its FBR & KPRA registration certificate (NTN/KNTN) along-with Registration of Incorporation under the laws of Pakistan. Bidder must provide details of last Five Years projects/services delivered in Financial Institutions. | |
| 3 | The bidder should provide Undertaking on stamp paper that it is not being blacklisted by any of the Provincial / Federal Government or organizations of the State / Federal Government in Pakistan. And must provide List of arbitration/legal suits/unsettled disputes with the financial sector clients (if any) in last five years. | |
| 5 | The bidder must submit Annual Audited Report for the last 03 Financial years. Annual Audit Report including Balance Sheet, Income Statement and Profit & Loss accounts along with auditors' notes for the last three audited years should be submitted. | |
| 6 | The bidder must have legal presence in Pakistan. The firm must submit List of Offices across Pakistan. | |
| 7 | The bidder/prime bidder (in case of consortium) shall provide a list of completed projects similar in nature along-with references and contact numbers for any Financial Institution / Banking Sector. | |
| 8 | Bidder shall provide Clientage List of the Company along with relevant references. | |
| 9 | The bidder should have enough Technical Strength at its end to complete the project within stipulated time. List of Staff (HR) of the Company along-with their Profiles to be submitted. | |
| 10 | Firm should be an active tax payer under the laws of Pakistan and must provide Sales Tax certificate, GST, etc. along-with KPRA (Khyber Pakhtunkhwa Revenue Authority) Registration certificate. | |

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| 11 | The firm/individual must have prior/relevant experience of developing, successful implementation, and validation of ORR and FRR models in Banks and DFIs. | |
| 12 | The firm/individual must have prior/relevant experience of providing ORR and FRR validation related training in Banks/DFIs. | |
| 13 | The Project management team must be willing to travel to Peshawar for Project meetings/Demos and after Sale Services as per project plan. The team must be equipped with resources having financial risk management background (CFAs & FRMs). Detailed profile of the project manager and his team to be provided. | |
| 14 | The firm must have adequate team to fetch data from existing sources of the Bank (both systems/hard files) for compilation and analysis while maintaining data confidentiality. | |

Annexure – B

Technical Requirements / Scope of Work

The Bank of Khyber invites sealed bids for the Consultancy services on Validation of Bank's Internal Obligors Risk Rating (ORR) Models and Facility Risk Rating (FRR) Models from reputable Consultancy firms having relevant experience of providing consultancy services on development, implementation and validation of ORR and FRR models. The firm must also provide consultancy regarding pathway/directions for adopting Advanced Basel II approaches (FIRB and AIRB) using the existing models for Small Enterprise, Medium Enterprise, Corporate clients, Agriculture and Consumers categories and making sure that the models are in accordance with the latest SBP Guidelines & Basel requirements and making sure that existing models are fully complied to adopt advanced approaches with ease. The deliverables of the assignment as required by the Bank of Khyber are mentioned below:

- A. The validation of ORR and FRR models should cover the: (Note: the appended list may not be exhaustive, however the proposed engagement should provide consultancy on external validation of rating models aligned with SBP and Basel Committee on Banking Supervision (BCBS) guidelines amended from time to time)
 - 1. Qualitative Validation Analysis
 - 2. Quantitative Validation Analysis
 - 3. Discriminatory Power Analysis
 - 4. Benchmarking
 - 5. Stress Testing
 - 6. Essential Factors for stress testing
 - 7. Developing stress tests
 - 8. Performing and Evaluating Stress Tests
 - 9. Performing Transition Matrix of ORR and FRR results
 - 10. Highlight effectiveness and deficiencies of the results
 - 11. Performing Type I and Type II Errors of the outcomes
 - 12. Provide a mechanism by which all ratings can be tracked in one sheet along with the complete profile
 - 13. Reviewing the factors with their assigned weightages and proposing the economic rationale and industry practices.
 - 14. Data collection for the requirements of Validation of ORR and FRR models
- B. The bidder must also provide the following consultancy services.

1. Identify gaps in the existing ORR and FRR Models and Procedures and suggest improvements accordingly.
2. Develop/assist in developing any additional risk rating models that might be required under Basel II advance approaches and IFRS9.
3. Assist in revamping the overall ORR and FRR policy documents.

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