

# DPS FRAMEWORK SCHEDULE 4: LETTER OF APPOINTMENT AND CONTRACT TERMS

## Part 1: Letter of Appointment

HM Treasury



REDACTED

Dear Sirs

### Letter of Appointment

This letter of Appointment dated Friday 23<sup>rd</sup> August 2019, is issued in accordance with the provisions of the DPS Agreement (RM6018) between CCS and the Supplier.

Capitalised terms and expressions used in this letter have the same meanings as in the Contract Terms unless the context otherwise requires.

Order Number:	CCZZ19A38
From:	Her Majesty's Treasury (the "Customer")
To:	London Economics (the "Supplier")

Effective Date:	Monday 2 <sup>nd</sup> September 2019
Expiry Date:	End date of Initial Period: Friday November 29 <sup>th</sup> 2019 End date of Maximum Extension Period: Friday 10 <sup>th</sup> January 2020 Minimum written notice to Supplier in respect of extension: thirty (30) days

Services required:	Set out in Part A - Specification of the DPS Agreement and refined by the Customer's Statement of Requirements attached at Annex A and the Supplier's Proposal attached at Annex B. The Supplier's Price Schedule and Rate Card are attached at Annex C.
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Key Individuals:	For the Customer:
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	<p><b>REDACTED</b></p> <p>For the Supplier:</p> <p><b>REDACTED</b></p>
Guarantor(s)	Not Applicable

Contract Charges (including any applicable discount(s), but excluding VAT):	<p>As detailed in Annex C – Supplier’s Price Schedule and Rate Card, the total contract value shall not exceed £86,530.50 (excluding VAT but including all other expenses).</p> <p>Payment can only be made following satisfactory delivery of pre-agreed certified products and deliverables.</p> <p>Before payment can be considered, each invoice must include a detailed elemental breakdown of work completed and the associated costs.</p> <p>The Customer may require an extension of up to six (6) weeks, subject to their needs as the research progresses. If the Customer wishes to extend the contract duration, they shall require additional budgetary approval.</p>
Insurance Requirements	In line with the RM6018 Contract Terms.
Liability Requirements	In line with the RM6018 Contract Terms.
Customer billing address for invoicing:	<p>Invoices should be submitted to:</p> <p><b>REDACTED</b></p>

**FORMATION OF CONTRACT**

**BY SIGNING AND RETURNING THIS LETTER OF APPOINTMENT (which may be done by electronic means) the Supplier agrees to enter a Contract with the Customer to provide the Services in accordance with the terms of this letter and the Contract Terms.**

**The Parties hereby acknowledge and agree that they have read this letter and the Contract Terms.**

**The Parties hereby acknowledge and agree that this Contract shall be formed when the Customer acknowledges (which may be done by electronic means) the receipt of the signed copy of this letter from the Supplier within two (2) Working Days from such receipt.**

**For and on behalf of the Supplier:**

**For and on behalf of the Customer:**

Name and Title:

Name and Title:

**REDACTED**

**REDACTED**

Signature:

**REDACTED**

Date: **REDACTED**

Signature:

