

ANNOUNCEMENT
ABOUT THE CLARIFICATION OF THE INVITATION NR. 2

Public tender with the code "CBA-2024-018" for the selection of an organization for provision of transaction advisory services for the modernization of its real-time gross settlement (RTGS) system (called the electronic payment system (EPS)) for the needs of the Central Bank of the Republic of Armenia

The Central Bank of the Republic of Armenia presents below the questions and clarifications dated 09.07.2024 regarding the invitation to the procurement procedure with the code "CBA-2024-018" organized for provision of transaction advisory services for the modernization of its real-time gross settlement (RTGS) system for the needs of the Central Bank of RA.

1. QUESTION FOR CLARIFICATION

As per the invitation to Tender section 2 (Bidder Participation requirements and qualification criteria), point 2.6, Bidders can participate as joint ventures (consortium). What form of evidentiary documentation is required for a Consortium/Joint Venture?

CLARIFICATION

A Bidder may be a firm that is a private entity, or any combination of such entities in the form of a joint venture (JV), consortium, business partnership or association, (hereinafter referred to as a JV, regardless of such combinations' legal status or forms) under an existing agreement or with the intent to enter into such an agreement supported by a letter of intent.

Maximum number of members in a JV shall be two (2).

In the case of a JV, all members shall be jointly and severally liable for the execution of the Contract. The JV shall nominate a Representative who shall have the authority to conduct all business for and on behalf of any and all the members of the JV during the bidding process and, in the event the JV is awarded the Contract, during contract execution.

Proposal submitted by a JV shall include a copy of the Joint Venture Agreement entered into by all members. Alternatively, a letter of intent to execute a Joint Venture Agreement in the event of a successful Proposal shall be signed by all members and submitted with the Proposal, together with a copy of the proposed Agreement.

The Bid Security must be in the name of the Bidder or the JV that submits the Bid. If the JV has not been constituted into a legally enforceable JV at the time of bidding, the Bid security shall be in the names of all future members as named in the letter of intent as stipulated above.

2. QUESTION FOR CLARIFICATION

Is it possible to have a 5-day grace for courier transit?

Alternatively, does an authenticated SWIFT suffice as a guarantee?

CLARIFICATION

The authenticated SWIFT suffice as a guarantee and the prevailing method for receiving confirmations of the issuance of a guarantee.

Even though 5-day transit time for courier services is acceptable confirmation of issue or validity of signatures via authenticated SWIFT is required.

3. QUESTION FOR CLARIFICATION

"Conduct risk assessments and recommend mitigation strategies" - what kind of risk is implied here - technological or operational/financial?

CLARIFICATION

Here we refer to all potential risks associated with RTGS systems, including technical, cybersecurity, operational, etc.

4. QUESTION FOR CLARIFICATION

Does it correctly understood that is needed to review and assess compliance with the Information Security/Cybersecurity Regulations and Standards applicable to EPS? By SWIFT Standard, are you referring to the SWIFT Customer Security Controls Framework? Additionally, should be considered PCI DSS and EU GDPR information security requirements as applicable to EPS systems? ISO20022 Requirements are not related directly to Information Security/Cybersecurity.

CLARIFICATION

Information security of the CBA is compliant with the ISO 27001:2022 standard. Since the CBA uses SWIFT infrastructure only for cross-border transactions, the SWIFT CSCF is applicable to this part of the system (General Ledger-SWIFT). Nevertheless, the security framework for the EPS is close to the SWIFT CSCF. Other requirements are not applicable for EPS.

5. QUESTION FOR CLARIFICATION

Is the task to simply review the applicable Information Security compliance requirements, or does it also include performing a full assessment of the current state against these requirements?

CLARIFICATION

The second statement is correct: among other things, the task implies the provision of full assessment of the current state against requirements as well.

6. QUESTION FOR CLARIFICATION

Are there any other projects ongoing in the bank that would closely link with RTGS e.g CBDC?

