

REQUEST FOR PROPOSAL

*To Coordinate A
Shared Services Agreement
of the
Eastern Caribbean Currency Union
National Banks*

**REQUEST FOR PROPOSAL TO COORDINATE
A SHARED SERVICES AGREEMENT OF THE
EASTERN CARIBBEAN CURRENCY UNION NATIONAL BANKS**

1.0 GENERAL STATEMENT

- 1.1 The national banks licensed by the Eastern Caribbean Central Bank (ECCB) under the Banking Act, 2015 have been in discussion regarding the consolidation of the Eastern Caribbean Currency Union (ECCU) national banking sector. The consensus of the discussions is that consolidation of the sector be pursued over a period of time and that an initial step ought to be taken in the form of a shared services approach.
- 1.2 Via correspondence to all 12 licensed national banks, the ECCB explicitly sought and received the support of the national banks to facilitate their exploration of a shared service for the risk and compliance function. All of the national banks have officially welcomed the ECCB's offer to support the initiative.
- 1.3 Given its commitment to support the national banks with this important initiative and its own objective of ensuring the continued stability of the ECCU financial sector, the ECCB is issuing this request for proposal (RFP) to seek a suitable partner with the requisite experience and resources to help the national banks with establishing a shared risk and compliance function.
- 1.4 The applications in response to the RFP will be evaluated by representatives of the ECCB and national banks, particularly concerning the applicant's:
 - a. proposed strategy/model for ensuring the timely establishment of an effective and efficient shared risk and compliance function;
 - b. technical expertise;
 - c. experience in this type of business;
 - d. financial capacity;
 - e. data protection capabilities;
 - f. monitoring procedures; and
 - g. good standing within the financial services industry.
- 1.5 The ECCB reserves the right to accept or reject any application/proposal submitted in response to this RFP without the need to provide a detailed explanation.

- 1.6 The short-listed applicants will be invited to make a presentation to the national banks and the ECCB, and the successful applicant will be required to negotiate a contract for delivery of a shared risk and compliance function

2.0 BACKGROUND

- 2.1 The ECCU comprises the following member countries: Anguilla, Antigua and Barbuda, Commonwealth of Dominica, Grenada, Montserrat, St Kitts and Nevis, Saint Lucia, and St Vincent and the Grenadines. There are 20 licensed commercial banks operating in the ECCU, 12 of which are national banks.
- 2.2 The case for the consolidation of the ECCU commercial banking sector emerged more intensely in the aftermath of the 2007/08 global financial and economic crisis, particularly as a result of the concomitant issues that confronted several institutions within sector. These issues included high levels of nonperforming loans (NPLs), tight liquidity, and unsatisfactory earnings.
- 2.3 Accordingly, regulatory actions intensified and ranged from enhanced monitoring to full resolution activities, where purchase and assumption transactions and establishment of receiverships were carried out. In addition to the ongoing intense international effort to safeguard financial institutions from being used to facilitate money laundering and or the financing of terrorism, the ECCU commercial banking sector has recently been challenged with the loss or threat of loss of correspondent banking relationships, which are critical to the sector's survival. Of significance is that the 'derisking' phenomenon poses a more significant threat to the national banks than to the international branch banks.
- 2.4 At its 90th meeting held on 16 February 2018, the Monetary Council agreed on the important role of the national banks to the growth and development of the ECCU. The Monetary Council also considered the various challenges confronting the national banking sector and the need for exploring options for safeguarding the sector. Consequently, the Monetary Council approved a statement of intent and principles of bank consolidation for the ECCU national banking sector. The principles are summarised as follows:
 - a. A strong national banking presence is critical to the development of the ECCU.
 - b. A strong banking system in the ECCU requires strong (well-capitalised and viable) national banks.

- c. Banks, which are too big to fail or too small to succeed are risks to the financial system and should be avoided or minimised through effective regulation and consolidation.
 - d. Consolidation should be primarily industry-driven.
 - e. Where national banks are state-owned or have significant public sector ownership, Governments should play a proactive role in the process of consolidation.
 - f. Bank resolutions are extremely costly and should be avoided.
- 2.5 During consultations held with the ECCU national banks in November 2017 and February 2018, the ECCB agreed to support the shared services initiative of the banks as an initial step towards consolidation of the ECCU national banking sector. All 12 national banks have officially confirmed their willingness to support and subscribe to a shared services arrangement for the risk and compliance function.

3.0 REQUEST FOR PROPOSAL

- 3.1 The prospective service provider will be required to interact with the national banks and ECCB in gleaning the requisite information on the banks towards developing a strategy/proposal for the shared services approach.
- 3.2 The prospective service provider will be required to present a comprehensive strategy/proposal for the establishment of an efficient and effective shared risk and compliance function. Expected deliverables include the following:
- a. Establishment of an AML/CFT risk-based framework.
 - b. Identification of an appropriate software to be used by the banks to apply data analytics for risk weighting of customers, products and services.
 - c. Assessment of the existing risk and compliance functions of the respective banks to identify gaps/deficiencies and recommend solutions for addressing any such gaps/deficiencies.
 - d. Conduct training on risk and compliance for the respective banks.
- 3.3 In developing its strategy/proposal, the prospective service provider is required to identify any other opportunities for the national banks to derive efficiency through the sharing of any other function(s).
- 3.4 The prospective service provider will be required to provide the requisite template to assist in the drafting of the shared services agreement. The agreement is

required to address the mitigation of possible legal, financial, reputational and other issues that are usually associated with shared services agreements.

- 3.5 The prospective service provider is required to furnish background information on its operations, including technical expertise and experience in the financial services field, project management expertise and experience, extent of third party assistance, insurance cover (professional indemnity, liability etc.), business continuity plans and other pertinent information.
- 3.6 The prospective provider is required to submit its proposed schedule and cost for executing the task.

4.0 TIMETABLE

Tasks	Timeline	Comments
RFP published	June 26, 2019	Published by the ECCB
Clarification of questions submitted by applicants	July 8, 2019	All applicants seeking additional information/clarification on any matter in relation to this RFP, must do so by close of business on July 8, 2019.
Responses to clarification requests/questions	July 22, 2019	It is the intention to respond to any additional information and or requests for clarification by the close of business on July 22, 2019
Last date to respond to RFP	August 21, 2019	Final responses to the RFP must be submitted by the close of business on August 21, 2019
Evaluation period for shortlisting and notification to shortlisted applicants	September 25, 2019	
Presentation by shortlisted applicants	October 25, 2019	
Selection and contracting of service provider	November 22, 2019	
Execution of the task by the selected service provider	May 31, 2020	

5.0 EVALUATION CRITERIA

- 5.1 The ECCB and representatives of the national banks will evaluate the RFPs received primarily on the applicants' technical expertise and experience, project management expertise, proposed strategy/ model for executing the task, and the proposed schedule and cost for executing the task.

6.0 SUBMISSION DETAILS

- 6.1 The response to the RFP must be addressed to:
Governor
Eastern Caribbean Central Bank
Bird Rock
St Kitts, West Indies

A physical copy of the proposal should be couriered to the Governor and a soft copy, emailed to Governor@eccb-centralbank.org and copied to gov-admin@eccb-centralbank.org and SEC_SPPD@eccb-centralbank.org

- 6.2 Shortlisted candidates will be required to sign a Non-Disclosure Agreement (NDA) with the ECCB and with the respective national banks.