



Risk Management Department, 1st Floor, Bajaj Bhawan, Nariman point, Mumbai- 400021

Bank has received queries (by e-mail) from various prospective bidders regarding the Limited Tender Enquiry which was published on 04 April 2024 on the Bank's websites vide Ref. No. CO/RMD/ERM/2024-25/01.

Following are the responses for the queries raised by prospect bidders till 10 April 2024.

Sl. No	Description as per LTE	Prospect Bidder Query	Bank Responses
1	"Bank has implemented rating models developed by CRISIL..."	Given the models have not been prepared by the bank in-house, will there be model documentation, development statistics, monitoring statistics, variable level information etc. shared with the bidder of this RFP?	Model was acquired from CRISIL thus Bank do not have development data, however Bank do have rating manuals for the models, which contain information regarding development statistics, variables etc. Also, Models have a governance framework for monitoring statistics.
2	"Bidders approach will include qualitative and quantitative validation of the Internal Rating Models."	EY would like to understand if the purpose of validation is limited to internal use or it includes submission to regulators.	Validation is to be performed in accordance with the guidelines laid out under RBI's IRB approach (2011) and BCBS' Working paper-14-'Studies on the validation of internal rating systems'
3	"Silo level risk in each of the models required to assess separately and documents any observation."	How is silo level defined for each of the in-scope models?	Models are also required to be validated under respective silo's viz Industry, Business Management and Financial. Details related to the models will be shared with selected vendor after the announcement of the results of the tendering process.
4	"Validations of all mentioned Credit Risk Assessment Models should be completed within 90 days post issue of purchase order/ award of contract."	Is the duration of work fixed as 90 days? Are 90 days counted as working days or calendar days?	Please refer to the LTE Document Clause No 3.13 please read the same as calendar days.
5	"Bidders should be agreeable to working at Bank premise on system provided by the Bank as per the Bank's Data Security Policy."	What would be the work location for the validation team?	Service providers are required to work at the Bank's premise i.e. Central Bank of India, Risk Management Dept., 1st Floor Bajaj Bhavan, Narimanpoint, Mumbai and on the system provided by the Bank as per the Bank's Internal data Security Policy.
6	"At the same time as the Bank notifies the successful Bidder that its Bid has been accepted, the Bank will send the Bidder the Contract /SLA/Non-Disclosure Agreement and other	What would be the clauses regarding the SLA/NDA?	Details of the clauses/requirement may be dealt at the time of SLA/Contract after the announcement of results of the tendering process.

	required documents as per the Bank prescribed format to incorporate agreement between the parties"		
7	1.3.2- "Model governance involves evaluating the controls and governance processes related to model development, adjustments, and its utilization. This oversight ensures compliance with the Bank's internal model risk management practices."	We understand from the LTE that CRISIL models are being used. Has the bank made any updates to these models thereafter or planning to? And is it then looking at installing any specific controls for overseeing model development processes?	The Bank has modified the weightage for respective risk silos from time to time as per the credit risk management practices. Further, Bank is looking forward to validate the existing weightages for the parameters being used in the models
8	1.3.2- Intuitive assessment of the assignment ratings / weights to the parameters.	What is the nature of deliverable expected from this intuitive assessment? We recommend that the assignment ratings/weights be assessed based on regulatory guidelines, bank's internal model validation policy combined with leading industry practices, available/existing model documentation and our subject matter expertise.	Intuitive or qualitative assessment of the model parameters to check the goodness of fit for the said models. The Bank is looking forward for the qualitative assessment (coefficient direction, significance) based on industry best practices/standards.
9	1.3.2- Intuitive assessment of the direction of the parameters used in the model.	What is the nature of deliverable expected from this intuitive assessment ? We request CBI to elaborate on this requirement clause	Service providers are expected to provide qualitative assessment as per their subject expertise based on best industry practices.
10	1.3.5- Detailed comprehensive model validation document covering methodology, data accuracy, quantitative and qualitative aspects of credit rating model validation to be submitted	Request the Bank to provide further clarification on the "data accuracy" aspect mentioned here in the expectation for validation report	The Bank is looking forward for the suggestion's to improve the data accuracy used in this validation exercise.