CLARIFICATION

Currently there are a few projects, which may be viewed in conjunction with the RTGS modernization project. In terms of the CBDC, there is no specific implementation, however asset tokenization with ability of settlement in central bank money is one of consideration. Therefore, we anticipate corresponding functionality (integration possibility) support from the future RTGS system. Payment data monitoring functionality is another initiative of the CBA. The project involves infrastructure to extract near-real-time payment data from the current RTGS system. Another project undertaken, is an introduction of the IBAN standard in Armenia, which may in a certain way overlap with the RTGS modernization project.

7. QUESTION FOR CLARIFICATION

Can be provided the number of direct and indirect participants on the RTGS system and what is the ecosystem expansion view?

CLARIFICATION

There is no notion of direct and indirect participants on the RTGS in Armenia. All participants are direct. It is mandatory for all commercial banks to be a participant of the RTGS. For other agents of the financial market the issue of access is not rule-based, rather they may be granted access by the ad hoc decision of the CBA board (for instance, some investment funds). In turn, PSPs are positioned as clients of their partner commercial banks. Currently, the main participants of the RTGS are 18 commercial banks, ArCa card processing and clearing agency, Stak money transfer system, the government treasury.

8. QUESTION FOR CLARIFICATION

To be confirmed, that there is no withholding tax on import services provided by a non-resident company.

CLARIFICATION

Double Taxation Treaty: to prevent income being taxed twice there is a need to check if there is a Double Taxation Agreement (DTA) between Armenia and the non-resident Bidder. Under such treaties, certain incomes may be exempt from withholding taxes, or the rate may be reduced, provided that the recipient can prove that they are a resident of the other contracting state.

Residency Certificate: To benefit from the provisions of the DTA, the non-resident company must provide a residency certificate from the countries' tax authorities, confirming that they are a tax resident of that particular country.

9. QUESTION FOR CLARIFICATION

To be confirmed, that Profit Tax will be added by CBA to the invoice amounts, rather than be deducted from the payment of invoices. On this basis, the company are not to include VAT on invoices. So, the company receives the invoice amount.

CLARIFICATION

If the Bidder is Non-resident as specified in point 4.2. of the Invitation (if a Bidder is a non-resident in the Purchaser's country, it shall quote and enter prices without including taxes which are liable to pay in the Purchaser's country. In such case, the Bidder shall clearly mark, in all parts where the prices are entered, that the prices are not including taxes liable to pay in the Purchaser's country), the Purchaser shall add to the Financial Proposal the amount which is equal to Profit Tax by the ways specified in the point 4.11 of the Invitation, which are required to be withheld at source on payments to non-residents by the legislation in the Purchaser's country.

As stipulated in the points 4.11. and 4.12. of the Invitation the profit Tax rate is twenty (20) percent of the proposed Prices of the Financial Proposal. The profit Tax rate may be changed under a relevant Treaty for Avoidance of Double Taxation between the countries of the Purchaser and the Bidder, for which the Bidder shall submit a certificate of residency issued by the Tax Authority in its country.

If the successful Bidder is non-resident, a Certificate of Residency should be provided to the Purchaser within ten (10) days of contract signature.

Nevertheless, the Financial Proposal must include all relevant taxes from the Bidder's country.

10. QUESTION FOR CLARIFICATION

Is there a national payment strategy covering RTGS, instant payments, money transfer, Central Depository System (CDS), cards?

CLARIFICATION

A set of projects, jointly called New payment initiative, has been undertaken to modernize the financial infrastructure in the country. The RTGS modernization project is one in this portfolio.

11. QUESTION FOR CLARIFICATION

Are the commercial bank stakeholders in Armenia being consulted on the needs identified in this RFP?

CLARIFICATION

Communication with the market participants takes place on a regular basis. And surely some of the needs were driven from those interactions. Their views in part feed into possible requirements.

12. QUESTION FOR CLARIFICATION

Can be provided a 3/5-year plan of volume/growth expected in the RTGS and cross border payment volumes and values for Armenia?

