Clarifications on queries received during the Pre Bid Meeting (held on 22.03.2013) and through e-mails on Request for Proposal for Review and Development of Internal Rating Model

Question 1: Whether the Rating Model will be web based?

Answer: The Rating Model shall be Excel Based

Question 2: Does the scope involve the development of borrower level rating model or facility level rating model for each category of PLI?

Answer: The Rating Model will be a borrower level model.

Question 3: Does the scope involve recommendation on model use like in setting up limits, rating based pricing etc.?

Answer: At present the rating model is used for arriving at exposure limits and pricing of loans.

Question 4: The eligibility criteria can be met mainly by Credit rating Agencies. However, Regulatory guidelines in India prevent Rating Agencies from providing Advisory/Consultancy Services. In such circumstances, if the bid is submitted by a subsidiary of rating agency, whether experience of the rating agency will be considered for evaluation or is it necessary for the rating agency to be a co bidder? Will the joint bids be accepted?

Answer: The bidding has to be compliant with the prescribed Regulatory guidelines.

Question 5: Whether International experience will be considered for evaluation purpose?

Answer: No, only experience related to ratings in Indian Markets will be considered.

Question 6: Does NHB expect the consultants to deploy its team during the full course of diagnostic (requirement) study of the mandate till the submission of report - or it is upto the descretion of the consultants

Answer: NHB expects the consultant to carry out a comprehensive requirement study after discussions with the concerned officials of various departments of the bank and document it.

Question 7: Please clarify that how to present the following details:

Average number of clients for whom Bank Loan/long term instruments ratings have been carried out during last 3 years (year wise details including type of institutions rated)

Category of Borrowers Rated	2009-10	2010-11	2011-12
Public Sector Banks			
Private Sector Banks			
Foreign Banks			
HFCs			
Co-operatives Institutions/Banks			
Large Corporate			
SME			
Others (please specify)			

Details of large corporate/banks/FIs for whom risk management frameworks have been designed

Answer:

The details shall include the name of client, category of risk management framework developed (credit risk, market risk, operational risk, ALM etc) during the last 3 years. Standard risk solutions (products) if any.

Question 8: Whether the successful bidder will be allowed to have access to PLI's data and have interaction with representative sample of PLIs like ACHFs, ARDBs, UCBs to fine tune the models?

Answer: The successful bidder will have access to data available with NHB for development of models.

Question 9: Is Existing Rating Model a statistical model or Expert judgment model?

Answer: The existing Rating Model is expert judgment model.

Question 10: Whether NHB is looking for both validation and then new model development?

Answer: The Bank is looking for a new rating model.

Question 11: Does Existing Rating Model applied for PLIs with less than 3 years of operations?

Answer: The existing rating model is not being used for rating PLIs with less than 3 years of operations.

Question 12: Existing Client Profile of NHB

Answer:

S.No.	Category	No. of client
1	HFCs	23
2	SCBs	32
3	RRBs	27
4	UCBs	13
5	ARDBs	3
6	ACHFs	3
Total		101

Question 13: Does the staff limit to Head Offices or training has to be carried out at the branch level as well? How many training programs need to be conducted and what would be the approximate number of staff to be trained?

Answer: The Credit Risk Management functions are centralized at Head Office, New Delhi. The successful bidder is expected to develop training manuals and impart training to 1 set of related officials.

Question 14: Does NHB have any rating transition matrices done from the current rating models?

Answer: NHB is using the present rating model for the last 4 years. At present the migration trends are being captured manually through various reports.