

SECTION A**Question 1**

(Total: 30 Marks)

The criteria suggested here are not all-inclusive. Other criteria suggested by candidates will be judged on their merits.

a.

i.

(8 Marks)

The evaluation criteria for the proposals in the Work Area 1 that will require specific attention and the associated justifications are as follows:

Specific evaluation criteria	Justification
1. Agreed levels of performance, including: <ul style="list-style-type: none">• Response times• Transaction volume• Reliability• Availability• Maintainability• Recoverability	It will be critically important for a Bank to maintain its service level to the customer throughout all operating hours (in this context it would probably mean 24-hours). Failure to do so would mean the short time and long-term-loss of business. Therefore the bank must ensure during the evaluation that contractors must <i>recognize</i> and <i>agree to meet</i> these levels of performance. This will include meeting maximum levels of performance, ensuring a highly reliable service and also being able to recover quickly if breakdowns do occur.
2. Agreed Maintenance procedures	Allied to the above concept of high reliability is the provision of maintenance that will support the high service level required whilst minimizing down time. The client must ensure that sufficient attention to maintenance is paid by the vendor.
3. Previous experience in this area/Reference sites	The contractor will need to convince you that he can provide the necessary level of service. He will be able to do this partly by relying on previous references, which should reinforce your confidence in him. These references <u>must</u> be relevant to the

Specific evaluation criteria	Justification
	current work. Also if the contractor has a reference site that can be visited and evaluated then this will also reinforce client confidence.
4. Demonstration/benchmarking of existing products	If the contractor claims that he can maintain or improve performance by using new (or new to you) products, then these products should be demonstrated and tested to prove they can achieve the claimed levels of performance. If possible they should be benchmarked against systems already used by AOB (or possibly against competitor products!).
5. Management capability and references	Another key criteria will be the ability of the contractor to manage the entire network (although this will be demonstrated partly by previous references). Management capability will also be demonstrated by the capability of the project proposed by the contractor. His CV should be provided by the contractor and carefully examined by the client in order to identify his experiences in this particular area. If possible he should be interviewed by yourself.
6. Disaster planning and Disaster recovery	Any responsible financial institution cannot discount the possibility of systems collapse. The disaster plan and recovery plan proposed by the contractor should be carefully scrutinized to determine if it is realistic, and what levels of protection are built into the system, and how long it will take for the system to come back on-line.
7. Security	The possibility of fraud or unauthorized penetration of the system cannot be discounted by any responsible financial institution. The security measures proposed by the contractor should be carefully

Specific evaluation criteria	Justification
	scrutinized to determine if they would be effective in discouraging malevolent or fraudulent action. In particular the proposed audit procedures and methods should be assessed.
8. Plans	Reference is made to incremental upgrades of the system. For those <i>known</i> upgrades, the contractors proposed plans should be assessed to see that they cover these upgrades.
9. Change Control	There may be other, as yet unspecified upgrades of the system. Although it is unreasonable to expect the contractor to agree to these unknown upgrades, it is reasonable to expect a proper change control process to be proposed, where the change mechanisms and responsibilities and the change costing mechanisms are agreed beforehand. Also the labor rate for additional work should be agreed with the contractor.
10. Quality Management	<p>The quality of the internal processes will be an issue here, as obviously the quality of the service will depend on the quality of internal processes providing these services. The contractors Quality Management System must be carefully analyzed to determine its effectiveness. In particular attention should be focused on:</p> <ul style="list-style-type: none"> • Internal product reviews • Testing of products • Configuration management • Change control (see above)
11. Cost effectiveness	Obviously with a mature technology, low risk project it will be expected that price will be a critical factor. It is expected that the best contractor will be best at determining the most cost-effective method of providing the

Specific evaluation criteria	Justification
	required services.
12. Cost payment plan	The cost payment plan proposed by the contractor should be fair and reasonable, ensuring that the contractor is adequately compensated for work he has performed, but also ensuring that there is still incentive for carrying on the work.

ii. (8 Marks)

The evaluation criteria for the proposals in the Work Area 2 that will require specific attention and the associated justifications are as follows