CLARIFICATION

Considering the historical growth rate, we would expect a 50% increase in value and 100% increase in the number of transactions via the RTGS for the upcoming 3 years. With the current daily average number of transactions being around 30 000. However, a couple of things should be considered with this forecast. First, If the ArCa Pay fast payment system operates successfully during the forecasting period, these numbers could be pushed down. On top of this, current message formats allow participants to supply single as well as batch messages. A lot of commercial banks use single messages in their daily operations. However, if commercial banks' business operation logic changes to extensively use batch messages, the forecasted numbers would be further diminished. Regarding the question on the cross-border payments, the EPS provides payment services only in domestic currency, while FX transactions are done outside of the EPS in the general ledger and are made via SWIFT terminal.

13. QUESTION FOR CLARIFICATION

Are there any firm timescales for the launch of Stak in Armenia? If so, what will the operating hours be?

CLARIFICATION

The launch of the Stak services is still in the progress, and firm timescales would be challenging to provide. The services are planned to be available on 24/7 basis with corresponding settlements being made in RTGS next working day within its operational hours (9:30 am – 4:00 pm).

14. QUESTION FOR CLARIFICATION

Is the current RTGS system and the proprietary SWIFT MT-like formats documented in English?

CLARIFICATION

Currently the documentation is available only in Armenian.

15. QUESTION FOR CLARIFICATION

What does the current liquidity governance model like?

CLARIFICATION

The CBA provides liquidity to participants via repo operations with appropriate haircuts.

16. QUESTION FOR CLARIFICATION

How is the current RTGS system integrated with funding/ liquidity and securities settlement (repo's) and how is the governance model?

CLARIFICATION

The following systems are integrated for provision of intraday liquidity in the form of intraday repo.

1. Repo system operated by CB RA, where the pools of eligible securities for each commercial bank are maintained and which accepts the bids for initiating repo and intraday repo transactions,
2. SSS (security settlement system) system for government securities operated by CB RA, which maintains the securities accounts and provides the securities settlements, including the transactions between commercial banks securities accounts and central bank repo pooling securities account for government bonds,

3. SSS system for commercial securities operated by Central Depository of Armenia, which maintains the securities accounts and provides the securities settlements, including the transactions between commercial banks securities accounts and central bank repo pooling securities account for commercial bonds,
4. 'Operational day' system operated by CB RA, which maintains the settlement accounts for RTGS system participants, and which automatically credits the commercial banks' settlement accounts based on electronic instruction from Repo system.

Currently there is no automatic provision of intraday repo liquidity – participant bank must monitor its settlement account balance and initiate intraday repo transaction if needed extra liquidity.

17. QUESTION FOR CLARIFICATION

How are the commercial banks integrated into the current solution i.e. from liquidity, gateway and governance point of view?

CLARIFICATION

Commercial banks have access to Repo system, and also to CB operated CBANet proprietary network and Bankmail messaging system, which is used both for initiation of securities and payment transactions. Commercial banks have Bankmail terminals in their premises.

18. QUESTION FOR CLARIFICATION

What are your expectations with regards to the proportion of on-site vs off-site delivery?

CLARIFICATION

Currently, the proportion is not fixed yet, but it is recommended to provide a lumpsum unit rate for accommodation and travel expenses. Depending on the nature and scope of the work, the

proportion of on-site versus off-site delivery may vary over time and will be discussed during Planning phase.

19. QUESTION FOR CLARIFICATION

What are the requirements on local market and payment system expertise? Would global best-practice expertise be less / equally / more valued?

CLARIFICATION

The global best practices expertise would be a good fit for the task. Nevertheless, the project implies active collaboration with the market participants, so any local specificities could be addressed along the way.

20. QUESTION FOR CLARIFICATION

Can be shared the National Instant Payments System (IPS) roadmap and whether is expected convergence between a possible national IPS and your RTGS?

CLARIFICATION

The ArCa company, which operates independently from CBA, provides processing and clearing services for card transactions in Armenia. This year, the company obtained the right to launch a fast payment system, called ArCa Pay. Currently, the new service is in the testing phase, with plans to go live later this year. There is no separate IPS roadmap. However, the projects are done as per

to so-called Payment initiatives, containing more than a dozen of projects. The RTGS modernization project and facilitation of launching the fast payment system by ArCa are two separate initiatives on the list. Regarding your question on the convergence, this is one of the questions we would like to have answered during the evaluation. We would like to know the optimal functionality of the future RTGS, including the issue provision vs. no provision of retail services by the CBA.

