

SECTION I -- INTRODUCTION

The State of Hawai'i (the "State") Department of Budget and Finance (the "Department"), authorized pursuant to the Hawai'i Revised Statutes ("HRS") Chapters 36 and 38 to administer the Treasury assets for the State and its agencies, publishes this Request for Information ("RFI") for broker/dealers that seek to be added to the authorized list of firms (the "List") for the purpose of providing securities transactions services for the Department. Inquiring firms shall refer to HRS Chapters 36, 38 (<https://www.capitol.hawaii.gov/hrscurrent/>) and the state's Investment Policy, for the details of investment guidelines and qualifications. This RFI serves as a communication channel for inquiring "Firm(s)" or the "Broker-Dealer(s)" to provide their qualifications for consideration to be included on the authorized list.

The Department manages an investment portfolio of approximately \$10 billion in recent market value. It is primarily comprised of U.S. Treasury, GSE obligations, bank certificates of deposit and commercial paper with final maturities no longer than 5 years. A copy of the current Investment Policy can be viewed here: <https://budget.hawaii.gov/finance/cash-management/>.

Investment transactions are conducted by the Department's investment personnel directly with Broker-Dealers or indirectly by providing instructions to its custodian bank (currently Principal Custody Solutions). The purpose of this RFI is to create a list of Broker-Dealers for the Department's investments needs. Responding firms are expected to maintain appropriate standards of integrity and professionalism and comply with all applicable laws and requirements.

The Department may review and rank potential firms based on the information provided in this RFI on an annual basis and such other information as the Department may request. Information included in the response to the RFI shall be updated as of June 30 of the current calendar year. It is the inquiring Firms' responsibility to keep the information updated. The Department will not consider any firm that failed to update its submitted information.

At its sole discretion, the Department may contract with a limited number of firms. Contracted firms may provide securities inventory offerings to the Department on an on-going basis for the Department's selection. Contracted Broker-Dealers will be reviewed annually for its performance and may be subject to replacement with other firms on the List, at the sole discretion of the Department.

A copy of the State's standard contract is attached in the Appendices for review. Please review the standard contract before advancing to the next section.

End of Section I

SECTION II -- SCOPE OF SERVICES

In addition to the minimum requirements set forth in the HRS and Investment Policy, the Broker-Dealers shall perform the following services, in accordance with its area of expertise and the time frames, as required by the Department:

1. Upon request by the Department's authorized investment personnel, provide current rates and/or yields on identified securities. Respond within a commercially reasonable time, either by email, telephone or to a designated fax number.
2. Broker-Dealers shall execute trades via email or over the phone with the Department's authorized investment personnel. Provide official trade confirmations within twenty-four (24) hours of the trade and email a preliminary trade confirmation or basic information on the executed trade needed to record the transactions within a commercially reasonable time after the trade.
3. Monthly account statement for all transactions of the previous month in the account, by the 10th business day of each month.
4. Upon request, provide information on portfolio characteristics of the account, including but not limited to, maturity schedules, accrued interest, duration, cash, and cash flow schedules. If the Department has signed up for Online Services it may access activity statements online at any time, subject to the terms and conditions that govern the provision of such Online Services.
5. List of securities offered for investment, in an electronic file with a format as provided by the Department. The Department currently utilizes an investment portfolio optimization software tool to select securities based on its daily needs. Broker-Dealers contracted with the Department are required to provide a daily securities offerings data file based on a specified format. The offerings lists shall be provided daily with up-to-date pricing as of a daily cutoff time specified by the Department. The Department will upload all offering lists to the software tool and perform the optimization to select securities to purchase.
6. Broker-Dealers must be available during the Department's hours of business and to meet, within a commercially reasonable time after requested, via conference call/virtually for the purpose of discussing and evaluating investment services.
7. The Department shall be responsible for notifying its custodial bank as to the receipt and delivery of securities and payments and receipts of cash for the purchases and sales of the account; or at the Department's instruction, the firm shall act as custodian and safe keep the securities at no cost to the Department.
8. The Department periodically reviews competitiveness of offerings based on the volume (both number of trades and size of trades) transacted, in assessing firm performance to ensure Department goals and guidelines are met.
10. Provide ad-hoc support to the Department relating to printing specific primary securities or providing credit/sector screening of Commercial Paper offerings.
11. Provide annual certification that the Broker-Dealer still meets the Investment Policy criteria and statutory requirements set forth in the HRS and Investment Policy (<https://budget.hawaii.gov/finance/cash-management/> see Investment Broker/Dealer Requests).

