



Crown
Commercial
Service

Bid Pack

Attachment 3 – Statement of Requirements

Contract Reference: CCZZ19A48

Procurement for the New UK Sovereign

Sukuk – Appointment of Structuring

Bank(s)

OFFICIAL

CONTENTS

1.	PURPOSE.....	3
2.	BACKGROUND TO THE CONTRACTING AUTHORITY.....	3
3.	BACKGROUND TO REQUIREMENT/OVERVIEW OF REQUIREMENT	4
4.	DEFINITIONS.....	5
5.	SCOPE OF REQUIREMENT	5
6.	THE REQUIREMENT	5
7.	KEY MILESTONES AND DELIVERABLES	6
8.	MANAGEMENT INFORMATION/REPORTING	7
9.	CONTINUOUS IMPROVEMENT	7
10.	QUALITY	7
11.	PRICE	7
12.	STAFF AND CUSTOMER SERVICE.....	7
13.	SERVICE LEVELS AND PERFORMANCE	8
14.	SECURITY AND CONFIDENTIALITY REQUIREMENTS	8
15.	PAYMENT AND INVOICING	8
16.	CONTRACT MANAGEMENT	8
17.	LOCATION	9

OFFICIAL

1. PURPOSE

- 1.1 The purpose of this procurement is to appoint one or more Structuring Bank(s) that will undertake Preparatory Phase work for the UK government's intention to issue a second sovereign Sukuk.
- 1.2 Following the Preparatory Phase work, the project will proceed to Execution Phase.
- 1.3 For the Execution Phase, the Authority will be seeking to appoint a syndicate of banks to act as joint lead managers, to execute the transaction. It is envisaged that the Structuring Bank(s) will also act as a joint lead manager on the transaction. The appointment of Syndicate Banks will be made at a later date.

2. BACKGROUND TO THE CONTRACTING AUTHORITY

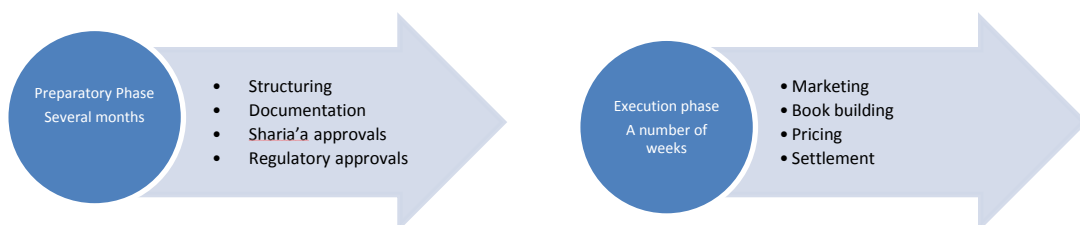
- 2.1 HMT is a ministerial department, supported by 14 agencies and public bodies.
- 2.2 HM Treasury is the government's economic and finance ministry, maintaining control over public spending, setting the direction of the UK's economic policy and working to achieve strong and sustainable economic growth.
- 2.3 HM Treasury is responsible for:
 - 2.3.1 Public spending: including departmental spending, public sector pay and pension, annually managed expenditure (AME) and welfare policy, and capital investment.
 - 2.3.2 Financial services policy: including banking and financial services regulation, financial stability, and ensuring competitiveness in the City.
 - 2.3.3 Strategic oversight of the UK tax system: including direct, indirect, business, property, personal tax, and corporation tax.
 - 2.3.4 The delivery of infrastructure projects across the public sector and facilitating private sector investment into UK infrastructure.
 - 2.3.5 Ensuring the economy is growing sustainably.
- 2.4 HM Treasury's priorities are:
 - 2.4.1 Achieving strong and sustainable growth.
 - 2.4.2 Reducing the deficit and rebalancing the economy.
 - 2.4.3 Spending taxpayers' money responsibly.
 - 2.4.4 Creating a simpler, fairer tax system.
 - 2.4.5 Creating stronger and safer banks.
 - 2.4.6 Making corporate taxes more competitive.

OFFICIAL

- 2.4.7 Making it easier for people to access and use financial services.
- 2.4.8 Improving regulation of the financial sector to protect customers and the economy.
- 2.5 HM Treasury’s objectives are:
 - 2.5.1 Place the public finances on a sustainable footing.
 - 2.5.2 Ensure the stability of the macro-economic environment and financial system, enabling strong, sustainable and balanced growth.
 - 2.5.3 Increase employment and productivity and ensure strong growth and competitiveness across all regions of the UK through a comprehensive package of structural reforms.
- 2.6 HM Treasury may be referred to the Authority or the Contracting Authority for the remainder of this document.

