

Confidential



Bank of Baroda, IFSC Banking Unit, Invites Requests for Proposal (RFP) from Consulting Firms for implementing IFRS in the IFSC Branch

Tender Floating date: 08.08.2022

Last Date of receipt of quotation: 29.08.2022

Confidential



PREAMBLE

Globally, International Financial Centres are major contributor to the business of International Banking, Financial Services & Insurance (BFSI).

With the objective of bringing back to India the international financial service business generated from India, and gradually emerge as an international financial services hub at the regional and global level, Government of India operationalized India's maiden International Financial Services Centre (IFSC) at GIFT Multi Services SEZ in April 2015.

Gujarat International Finance Tech-City (GIFT City) is a fully operational green field smart city, and is strategically located between the business capital (Ahmedabad) and political capital (Gandhinagar) of Gujarat. It is one of the most ambitious projects ever undertaken in the Indian financial and Infrastructure space and is being designed as a hub for the global finance services industry. It is supported by state-of-the-art infrastructure encompassing all basic urban infrastructure elements along with an excellent external connectivity designed to be at or above par with globally benchmarked business districts.

Companies from Financial Services, Technology and all other services sector are targeted as potential occupants within the city. The target business segments are Offshore Banking, Capital markets, Offshore asset management, Offshore Insurance, Ancillary services, IT, ITes & BPO services.

IFSC Banking Unit (IBU) of Bank of Baroda commenced its operations in November 2017 and since then it has been catering to the global banking requirements of the Corporates and business units situated in India and abroad, having the advantage of both being situated in India providing benefit of the time zone window for its counterparts located globally with competitive pricing and quick processing time from experienced personnel.

The regulator, International Financial Services Centre Authority (IFSCA) is operating as a unified regulator from October 2020 covering all areas of banking, insurance, capital market activities and fund management. IFSCA advised all the banking units of IFSC to implement IFRS accounting standard by 30th September 2022.

The eligibility, scope and reporting requirements are detailed below

ELIGIBILITY OF THE FIRMS:

- The firm should be a company registered under Companies Act 1956 and Companies Act 2013 since the last three years as on RFP submission date.
- The firm should have positive Operating Profit and Net Worth in each of the last three financial years.
- The firms should have sound reputation and should not have been black listed by any Govt. Financial Institutions/Banks/Government/Semi- Government departments/PSUs in India. Further, there should be no adverse remark against the firm with the Institute of Chartered Accountants (or similar body in the country) / Regulators/ Statutory authorities. A suitable undertaking/or certificate or declaration should be submitted by the firms to this effect.



- The firm should have minimum of 5 years of experience in providing similar consultancy services to the banking sectors/NBFCs and implemented/under implementation of the proposed Accounting Standard/solution at least in any one scheduled commercial bank/NBFCs in India/Overseas during last three years.
- The firm should be original solution developer or their authorized partners/ service providers / system integrator in India with an authority to do customization/ upgradation during the period of contract with the Bank.
- The firms should have in depth knowledge of the Statutory and Regulatory guidelines of the Host country regulators as well as those of home country regulator, Reserve Bank of India.
- The firm should have experience in drafting and/or reviewing policy and procedures documents related to standards and computation models for IFRS related projects.
- The firm must disclose in their tender details of any circumstances, including personal, financial and business activities that will, or might, give rise to a conflict of interest if they were awarded the contract pursuant to this RFP. If firm identify any potential conflict they should state how they intend to avoid such conflicts.

The firm must comply with all above-mentioned criteria. Non-compliance of any of the criteria will entail rejection of the offer summarily. Photocopies of relevant documents/ certificate, as mentioned above, should be submitted as proof in support of the claims made. Bank of Baroda IFSC Banking Unit reserves the right to verify/evaluate the claims made by the firm independently. Any decision of the IFSC Banking Unit in this regard shall be final, conclusive and binding upon the firm.

PROPOSALS

Proposal will be for conversion from Indian GAAP to IFRS with an end-to-end solution and provide support and assistance with conversion/timely completion of Financial Statement for Financial Year 2021-22 and 2022-23 and subsequent handholding.

The proposal should cover the followings :

1. Diagnostic Study and Impact Analysis
2. Review Preparation of Accounting Policy and Methodology documents for various processes
3. Impairment Calculation (ECL) and EIR Tool
4. Generation of IFRS financials including disclosures
5. Training and documentations
6. Deliverables

Last date for submission of proposal is 29.08.2022

The quotations should be in two part

- (1) Technical Bid** – containing the details of firm's experience and other documents and
(2) Financial Bid – which will include only fees related to the implementation work. Both should be in separate sealed covers.



Besides along with your quotation following information may also be submitted in Technical Bid :-

- i) Your credentials
- ii) Past experience
- iii) Names of Banks/other financial institutions for whom you have been carried out the similar work.

The Proposal/ Quotation should reach us on or before due date at the following address:

**The Head-IBU
Bank of Baroda
IFSC Banking Unit
Office No. 803, 8th Floor,
Hiranandani Signature Building,
GIFT SEZ Gift City,
Gandhinagar-382 355.**



SCOPE OF WORK

1. Project Management Support:

- (a) Support the Bank's project management function by sharing the templates and provide suggestions for the project plan;
- (b) Assist in developing project approach;
- (c) Participate and provide updates in the steering committee meetings and facilitate discussions;
- (d) Assistance in reviewing progress on project plan.