12. Provide updates to annual broker Questionnaire (<https://budget.hawaii.gov/finance/cash-management/> see Investment Broker/Dealer Requests).

End of Section II

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SECTION III – RFI GENERAL QUESTIONS

1. Do you certify that you meet the requirements set forth in the state’s Investment Policy, Section VI. A. (Authorized Broker/Dealer Qualifications) and business registration (see Appendix 3) relating to Broker-Dealer firms doing business with the State?
If yes, please proceed to fill out all questions in Exhibit 1: Broker-Dealer Questionnaire and the questions 2 to 5 below.
2. Provide the name, title, business address, e-mail address, telephone number and fax number of the individual the Department should contact regarding your Response to this RFI.
3. Please submit a minimum of three (3) relevant references that you currently provide similar services as listed in Section II of this document. Please indicate the nature of work performed and the duration of the relationship.
4. Please submit an example offering list in the attached format (see Appendix 2) compatible with the requirements of the optimization software the Department utilizes. The offering list shall only include securities that are compliant with the State Statutes set forth in HRS Chapters 36 and 38.
5. Provide an example of other reports/value added documents that you believe may benefit the Department.

End of Section III

SECTION IV. EVALUATION FACTORS AND CRITERIA

Submissions will be evaluated for conformance with the requirements of this RFI. The selections will be maintained by the Department for future consideration if replacement of current Broker-Dealer firms becomes necessary. The firms will be selected based on the following criteria.

Strength of Firm:

Firm must have at least the minimum regulatory capital or capital ratio to function as a broker-dealer or bank as required by the Securities and Exchange Commission, FINRA, or other comparable licensing body or regulatory agency.

Experience with Similar Entities:

Experience performing investment services similar to what will be provided to the Department.

Experience of Team:

Evaluation will include qualifications and relevant experience of key personnel. The references to be provided by the inquiring firm for review shall pertain to the nature of the services performed, and such other considerations regarding the ability and responsibility that the Department deems appropriate. Specifically include the team's knowledge and direct experience in fixed income trading for governmental treasury operating accounts. Sufficient responsible and professional personnel, with complete and capable supporting staff, must be provided to perform the services.

Firm's Procedures:

The Firm's offering list as provided in the required format (refer to Appendices) by the Department.

Other Value Added:

The Firm's ability to provide beneficial value-added information to the Department.

End of Section IV

EXHIBIT 1

Broker-Dealer Questionnaire

If additional room is needed for your response, a supplemental form may be used. Please cross-reference your response on both forms.

1. Name of Firm _____

2. Number of years in existence _____

3. Describe the Firm's corporate legal structure and ownership.

4. Have there been any changes in the Firm's ownership in the past five years?

Yes No

If so, please explain: _____

5. Is the Firm representing a parent corporation or a subsidiary of another corporation?

Yes No

If yes, provide audited financial statements and regulatory reports for the following most recent fiscal year end:

- The Firm's parent corporation, if applicable
- All of the Firm's and parent firm's subsidiaries

6. Provide the Firm's corporate office contact information:

Name: _____ Title: _____

Telephone () _____ Fax () _____ Email: _____

7. If different from above, provide the Firm's local office contact information:

Name: _____ Title: _____

Telephone () _____ Fax () _____ Email: _____

8. Is the Firm registered as a Broker-Dealer to do business in Hawai‘i?

Yes No

If yes, how long has the Firm been registered? _____ Months Years

9. Firm classification:

- Broker
- Dealer
- Both

10. Is the Firm designated as a primary dealer by the Federal Reserve?

Yes No

If yes, how long has the Firm been a primary dealer? _____ Months Years

11. Is the Firm registered with FINRA?

Yes No

If yes, please provide a copy of the following reports:

- Financial Industry Regulatory Authority (FINRA) Broker Check Report
- A FINRA summary report for the Firm

12. Which of the following entities has the authority to oversee the operation of the Firm, in terms of examinations, rules and regulations? (check all that apply)

- FDIC
- SEC
- FINRA
- Federal Reserve System
- Other, please specify

13. Using the table below, provide the sectors of the Fixed Income Market the Firm executed trades in over the past 12 months