11	1.3.3- "Discriminatory Power of the Model assessed by undertaking standard statistical tests like Gini- coefficient, AUC, CAP / ROC curve , KS, Bad capture rate."	We understand that different checks for Discrimination, stability etc. are mentioned in the document. Does the Bank expect that all of these tests must be undertaken to determine the discriminatory power of the models or do we (consultants) have the option of choosing one/two tests which are most suited depending on the types of models.	Bank understand that these discriminatory/stability test may be determined in multiple forms. Thus Bank expects to run not less than 2 tests to check the discriminatory power, stability of the model. The service provider could mention the reason for the selection of a particular test for the model fitness in the validation report
12	1.3.3- Evaluate whether appropriate weights were assigned to the risk modules of all the models.	We understand that the Bank uses CRISIL models from the LTE. We recommend that the appropriateness of the weightages assigned to the risk modules of all models be assessed based on regulatory guidelines, bank's internal model validation policy combined with leading industry practices, available/existing model documentation and our subject matter expertise.	Bank expects the service provider to provide qualitative and quantitative assessment of the characteristics/parameters used in the models. Bank expects the same in line with the existing model validation/MRM guidelines/policy of the Bank.
13	1.3.4- Compare the risk factors included in the model with the peer banks and as per industry leading practices.	The Bank is requested to clarify if they expect details of comparatives in the validation report? We recommend to undertake a comparative study with peer banks and leading industry practices to develop recommendations for enhancement. The names and details of banks and risk factors are subject to confidentiality clause and it is not advisable to share with client during engagement and/or document in the validation report.	The Service provider may provide the peers data on the no name basis in the validation report. The service provider may mention the industry best practice and compare them with the Bank's Model to identify the probable improvement and enhancements.
14	1.3.4- Benchmarking the External and Internal Ratings and reasons for the	The Bank is requested to facilitate time and access to appropriate stakeholders for ascertaining the reasons for	Bank will extend the required assistance during the validation exercise as and when required by the service provider/Bank.

	difference.	difference in the two ratings if & as required	
15	1.3.6- Validations of all mentioned Credit Risk Assessment Models should be completed within 90 days post issue of purchase order/ award of contract	Are there any specific challenges or constraints that might affect the completion of model validation within 90 days?	The bank does not foresee any specific challenge/constraints except expertise of the validator/validation team. The validation exercises is required to be completed within 90 days post issue of purchase order/award of contract.
16	1.4.4 Bidders should be agreeable to working at Bank premise on system provided by the Bank as per the Bank's Data Security Policy	We have the capability of delivering the engagement in a hybrid mode. Please clarify if there is any specific requirement for working on your site or work can be carried out on CBI laptops and/or PwC Laptops. PwC maintains client confidentiality and is committed to safeguard any client sensitive data and have the infrastructure for the same. We also can leverage additional tools/information (as maybe required) during development, if coding can be done on PwC Laptop. Requesting response for the same.	Service providers are required to work at the Bank's premise i.e. Central Bank of India, Risk Management Dept., 1st Floor Bajaj Bhavan, Narimanpoint, Mumbai and on the system provided by the Bank as per the Bank's Internal data Security Policy.
17	3.1- "Any type of formation of consortium, sub-contracting and joint assignments will not be allowed /considered. Such proposals will be disqualified."	We operate as a network of firms (i.e. different legal entities under one brand name). Please let us know if we can use resources/credentials of the network in response to this LTE (based on the expertise required). Understand that this would not be considered as sub-contracting.	Please refer to the clause 3.1 of the LTE document Bank has disallowed the sub-contracting, joint assignments or consortium for this validation exercise.
18	3.21. Preliminary Examination / Technical Evaluation	The LTE only talks of requirement under section 1.4.1 - "The Bidder must have conducted at least one Validation of Credit Rating Assessment Models as per RBI guidelines of Scheduled Commercial Banks or any Financial Institution in India during	These are part of the eligibility criteria, The bank will form an appropriate committee with the required expertise to assess the suitability of the BIDs. The details for the scoring parameters will be shared with all the prospects bidders if The Bank decided incorporate them in the tender process.