2. Diagnostic:

- (a) Conduct gap analysis on the Bank's readiness for IFRS. This will cover:
 - (i) Models and approach;
 - (ii) Data;
 - (iii) Accounting Policies;
 - (iv) ECL and EIR Tools

3. Preparation of Methodology Documents

- (a) Identify and review the key areas of technical interpretation under IFRS relating to classification and measurement and impairment as relevant to the Bank. This is likely to involve the following:
 - (i) Portfolio segmentation
 - (ii) Definition of default;
 - (iii) Methodology for defining and determining risk parameters including Loss Given Default (LGD), Exposure at Default (EAD) and Credit Conversion Factor (CCF);
 - (iv) Significant increase in credit risk and staging;
 - (v) Modification of financial instruments;
 - (vi) Other areas (as identified during the course of project).
- (b) Conduct discussions with management teams of the Bank to understand their perspective and provide our recommendations on above areas;
- (c) Draw up a set of Methodology Documents tailored to the Bank's situation covering each of the key areas and agree them with the management; and
- (d) Support the Bank in discussing IFRS methodologies with the external auditors and regulators, as required, through participation in meetings and preparation of necessary documentation on above areas.

4. IFRS Loan Impairment Calculation Solution

Bank intend to implement an end-to-end solution for ECL calculation and require followings :

- (a) to implement Expected Credit Losses (ECL) in compliance with IFRS 9 requirements to incorporate best industry practices e.g. incorporating forward looking macro-economic adjustment, appropriate assignment of 12m and lifetime PDs.
- (b) The scope of services for this engagement would be delivered in the following modules:
 - a. **Module 1:** Data requirements and Gap Assessment
 - b. **Module 2:** Development of Risk Models (PD, LGD, EAD)
 - c. **Module 3:** Preparation of IFRS9 Impairment calculation policy
 - d. **Module 4:** Development of ECL Calculation Framework



- e. **Module 5:** Support in User Acceptance Testing & deployment to production environment

A detailed SOW for carrying out above implementation is given in **Annexure-I**.

5. Accounting Policies:

- (a) Review of current accounting policies and provide our observations required changes under IFRS, and
- (b) Discuss with you pros and cons of different policy options under IFRS
- (c) Suggest amendments to existing policies.

6. Effective Interest Rate (EIR) Tool

- (a) Assist in automating the calculations for computing the processing fee/transaction cost being charged on Loans applying the 'Effective interest rate' ("EIR") method
- (b) Review of the existing EIR methodology for financial instruments.
- (c) Identifying all scenarios for EIR calculation for financial assets (loans to customers)
- (d) Support for UAT and deployment of EIR tool
- (e) Methodology Documents and Training

7. IFRS Financial Reporting and Disclosures:

- (a) Discuss first-time IFRS adoption considerations and available alternatives;
- (b) Identify the applicable minimum disclosures requirements of IFRS as they are applicable to the Bank;
- (c) Identify the data dependencies and information required to meet requirements for minimum disclosure;
- (d) Provide guidance in developing documents to support the audit of the IFRS opening adjustments by external auditor; and
- (e) Develop standard disclosure templates for the purpose of financial reporting in compliance with IFRS.

8. Training and documentation:

- (a) Support the Bank in documentation of IFRS specific methodologies, test results and accounting notes;
- (b) Design, organize, perform workshops and trainings for the Bank in order to communicate necessary knowledge related to the following:
 - (i) IFRS interpretation issues;
 - (ii) Accounting implications;
 - (iii) Methodologies;
 - (iv) Business process change;
 - (v) Any other relevant topics identified.



9. Deliverables

Following written Reports ("Reports" is defined in the General Terms and Conditions as including all information, advice, recommendations or other content of any reports, presentations or other communications) to be provided :

- (a) Templates to support Bank's project management function and to prepare IFRS compliant financial statements without changing the source system (viz. Finacle, KTP, EWGL etc.);
- (b) Materials for key project meetings and presentation on the IFRS implementation status;
- (c) IFRS Methodology Documents;
- (d) Drafts of revised and new policies under IFRS;
- (e) Timely incorporation of any changes proposed in IFRS by regulatory body and develop approach to adopt those changes without any additional cost;
- (f) Functional and user acceptance test cases and results;
- (f) IFRS Illustrative disclosure;
- (g) Training sessions and materials;
- (h) Materials to facilitate meetings with auditors and regulators. Assist the Bank in replying to the queries, if any, raised by statutory auditor / regulator in respect of IFRS financials;
- (i) To review and provide qualitative/quantitative information to the territory required for the purpose of preparation of quarterly/annually returns/certificates for first year of implementation of IFRS;
- (j) Validation of IFRS financials generated and presentation to the Top management/Board.
- (k) To provide utilities/templates and business model document for SPPI test on Investment Portfolio. Also assist territory team to perform the SPPI test on all existing and new securities;