**REDACTED**

Date: **REDACTED**

## ANNEX A

### Customer's Statement of Requirements

#### 1. SCOPE OF REQUIREMENT

- 1.1 This study should focus on NTDS's, including products known as "mini-bonds". The study should deliver four major objectives: develop an understanding of the size and economic value of the NTDS market, of the issuers of these products; of the individuals who invest in these products; and of the intermediaries involved in the market.
- 1.2 Size and Economic Value of Market: Develop the Customer's understanding of the scale of the NTDS market in the UK, as well as how the scale has changed in recent years. The study should include (but not be limited to) answers to the following questions:
- 1.3 What are the total/average quantities raised through the issuance of NTDS's by corporates? How many firms are active? What types of firms are active? What is the market structure? How has this changed over time?
- 1.4 What is the economic value of the NTDS market?
- 1.5 What types of NTDS exist? How many of these are sold as ISA-wrapped (or another tax wrapped) investments?
- 1.6 What other types of products are marketed as 'mini-bonds'?
- 1.7 What are the common types of legal structure of NTDS's issued (e.g. terms/size of return/length/other benefits)?
- 1.8 The Issuer: Develop the Customer's understanding of the types of firms that issue NTDS's, including the reasons why they choose to issue a NTDS (over other types of securities) and what the capital raised is used for. The study should include (but not be limited to) answers to the following questions:
- 1.9 What types of firm issue a NTDS (e.g. authorised/non-authorised firms or SMEs/large caps)?
- 1.10 What are the most common business models of firms which issue NTDS's?
- 1.11 What is capital raised through NTDS issuance used for (e.g. invest in business activity/loans to others)? Why are NTDS's issued rather than using other methods of raising capital?
- 1.12 Which barriers exist to issuing NTDS's?
- 1.13 How frequent are failures or defaults by issuers of NTDS's? What types of NTDS's did these firms offer?
- 1.14 The Investor: Develop the Customer's understanding of those who choose to invest in NTDS's, including the way in which they invest and the information/factors that influence the investor's decision to invest. The study should include (but not be limited to) answers to the following questions:
- 1.15 Who is investing in NTDS's (e.g. consumers/institutional investors; professional/non-professional)? What is their motivation for investing?
- 1.16 How does the proposed return of a NTDS affect an investor's behaviour? Do investors understand the risks? What is their level of exposure?

- 1.17 The Intermediary/Aggregator: Develop the Customer's understanding of intermediaries/aggregators active in the NTDS market. The study should include (but not be limited to) answers to the following questions:
- 1.18 How do investors access NTDS's? What proportion of these have access to financial advice?
- 1.19 What types of marketing are used to target consumers? What is the typical content of a financial promotion for a NTDS issuance?
- 1.20 What are the common methods of issuing, selling and distributing NTDS's (e.g. direct issuance/crowdfunding platforms/P2P)? How many intermediaries/aggregators are active?
- 1.21 The Supplier shall **not** be required to develop policy recommendations as part of this review. The review is intended to build a factual assessment of the state of the market, providing an evidence base that can be used by the Customer as the Customer considers the regulatory framework for NTDS's.

## 2. THE REQUIREMENT

2.1 This economic research into the NTDS market shall be carried out in a two-phase structure.

### 2.2 Phase 1: Research into the NTDS Market

2.3 Given the lack of open source information available on the NTDS market, the Supplier shall carry out primary research with issuers, investors, other market participants and trade associations, in order to develop an evidence base that can be used in drafting the report to be delivered to the Customer. The research should cover the scope outlined in paragraphs 5.1 – 5.5. Any changes to the scope of the research must be agreed with the Customer prior to the change being actualised.

2.4 The Supplier shall use appropriate survey tools to gather data from a representative sample of market participants.

2.5 The Supplier shall carry out interviews with market stakeholders in order to develop detailed case studies that are representative of issuers, investors and intermediaries.

2.6 The Supplier may use additional means to conduct the primary research outlined in paragraphs 5.1 – 5.5, subject to prior approval by the Customer, where appropriate.

2.7 Before the end of Phase 1, the Supplier shall update the Customer on the emerging conclusions of the research.

### 2.8 Phase 2: Analysis and Drafting of Final Report

2.9 The Supplier shall analyse the data and information gathered in Phase 1, producing a robust, comprehensive evidence base that covers the scope outlined in paragraphs 5.1 – 5.5.

2.10 The Supplier shall use the evidence base produced to draft and deliver a report of the study's findings to the Customer, in a format that allows the Customer to make this report public (i.e. contain no commercially sensitive information).

2.11 Two weeks before delivering the final report to the Customer, the Supplier shall provide the Customer with a draft report for the Customer to comment on.

2.12 The Supplier shall engage with the Financial Conduct Authority (FCA) to ensure that the report reflects all available evidence. While the FCA cannot provide the Supplier with a comprehensive evidence base on the NTDS market (given that the NTDS market

does not fall under its regulatory responsibility), the FCA shall share its expertise and such evidence as it does have on retail NTDS's and other similar products to the extent that they are lawfully able to do so.

2.13 The Supplier shall produce and hand-over the final report to the Customer, alongside a copy of the primary data informing this, within three months of Contract award.

