

Money Market Funds

Example Request for Proposal

HSBC Liquidity Solutions

August 2023



Introduction

[Company] is soliciting proposals from managers of international Money Market funds to complement our current range of treasury management products.

[Company] requirements (to include; Currency, investment horizon, liquidity requirements, investment guidelines and size of investment)

To be considered for investment, please complete the attached RFP and submit it via email to: [Name] at: [name@email.com] by [date].

Decisions will be made mid [month] with plans to invest into the product by the end of quarter [number] this year.

If you have any questions, please direct them to [name] at the email address above.

Questionnaire

A. Company

1. Brief overview of the company and the current ownership structure
2. An overview of company's investment capabilities
3. Describe your investment capabilities relevant to this RFP

B. Product - Overview

1. List/describe the vehicles available for this product
2. What is the investment objective of this product?
3. Describe the creation and evolution of the product
4. What benchmark is most appropriate for the product and why?
5. Who do you believe to be your five main competitors in this product?
6. Discuss the competitive advantages of your product.
7. Explain the importance of this asset class/product to your firm

C. Product - Philosophy

1. Describe your investment philosophy
2. Why do you believe this philosophy will be successful in the future – provide evidence or research which supports this belief?
3. Has this philosophy changed over time, and if so, how?

D. Product - Investment Process

1. Describe the investment process
2. Discuss the decision-making process
3. Do you utilize an investment committee, if so, how frequently are meetings held?
4. Describe the portfolio construction process
5. To what extent does the product use futures, swaps, credit default swaps or other derivatives?
6. Describe the market environments where the product will out/under-perform
7. Explain the strategy's shortcomings or limitations
8. What have you learnt from recent market crises that you have applied to your investment process?

9. How do you factor in the management of individual client and client sector concentrations into your investment process?
10. How do you set individual issuer limits for your MMFs?
11. Explain any enhancements made, and/or being worked on but not yet implemented, to the investment process

E. Product – ESG Integration

1. How is ESG integrated into the fund?
2. Does the fund have a 'zero-tolerance' policy for controversial weapons including anti-personnel landmines, cluster munitions, chemical, biological and nuclear weapons? If not, please elaborate on the approach taken.
3. What is the policy in place for UNGC violators, or companies with severe controversies? Is divesting considered?
4. Are ESG research views captured in research reports? If so, would investment analysts or ESG analysts capture these? How do these ESG views/analysis in research reports feed into the overall issuer ranking/view?
5. Please provide separate examples of E, S and G engagements, noting where they have been successful, are in progress or have failed.
6. If the fund has a sustainability objective, please complete the ESG Questionnaire

F. Product – Research

1. Describe how your credit research function is organised.
2. Describe the credit research process for this product
3. What are the outputs of the credit research function?
4. How is internal and external research information incorporated in the decision-making and portfolio construction process?
5. Describe how management monitors the quality of research
6. What enhancements to the credit research effort for this product are being contemplated?
7. What distinguishes your research effort for this product from the competition?

G. Product - Trading

1. Provide a description of your trading platform, including systems (proprietary and off the shelf) for execution and processing
2. What security checks and restrictions are built into the trading system?
3. Describe pre-trade and post-trade compliance procedures

4. Describe best execution policies and practices
5. What measures are taken to monitor and ensure best execution?
6. Do you conduct trade execution/efficiency studies?
7. How do you measure, monitor and minimize trading costs?

H. Product - Trading Operations

1. What are your procedures for monitoring and handling trading errors?
2. How do your systems interface with custodian banks?

I. Product - Risk Management

1. What is your definition of risk with respect to this product?
2. How does the risk management team interact with the investment team in order to better understand and manage risk?
3. Describe the use of internal or external risk models or tools
4. Do you perform scenario analysis or stress testing on the portfolio, if so, provide details?

J. Product – Personnel

1. Are portfolios managed by individual managers or teams?
2. What succession/contingency plans are in place should something happen to those responsible for investment decisions?
3. Please can you provide your latest org. chart for your portfolio management and credit research teams?
4. How long has the team been together?
5. Who will make the final investment decisions for the portfolios?
6. List the office locations from which the investment team operates
7. If the team operates from more than one location, describe how the communication/interaction between locations is organised
8. Please can you provide details of any turnover of personnel in these teams and the reasons for departure over the last 5 years?
9. Explain to what extent investment professionals are rewarded for performance versus assets under management and revenue

K. Product – Assets under management

1. Please can you provide data on daily AUM figures for your MMF/s over the last X months and provide an explanation on any material trends or large individual days or period of days' net redemptions and / or subscriptions and how these were managed.

L. Product – Markets and fund investment strategy

1. Please can you provide daily WAM and WAL data for your MMF/s over the last 24-months.
2. Please can you explain the drivers of your investment strategy over this period.
3. Please can you provide performance data for your MMF/s over the last 24-months?
4. Please can you explain the drivers of your performance relative to benchmark and your chosen peer group (the latter where available)?

M. Thought leadership and market trends

1. Please can you provide some analysis of the thought leadership you have produced for clients invested in your MMFs over the last X months.
2. What are the major trends in the money markets and money market funds that we should be aware of?

N. Product – Fees and Minimums

1. Describe your standard fee structure
2. Are there any other fees that may be applicable to the running of this account?

ESG Questionnaire

1. How is the sustainability objective of the fund aligned with the fund's investment objective?
2. Does the fund follow any of the 7 Global Sustainable Investment Alliance (GSIA) investing styles? If so, please specify and provide details.
3. Does this fund have an internal label based on proprietary accreditation process?
4. Does the fund have a National level sustainability product label? Provide the name & jurisdiction (where relevant).
5. Describe the resources (both internal and external) available to the PM for ESG research? How is it leveraged by the PM?
6. List out the resources involved in undertaking proprietary ESG assessment?
7. For other exclusions please fill the attached excel spreadsheet

8. How are ESG factors considered during the screening of initial investment universe?
9. Is there ESG research undertaken for every security that is considered to be a portfolio candidate? What is the input data for such ESG research?
10. Does the team have an internal ESG rating/score for all names researched? If yes, please describe how you construct ESG scores, and provide the rating scale.
11. Please describe how the PM uses ESG resources in making investment decisions?
12. What is the minimum level of ESG consideration (either rating, quantitative parameter, or qualitative basis) for a security to make it to the portfolio?
13. Are PMs/analysts involved in the engagement efforts or is it solely carried out by the ESG dedicated team/RI team? How do these teams work together?
14. What is the level of oversight on the ESG process – implementation as well as further development?
15. Kindly provide the ESG rating distribution of the portfolio (proprietary/external or both), compared with that of the benchmark?
16. Is there is a flexibility to include lower ESG ranked securities in the portfolio? If yes, is there any additional level of oversight/monitoring for these?
17. Provide the rationale for taking exposure to ESG laggards, or bottom ESG rated securities, held in the portfolio currently. Also provide the factors mitigating the ESG risk associated with them.
18. Does the fund have any sustainability/impact reporting in place currently or are there any plans to have the same in the future? (i.e. periodic impact and ESG disclosure reports publically available for investors). Please share the report, and link to website, where it can be found.