

Procuring bank services

Q 5-06. What steps are suggested for procuring banking services?

The procedure for acquiring bank services by competitive bid requires that the treasury understand their own operations well and know what is possible through banking technology and what they are expecting to accomplish through the bank's facilities. Based on this information, a tender that captures what is needed can be put up for competition among possible serving banks. The selection process should fairly evaluate fully the proposals made by each competitor and award contracts based on a level playing field.

Q 5-06.01. What is required to document current procedures?

Any banking services procurement that is not based on a clear understanding of which services are needed, and how they are to be integrated into, treasury functions will likely waste time and resources.

The first step is to conduct a banking needs assessment or review of your current banking processes. This is to establish a firm understanding of what can and should be considered as requirements in the targeted banking structure. Begin by reviewing your critical business processes to be sure you understand the flow of funds and information and how each affects other processes. Prepare a customized analysis for each area of your treasury organization regarding their current banking services; design a checklist determining necessary information to gather from each function. Use this information to identify potential service gaps and improvement opportunities.

As part of the current operations review, examine the cost of your banking services. Look at current bank fees and fee calculations, transaction volumes, and pricing of all services for each bank and all accounts.

Q 5-06.02. How might an organization investigate the industry's developments?

One benefit of a well-designed rebid of banking services is the likelihood of acquiring new financial technology to support treasury operations without having to purchase the entire systems. To choose intelligently requires the treasury to understand the current environment for banking services.

Information can be gathered in a number of ways and all should be tried.

- Treasury staff can conduct literature searches or attend conferences to learn of new methods.

- More direct inquiry of financial service providers can be channelled through formal requests for information (RFI) or by hosting a “Banking Fair.”

In both of these approaches, care must be taken to maintain a level playing field for all potential bidders on the ensuing tender. If invitations to the banking fair or solicitations of the RFI are too selective, there is a risk of not just missing important information but of damaging the credibility of the bidding process itself.

Q 5-06.03. What should be considered in the tender for services?

The next step is the development of the Tender based on the information gathered in the steps above. Begin with an overall vision of the banking services and interfaces with your operations that is required. Determine how well that vision is met by your current bank account structures and providers. Use the information gathered in your internal review to develop estimates of likely transaction volumes in the new system. Based on that same internal review and the vision, inventory and assess specific concerns and issues for bank service requirements. The resulting tender should not, however, be so limiting in its requirements that no scope is given to the banks to develop creative solutions.

In issuing the tender, you may wish to establish a list of banks to be included in the process. Do not make the list too restrictive. You must balance the amount of work that evaluating each response will cost you in staff resources and time against the likelihood of lower future costs and a more innovative solution that a more competitive process may bring.

Q 5-06.04. What should be considered in evaluating the responses to the tender?

The step focuses on evaluating and prioritizing the bank responses to determine which banks can realistically be considered to move from the current to the target environment. The standards by which bank proposals will be evaluated should be determined and weighted in advance as part of the tender development process. There should be a strong quantitative aspect to the evaluation criteria addressing both the technical capabilities of the bank proposals as well as the pricing. (You may wish to engage separate teams from your staff to undertake the technical and the cost evaluations.) The technical analysis may include qualitative factors to consider in evaluating the bank offers. The cost analysis of the proposed pricing should be undertaken with the volumes estimated in the step above and with the likely range of variance of those volumes. Based on the total scores given by these criteria, you may choose to select a small list of the highest scoring banks to participate in the presentation phase.

Q 5-06.05. How should an organization further winnow the field of contenders?

One may ask the top-scoring competitors in the tender evaluation to make more

detailed presentations of their proposals. This step may include site visits to the competitors' facilities. The purpose of this step is to research and validate that the selected bank can meet the current and future requirements, as stated in their response, at a level of satisfaction to your needs.

As a first courtesy, notify the banks that did not make the final cut. Then, contact the short list of banks that made the final cut to let them know of next steps and give them advance notice. Schedule the presentations and bank visits as close to each other as feasible. Continue to adhere to a formal structure; develop the desired presentation format and provide this to the banks with enough lead for them to respond. Evaluate the demonstrations formally and debrief among the evaluation staff after each meeting. Finally, conduct on-site tours of your finalist banks.

Q 5-06.06. What should be done in awarding and implementing the contract?

The final step is the selection of the bank and development of an overall plan of transition from current operations to the new system.

The plan for transition and implementation should be carefully designed with careful attention paid to

- key project tasks and dependencies,
- staffing and skill set requirements,
- timeframes, and
- key deliverables.