3. BACKGROUND TO REQUIREMENT/OVERVIEW OF REQUIREMENT

- 3.1 On the 20 June 2019, the then Chancellor of the Exchequer [announced](#) the UK government’s intention to issue a second sovereign Sukuk following redemption of the first issue in July 2019. The Economic Secretary to the Treasury further announced, on 2 July 2019, that the second issue will be denominated in pounds sterling and will use the Al-Ijara structure (as in 2014). HM Treasury (the “Authority”) is now working on the practicalities of the new issue (the “Project”).
- 3.2 The Authority envisages the project being comprised of two distinct phases: a preparatory phase, to include (but not necessarily limited to) transaction structuring, documentation, regulatory compliance and obtaining of Sharia’a approvals (“Phase One”), and an execution phase, to include marketing book building, pricing and settlement (“Phase Two”).



- 3.3 In taking this work forward the Authority is looking to recruit external advisers, including a legal adviser and banks to advise on transaction structuring and to execute the subsequent syndication through which the Sukuk will be issued.

OFFICIAL

4. DEFINITIONS

Expression or Acronym	Definition
Sukuk	means an Islamic financial certificate, similar to a bond, that complies with Sharia law.

5. SCOPE OF REQUIREMENT

- 5.1 The Authority is looking to appoint one or more banks (“Supplier(s)”) with in-depth expertise in Sukuk transactions to lead the work on Phase One and, ideally, to act as joint-lead manager(s) in Phase Two alongside a wider group of banks.
- 5.2 Potential Providers should note that the Authority has not yet decided whether it will appoint the services of one or multiple banks to perform this role. References to singular or plural Supplier(s) should thus be taken to include the possibility of the Authority choosing to appoint the services of one or more than one bank.
- 5.3 The Authority also invites Potential Providers to express interest in providing services required for Phase Two; however, a separate procurement for any additional syndicate banks for Phase Two will take place at a later stage.

6. THE REQUIREMENT

- 6.1 The Authority is looking for Supplier(s) to provide the following services in respect of Phase One:
- 6.1.1 Working with the Authority, and its chosen legal advisers, to develop all aspects of the structure (including legal, listing, taxation, regulatory and Islamic) and reviewing capital markets and Islamic documentation;
 - 6.1.2 Securing Sharia’a approval; and
 - 6.1.3 Advising on the key market aspects required to ensure a successful launch for the issue and taking the lead on devising and (where appropriate) implementing solutions.
- 6.2 The Supplier(s) should also be prepared to provide the following services:
- 6.2.1 Putting in place arrangements to provide (and providing) paying agent and registration services to a high standard (outsourcing such services as necessary); and
 - 6.2.2 Acting as delegate or trustee.
- 6.3 As it is envisaged that the Supplier(s) will also act as a joint lead manager, alongside a wider group of banks, in the execution of the transaction, the

OFFICIAL

Authority is looking for the Supplier(s) to provide the following services in Phase Two of the transaction:

- 6.3.1 Advising on sales strategy;
 - 6.3.2 Marketing domestically and internationally; and
 - 6.3.3 Executing the transaction as joint lead manager including book running and pricing advice.
 - 6.3.4 Any other work required to deliver the service.
- 6.4 It is anticipated that the Authority's legal counsel will lead the drafting of relevant capital markets and other issuer (i.e. Authority and/or Special Purpose Vehicle (SPV)) documentation required for this transaction. It is expected that the Supplier(s) will work closely with the Authority's legal counsel in the drafting of such documentation.
- 6.5 The Authority is looking for Supplier(s) which have:
- 6.5.1 A broad distribution network and client base, spanning institutions that comprise the existing investor base for UK government securities as well as existing and potentially new sources of demand for UK Sovereign Sukuk, both in domestic and overseas markets;
 - 6.5.2 Extensive experience of issuing international Sukuk on behalf of sovereign issuers in different regions of the globe;
 - 6.5.3 Experience of successfully acting as the global co-ordinator or lead documentation bank on international sovereign Sukuk transactions across a variety of geographical regions;
 - 6.5.4 Significant market share in both foreign and local currency Sukuk markets across different geographical regions according to industry league tables;
 - 6.5.5 A Sharia'a board of recognised leading Islamic scholars who have experience of opining on Sukuk transactions targeted at investors in a wide range of geographical regions;
 - 6.5.6 Evidence of having worked to further the development of Islamic financial markets in different jurisdictions; and
 - 6.5.7 A developed understanding of the parts of the UK legal, regulatory and taxation frameworks, as relevant, needed to bring a UK sovereign Sukuk issue to market.