		the last three years. (2020-21, 2021-22 and 2022-23)". Our understanding is that the technical scoring parameters are not shared as part of the LTE. Request if you can please clarify on these parameters.	
19	Coverage assignment of	Bank to confirm that the scope of work does not include enhancement/re-development of given models	The details regarding the Scope of Work are clearly mentioned in the Clause No 1.3 of the LTE document, this LTE is only for the external model validation of the Credit Rating Assessment Models.
20	Details of RAM Models	The LTE specifies 6 models developed by CRISIL in the scope of validation which includes both quantitative & qualitative aspects. Request the Bank to expand on the details of these 6 models- any sub models or sub segments within, model development data period available (in years), OOT/OOS data available (in years), any provision to apply management overlays etc.	The Bank has already mentioned the details regarding the models for which these validation exercise need to take place. Details related to the models will be shared with selected vendor after the announcement of the results of the tendering process.
21	No clause in LTE.	If the project is to be completed on time, it would require binding both parties with timelines to fulfil their respective part of obligations. We request you that you incorporate a deliverable acceptance procedure, perhaps the one provided by MeitY in their guidelines, or the one suggested below, to ensure that acceptance of deliverables is not denied or delayed and comments, if any, are received by us well in time. You may consider including the below simple clause: <i>"Within 10 days (or any other agreed period) from CBI's receipt of a draft</i>	Such clauses/requirement may be dealt at the time of SLA/Contract after the announcement of results of the tendering process.

		<i>deliverable, CBI will notify Consultant if it is accepted. If it is not accepted, CBI will let Consultant know the reasonable grounds for such non acceptance, and Consultant will take reasonable remedial measures so that the draft deliverable materially meets the agreed specifications. If CBI does not notify Consultant within the agreed time period or if CBI uses the draft deliverable, it will be deemed to be accepted."</i>	
22	4.11. If the Service provider fails to perform the Services within the time period(s) specified in the Contract, the Bank shall, without prejudice to its other remedies under the Contract, deduct from the Contract Price, as liquidated damages at the rate of 0.5% of the fees per week subject to a maximum of 10% of the service fees.	We request CBI to cap the liquidated damages/penalties cumulatively to 5% of the total contract value.	The liquidated damages and penalties are mentioned under clause no 4.11 of LTE document, please refer to the LTE documents.
23	No clause found in LTE.	To uphold the principles of natural justice and to bring parity in the contract, we request CBI to give us the right to terminate the contract in case CBI breaches any of its material obligations under the contract, provided a notice for such breach is given to CBI along with a rectification period of 30 days.	Such clauses/requirement may be dealt at the time of SLA/Contract after the announcement of results of the tendering process.
24	1.4.4 Bidders should be agreeable to working at Bank premise on system provided by the Bank as per the Bank's Data Security Policy	We request CBI to allow us to retain our working papers and a copy of confidential information for our records and any future reference or audit requirements, subject to	Service providers are expected to submit all working documents/ files related to model validation with the model validation report for each model. Clauses/requirement related to retaining of working papers/confidential information may be dealt at the time of

		confidentiality obligations under this Agreement.	SLA/Contract after the announcement of results of the tendering process. All the processes will be as per the Bank's internal policies regarding Data Security.
25	1.3.3 Portfolio Quality Index exercise is required to map the internal rating pair with the external ratings wherever applicable.	We request CBI to elaborate on the end deliverable expected on this clause	Bank expects the assessment of the portfolio by PQI such as benchmarking of the Bank's internal ratings with the external ratings if applicable.
26	1.3.3 Silo level risk in each of the models required to assess separately and documents any observation.	We request CBI to elaborate on this clause	Models are also required to be validated under respective silos viz Industry, Business Management and Financial. Details related to the models will be shared with selected vendor after the announcement of the results of the tendering process.
27	1.3.5. To ensure knowledge transfer on various aspects of validation exercise conducted by Bidder.	We request CBI to elaborate on this clause	Service providers to give presentation to the Bank explaining validation results/various exercises carried out during validation processes/ model monitoring tests etc. and provide necessary document, training and Knowledge Transfer (KT) used for validation exercises. Please refer to the LTE document clause No 1.3 for the details.
28	1.3.5. Presentation of the findings based on the validation exercise along with the suggestions based on industry best practices.	We request CBI to elaborate on this clause-who will be the intended audience for the same?	The select audience will be competent authority selected by the Bank/relevant department.
29	1.3 Scope of Work	KPMG will only validate the methodology used to create ratings and the accuracy of the models. In other words, KPMG will explicitly assume that the input data provided by CBI is accurate & reliable. All analysis done will be based on this assumption	Bank is in the requirement to validate the existing credit rating assessment models as per the RBI guidelines as laid down in the clause no 1.3 of the LTE document. The data for the validation exercises will be provided by the BANK. The service providers are expected to list all the Assumptions and Limitations identified during the validation exercises in the validation report
30	Access	To what capacity will systems be provided for validation of models and how many systems will be provided? If 2/3 personnel from KPMG are working simultaneously at Central Bank of India premises, will each individual be provided with a separate system and internet access?	The system and other requirements will be provided to the vendor as per the requirement of the project and as per the Bank's internal Data Security Policy.