SECTOR	AVERAGE TRADE SIZE	PURCHASES	SALES	TOTAL
U.S. Treasury Bills				-
U.S. Treasury Notes				-
Overnight Repurchase Agreements				-
Commercial Paper				-
Municipals				-
Agency Discounts:				
FNMA				-
Freddie				-
FHLB				-
Other				-

14. Please provide the Firm's credit ratings from the major rating agencies:

- Standard & Poor _____
- Moody's _____
- Fitch _____

15. Provide the following information for the Firm's most **current quarter** reports: *Note: Do not answer with "see financial report" as that will be construed as an unanswered question.*

- Debt/Equity % _____
- Assets _____
- Net Capital _____
- Minimum Net Capital Requirement _____
- Capital Ratio _____
- Total Liabilities _____
- Total Stockholders' Equity _____

16. Has the Firm complied with the SEC's net capital requirements at all times during the last 10 years?
Yes No

If no, please explain: _____

17. Has the Firm ever been temporarily closed or prohibited from trading due to net capital inadequacy?
Yes No

If yes, please explain: _____

18. The Department requires the use of delivery versus payment. Describe the Firm's normal process, including a description of reports, transactions, confirmation schedules, timing, safekeeping arrangements and auditing procedures. Attach regularly provided statements, transaction reports, confirmations and other documentation provided customers:

19. Does the Firm have the ability to execute trades electronically (via email) with the Department?
Yes No

20. Will the Firm provide a confirmation ticket via email, no later than three (3) hours after the execution of both electronic and voice trades?
Yes No

Statements should include the following:

- Security Type and CUSIP Number
- Issue Date, Maturity Date, Settlement Date, Trade Date, Call Date, Pay Date
- Rating
- Coupon Rate
- Par Value and Price

21. Will the Firm agree to submit daily securities offerings in the format required by the Department?
Yes No

If yes, please provide a sample in attachment.

22. Provide a breakdown of the fixed income trading department (including professionals, clerical staff, traders and salespeople): _____

23. In the past 5 years, has the Firm or any of its employees been subject to a regulatory, state or federal agency investigation for alleged improper, fraudulent, disputable or unfair activities related to the purchase or sale of any type of securities or investments?
Yes No

If yes, please explain, providing specific details: _____

24. Describe any pending, concluded or threatened litigation, administrative proceedings or federal or state investigations or audits, subpoenas, or other information requests of or involving your firm or the owners, principals or employees during the past 5 years. Describe the nature and status of the matter and the resolution, if any: _____

25. Identify any existing or potential conflict of interest, or any relationships that might be considered a conflict of interest, that may affect or involve the provisions of Services to the Department, including but not limited to conflicts with financial advisors, law firms providing services to the State or the Department and State employees or Department employees.

26. Have any of the Firm's senior managers or persons who will be responsible for our relationship been sanctioned or fined or otherwise cited by the SEC, NASD, FINRA or other regulatory body?

Yes No

If yes, please explain: _____

27. Has any public or government client ever claimed or sustained a loss on a securities transaction arising from a misunderstanding or misrepresentation of risk characteristics of the investment instrument as represented by your firm or any of its employees?

Yes No

If yes, please explain what caused these losses and what has been done to correct the problem:

28. Does the Firm participate in the Securities Investor Protection Corporation ("SIPC") investor program?

Yes No

If no, please explain: _____

APPENDICES

1. State of Hawai'i form contract/agreement (sample)
2. Offering File Protocol for Hawai'i, including data file format samples
3. Hawai'i Compliance Express (HCE) requirement

CERTIFICATION

I, the undersigned, certify that I am authorized to execute this certification on behalf of the Proposer, that the foregoing information and any attachments hereto, to the best of my knowledge, are true and complete. I acknowledge that the Department is relying on the information contained herein, and that the Proposer is under a continuing obligation from the date of this certification through the completion of any agreement(s) with the Department to notify the Department in writing of any changes to the information contained herein; that I am aware that it is a criminal offense to make a false statement or misrepresentation in this certification. If I do so, I will be subject to criminal prosecution under the law, and it will constitute a material breach of my agreement(s) with the Department, permitting the Department to declare any agreement(s) resulting from this certification void and unenforceable.

Print Name _____ Title _____

Signature _____ Date _____