### 3. KEY MILESTONES AND DELIVERABLES

3.1 The following Contract milestones/deliverables shall apply:

Milestone/Deliverable	Description	Timeframe or Delivery Date
1	The Supplier shall arrange a face-to-face kick-off meeting with the Customer, to agree a detailed plan for the scope and deliverables of the economic study	Within week 1 of Contract Award
2	The Supplier shall provide the Customer with a draft report containing the conclusions of the economic study	No later than Friday 8 <sup>th</sup> November
3	The Supplier shall provide the final publishable report to the Customer, alongside a copy of all primary data informing the report	No later than Friday 22 <sup>nd</sup> November

### 4. MANAGEMENT INFORMATION/REPORTING

4.1 The Supplier shall report on a weekly basis to the Customer's named Customer lead via teleconference or face-to-face meeting, with an accompanying email summary, and shall participate in working-level meetings where the Customer's named Customer lead deems appropriate.

4.2 The Supplier shall provide the Customer with the draft report by Friday 8<sup>th</sup> November and the final, publishable report, alongside a copy of all primary data informing the report, by Friday 22<sup>nd</sup> November.

4.3 The publishable report is to be free of sensitive information, so that it can be published openly, in such a way that it is viewable by the public.

### 5. CONTINUOUS IMPROVEMENT

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

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

### 6. STAFF AND CUSTOMER SERVICE

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

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

6.3 The Supplier shall ensure that staff understand the Customer's vision and objectives and shall provide excellent customer service to the Customer throughout the duration of the Contract.

## 7. SERVICE LEVELS AND PERFORMANCE

7.1 The Customer shall measure the quality of the Supplier's delivery by the timely delivery of the milestones set out in the table below:

KPI/SLA	Service Area	KPI/SLA description	Target
1	Communication	The Supplier shall report on a weekly basis to the Customer's named Customer lead via teleconference or face-to-face meeting, with an accompanying email summary, and shall participate in working-level meetings where the Customer's named Customer lead deems appropriate.	100%
2	Delivery quality	The final report answers the questions set out in the scope specified in Section 5, supported by a robust evidence base.	100%
3	Delivery timeliness	The final report and accompanying evidence is delivered in a timely manner meeting the timescales set out in the "Key Milestones and Deliverables" section or as otherwise agreed with the Customer during the project.	100%

7.2 The Supplier shall make regular contact with the Customer throughout project duration, providing the Customer with progress updates (as noted in Sections 8 and 15.1) so that the Customer can monitor the Supplier's work.

7.3 In the event of poor performance through the failure to deliver KPI's or SLA's to time and to standard, the Customer shall meet with the Supplier via teleconference or face-to-face to understand the root causes of the issue. The Supplier shall formulate a Performance Improvement Plan to rectify these issues and meet the requirements stated.

7.4 The Customer may, without prejudice to any other rights or remedies under this Contract, withhold or reduce payments in the event of unsatisfactory performance.

7.5 If the Supplier fails to perform at the required level, the Customer reserves the right to terminate the Contract early, in line with Attachment 5a - Contract Terms.

## **8. SECURITY AND CONFIDENTIALITY REQUIREMENTS**

- 8.1 The Supplier shall take all reasonable measures to protect the security of data it gathers and analyses. The Supplier shall be required to comply with GDPR at all times.
- 8.2 The Supplier shall not share the content of the final report with third parties until such time that the Customer notifies the Supplier in writing that the information is no longer subject to an embargo.
- 8.3 The Customer requires that any potential, actual or perceived conflicts of interest in respect of this invitation to tender are identified in writing by the potential Supplier and that companies outline what safeguards would be put in place to mitigate the risk of actual or perceived conflicts arising during the delivery of these services.

## **9. CONTRACT MANAGEMENT**

- 9.1 Attendance at meetings with the Customer shall be at the Supplier's own expense.

## **10. INTELLECTUAL PROPERTY RIGHTS**

- 10.1 All Intellectual Property Rights in Project Specific Materials shall be owned by the Customer and the Customer hereby grants a non-exclusive, royalty-free license to use any Project Specific Materials for the purposes of providing the Project throughout the Term.
- 10.2 See Section 20 of Attachment 5a – Contract Terms for more information.

## **11. LOCATION**

- 11.1 The location of the Services shall be carried out at the Supplier's offices. Occasionally, the Customer may make available meeting rooms and event spaces although this cannot be guaranteed.

**ANNEX B**  
**Supplier Proposal**  
**REDACTED**

**ANNEX C**  
**SUPPLIER PRICE SCHEDULE AND RATE CARD**  
**REDACTED**