31	Technical aspects	What programming languages & software's are the Bank using; which platform are the models developed on?	Model was acquired from CRISIL and customised as per the Bank's need. Bank do not have development data and the information related to the development platform. Technical aspects will be shared with the selected vendor after the announcement of the results of the tendering processes.
32	1.3 Scope of Work	What is the time period of data available for validation and what was the time period used for development?	Bank shall provide the data for 4 to 5 years. Information regarding the development statistics will be shared with the selected service provider after the completion of this tendering process.
33	1.3 Scope of Work	For calculating CSI, whether development data will be provided?	Model was acquired by CRISIL thus Bank do not have development data, however Bank do have benchmarks from the development data to assess the shift in the model monitoring parameters.
34	1.3 Scope of Work	For calculating Type 1 & Type 2 errors, will Reject Inference data be provided?	Reject Inference data will not be provided for the calculation of Type I and II errors however, type I and Type II errors could be calculated using the Bank's Rating thresholds. More details regarding the models will be shared with the selected service provider after completion of this tendering process.
35	1.3 Scope of Work	What is Silo Level Risk?	Models are also required to be validated under respective silos viz Industry, Business Management and Financial. Details related to the models will be shared with selected vendor after the announcement of the results of the tendering process.
36	1.3 Scope of Work	How large is the portfolio? In terms of number of customers. Are there any assumptions for development of the model?	Details related to the portfolios, count and information regarding the assumptions, limitations etc. will be shared with selected vendor after the announcement of the results of the tendering process.
37	1.3 Scope of Work	Does it also include back testing?	Yes, Back testing is required
38	1.3 Scope of Work	Do we need to independently validate the parameter weights?	Yes, the service provider needs to validate the parameter weights independently.
39	1.3 Scope of Work	Are we required to validate the external rating benchmarking and the assignment of respective PD levels?	Yes, the internal ratings benchmarking with the external rating is required.
40	1.3 Scope of Work	Does Central Bank of India have a governance validation framework?	Yes, Models do have a governance framework as per the Bank's internal policies pertain to MRM (Model Risk Management) and Validations.
41	Additional Scope Query	Is the validation team expected to use any programming language or some software tool?	Model was acquired from CRISIL and customised as per the Bank's need. Bank do not have development data and the information related to the development platform. Technical aspects will be shared with the selected vendor after the announcement of the results of the tendering processes.

42	Additional Scope Query	Are any of the in-scope model recalibrated from CRISIL or Bank internally? Do we have development data available for each of them?	Model was acquired from CRISIL thus Bank do not have development data, however Bank do have benchmarks from the development data to assess the shift in the model monitoring parameters. This Limited Tender Enquiry (LTE) is intended for the external validation for the Credit Rating Assessment Models. Model recalibration is not in the scope of work. Please refer to the LTE document Clause 1.3: Scope of Work for more details.
43	Additional contract Query	In accordance with standard industry practice, our aggregate liability under this RFP and in connection with the services shall be for direct damages only and shall, in all circumstances and events, be limited to one time the fees paid to us under the engagement. We shall not be liable for any indirect or consequential losses.	Such clauses/requirement may be dealt at the time of SLA/Contract after the announcement of results of the tendering process.
44	Additional contract Query	As per our internal team, payment can be done as per payment terms in parts- 1. Part payment on signing of Engagement Letter 2. Part payment on submission of draft deliverables 3. Part payment on submission of final deliverables	The total contract value of payment for assignment will be paid in full after the satisfactory completion of whole assignment & approval of Final reports of all models. Please refer to the LTE document clause no 4.6 payment terms for the details regarding the payments
45	Additional contract Non-Disclosure Agreement	Is it possible to sign a non-disclosure agreement so that their employees may work from client site with visits of 2/3 days to CBI's office in a week, wherein they'll get to prepare the final reports on KPMG's system along with the working documents necessary, as we need to retain our working documents.	Please refer to the clause of the LTE document:-1.4.4 Bidders should be agreeable to working at Bank premise on system provided by the Bank as per the Bank's Data Security Policy. Service providers are expected to submit working documents/files with the validation reports to the Bank.