21. QUESTION FOR CLARIFICATION

Would the selected bidder be expected to work with entities (in Armenia or abroad) that are currently on OFAC SDN, HMT, or UN sanctions lists?

CLARIFICATION

No, the selected bidder would not be expected to work with entities that are currently on the OFAC SDN, UN, or HMT sanctions lists. The United Nations sanctions list is bidding for the Central Bank of Armenia (CBA) according to the AML law of Armenia, and engagement with entities on the OFAC SDN, and HMT sanctions lists is prohibited based on the CBA's sanctions compliance policy.

22. QUESTION FOR CLARIFICATION

Was mention ISO 20022 in the phase 1 RFP. Is expected, that the selected party to spell out the specific subset of ISO 20022 messages recommended for usage as a part of the phase 1 delivery of the RTGS renewal programme? Or of the phase 2 delivery? Or separately from either phase given the network agnosticism of the ISO 20022 standard?

CLARIFICATION

As we briefly discussed in the Background section of the RFP, the technical stack of the current system might present a bottleneck for the migration to ISO 20022, in case of the adoption of the standard for the local market. Therefore, at this stage we mostly focus on technical requirements and compatibility, rather than on the message subset definition. As a matter of fact, through a

separate initiative, we are working on the adoption of ISO 20022 CBPR+ messages to ensure CBA's frictionless cross-border transactions.

23. QUESTION FOR CLARIFICATION

Is sub-contracting permitted?

CLARIFICATION

The sub-contracting is permitted, but the Contract execution responsibility is on the service provider.

24.QUESTION FOR CLARIFICATION

The consortium/JV has deep experience in Retail Instant/Real Time payment system design and implementation and RTGS based settlement.

Does the absence of contracts that are cumulatively equal or exceed the price of this bid disqualify the JV or does it simply impact the score?

CLARIFICATION

At least 1 (one) of the parties of the JV should have the expertise of successfully concluded at least 1 (one) similar contract within the 5 (five) preceding years of which the volume of services provided under that contract must be equal to or greater than the price of the current project.

Failure to meet this requirement will result in the rejection of the proposal.

25.QUESTION FOR CLARIFICATION

Please clarify what is CBA's definition or qualification around what constitutes "industry best practice"? (Global / regional / "peer countries"? BIS? World Bank?)

CLARIFICATION

By the "Industry best practice" we refer to global best practice in RTGS solutions.

26.QUESTION FOR CLARIFICATION

The consortium/JV has deep experience in Retail Instant/Real Time payment system gap analysis, design, requirements, implementation and RTGS based settlement.

Would this be recognized as equivalent experience?

CLARIFICATION

This experience will be recognized as equivalent. Providing any supporting documentation and records will be considered as an advantage

At least 1 (one) of the parties of the JV should have the experience in advising on the modernization of financial systems, particularly RTGS systems. Expertise in conducting comprehensive system analysis and gap analysis. Knowledge of regulatory requirements and industry best practices in RTGS systems.

27.QUESTION FOR CLARIFICATION

Please clarify under what terms & format that the letter of guarantee is required to state?

CLARIFICATION

In the case of a bank guarantee, the bid security shall be submitted in a format approved by the Purchaser before submission of the Proposals.

28. QUESTION FOR CLARIFICATION

Does CBA have a preferred contract template?

How detailed does the Draft Contract need to be?

Would an outline / table of contents be sufficient?

CLARIFICATION

The CBA does not have a preferred contract template. Therefore, the draft Contract should outline the primary terms and conditions specific to this Agreement.

29.QUESTION FOR CLARIFICATION

Do you have a specified manner/form of digital signatures required?

Who do you recognize as a valid issuer of digital certificates for signing?

CLARIFICATION

Digital signatures need to comply with certain standards.

The digital certificate used for signing should be certified and issued by a trusted Certificate Authority or local authorities.

Secretary of the Evaluation Committee of the RA Central Bank

Siran Yeganyan

Purchaser: The Central Bank of RA