7. KEY MILESTONES AND DELIVERABLES

- 7.1 The following Contract milestones/deliverables shall apply:

OFFICIAL

Milestone/ Deliverable	Description	Timeframe or Delivery Date
1	To conclude the Structuring Bank(s)' Preparatory Phase functions.	Within four months of contract award, unless agreed otherwise by the Authority.
2	To operate as Joint-Lead on the Execution Phase of the work.	Within five months of contract award, unless agreed otherwise by the Authority.

8. MANAGEMENT INFORMATION/REPORTING

8.1 The Supplier will provide the Authority's Contract Manager with a weekly update of progress against milestones. Contact can be via email; telephone. At its discretion, the Authority can request face to face meetings should needs dictate.

9. CONTINUOUS IMPROVEMENT

9.1 The Supplier will be expected to continually improve the way in which the required Services are to be delivered throughout the Contract duration.

9.2 The Supplier should present new ways of working to the Authority during Contract review meetings.

9.3 Changes to the way in which the Services are to be delivered must be brought to the Authority's attention and agreed prior to any changes being implemented.

10. QUALITY

10.1 No specific quality requirements apply.

11. PRICE

11.1 Prices are to be submitted via the e-Sourcing Suite [Attachment 4 – Price Schedule excluding VAT and including all other expenses relating to Contract delivery.

12. STAFF AND CUSTOMER SERVICE

12.1 The Supplier shall provide a sufficient level of resource throughout the duration of the Contract in order to consistently deliver a quality service.

12.2 The Supplier's staff assigned to the Contract shall have the relevant qualifications and experience to deliver the Contract to the required standard.

OFFICIAL

- 12.3 The Supplier shall ensure that staff understand the Authority's vision and objectives and will provide excellent customer service to the Authority throughout the duration of the Contract.

13. SERVICE LEVELS AND PERFORMANCE

- 13.1 In the event of poor performance through the failure to deliver to time and of appropriate quality, the Authority shall meet with the Supplier to understand the root causes of the issue. The Supplier shall formulate a Performance Improvement Plan to rectify these issues and meet the requirements in this Statement of Requirements.
- 13.2 The Authority may, without prejudice to any other rights and remedies under this Contract, withhold or reduce payments in the event of unsatisfactory performance.
- 13.3 If poor performance continues, following formal written warnings, early termination of the Contract will also be considered.
- 13.3.1 The Authority will monitor the work of the Supplier throughout the Research Project through regular contact between the Supplier and The Authority's day-to-day contact.
- 13.3.2 The Authority will manage poor performance by the Supplier as set out in this section 13 and in line with the terms and conditions of the resultant Contract.

14. SECURITY AND CONFIDENTIALITY REQUIREMENTS

- 14.1 Bidders who wish to take part in this procurement are required to sign a non-disclosure agreement, as provided at Attachment 6, and submit it as part of their bid response.

15. PAYMENT AND INVOICING

- 15.1 Payment can only be made following satisfactory delivery of pre-agreed certified products and deliverables.
- 15.2 Before payment can be considered, each invoice must include a detailed elemental breakdown of work completed and the associated costs.

16. CONTRACT MANAGEMENT

- 16.1 The supplier(s) shall ensure sufficient resource to meet the deliverables of the contract.
- 16.2 The supplier(s) shall implement, but are not limited to, the following contract management approaches:
- 16.2.1 Provision of a dedicated account manager and named deputy who can act in their absence;

OFFICIAL

- 16.2.2 Provision of an escalation process, to include named contacts and turnaround times, specific to the deliverables of this contract;
- 16.2.3 Provision of a risk management and mitigation approach specific to the deliverables of this contract;
- 16.2.4 Provision of business continuity plans specific to the deliverables of this contract;
- 16.3 The account manager shall attend contract review meetings, timings of which will be agreed amongst the parties;
- 16.4 The Account manager shall provide relevant management reports to support activity and progress against the deliverables of the contract as agreed between the parties.
- 16.5 Attendance at Contract Review meetings shall be at the Supplier's own expense.

17. LOCATION

- 17.1 HM Treasury is looking for banks with suitably qualified and experienced staff who are based in the UK (or who would be able to be available in the UK within 24 hours) and who could attend face to face meetings with HM Treasury and the UK Debt Management Office as required.

OFFICIAL