Specific evaluation criteria	Justification
1. Contractor experience in the specific area of investment analysis, as described by specific references from previous customers	For specialized applications such as investment analysis and risk analysis, the client should be convinced that the contractor has the capabilities to develop applications that will operate effectively and efficiently in this domain. References from previous customers should be sought where the reference describes applications in this domain area that were successful and are still being currently used.
2. Individual contractor employee experience	For specialized applications such as investment analysis and risk analysis, the contractor experience will reside in specific employees. This can be checked by examine the employees CV, conducting interviews of employees who are to be employed on this particular contract, and then ensuring they are to be committed <u>full-time</u> for the duration of the contract.
3. Transfer of knowledge from contractor to client	Another issue will be the transfer of knowledge from contractor to client. You will be looking to gain knowledge from the contractor, possibly in the form of specific documents, or possibly in the form of training.

Specific evaluation criteria	Justification
4. Demonstration/benchmarking of existing products	If the contractor claims that he can provide the required applications by customizing or simply using existing products, then these products should be demonstrated and tested to prove they can achieve the claimed levels of performance. If possible they should be used with sample sets of data provide by AOB.
5. Intellectual Property Rights	<p>The products developed by the contractor (if successful) will give AOB competitive edge over its competitors.</p> <p>The ownership of these products must be carefully defined to avoid adoption and use by competitors. Ideally the products should be totally owned by AOB, at the very least the products should not be used by a third party without prior permission of AOB.</p>
6. Cost payment plan	The cost payment plan proposed by the contractor should be fair and reasonable, linking payment to the production and acceptance of those deliverables and reports that he has produced. The value of these deliverables produced, and the effort expended by the contractor should also be linked to the actual stage payment amount.
7. Quality Management	<p>The quality of the internal processes will be an issue here, as obviously the quality of the advice or support provided by the advanced software tools will depend on the quality of processes used to develop these tools. The contractors Quality Management System must be carefully analyzed to determine its effectiveness. In particular attention should be focused on:</p> <ul style="list-style-type: none"> • Internal reviews, and in particular how the contractors internal

Specific evaluation criteria	Justification
	<p>expertise is used in the review.</p> <ul style="list-style-type: none"> • External reviews with the client. • Testing of the software, with particular emphasis on how it will be tested with real data provided by the client, or some other real world source.
8. Plans	<p>The contractors proposed plans should be assessed to see that they include the production of and the review of deliverables associated with the software products under development. Typically they should be</p> <ul style="list-style-type: none"> • Concept papers • Discussion papers • Requirement specifications • Software Designs • Test specifications • Test results

b.

i.

(7 Marks)

The clauses in the outsourcing contract that will cover those points that require specific attention in the Work Area 1 are shown below

Specific evaluation criteria	Clause(s) in contract
1. Agreed levels of performance,	These will be captured in the SLA clause in the contract. It will describe the specific levels of performance required and relate these to liquidated damages (penalty clauses) in the event that these level of services are not achieved.
2. Agreed Maintenance procedures	The periods when maintenance will be carried out, and the resulting impact on services will also be captured in the SLA clause in the contract.

Specific evaluation criteria	Clause(s) in contract
3. Previous experience in this area/Reference sites	This will not be part of the contract, other than the vendor warranting that he is actually whom he says he is! (and hence the party to whom references have been made).
4. Demonstration/benchmarking of existing products	This will not be part of the contract, other than the vendor warranting that he is actually whom he says he is! (and hence the party who owns the products and provides the services that have been referred to).
5. Management capability and references	The clause in the contract dealing with assigned personnel will specifically identify the project manager assigned by the vendor and will state that this person, (whilst he is an employee of the vendor company) will be permanently assigned to the position of project manager unless his release and replacement are mutually agreed by vendor and client.
6. Disaster planning and Disaster recovery	The disaster planning and recovery requirements (in terms of what data is to be protected, and what the recovery timetable and procedures are) will be a clause in the contract.
7. Security	The security requirements (in terms of what the security procedures and access levels will be) will be a clause in the contract.
8. Plans	The upgrade plans will form the delivery schedule which will either be a clause within, or an appendix to the contract.
9. Change Control	The change control procedures and change control responsibilities and organization will be a clause in the contract.
10. Quality Management	The quality management procedures and responsibilities and organization will be a clause in the contract.

Specific evaluation criteria	Clause(s) in contract
11. Cost effectiveness	The price of the project, and also the labor rate for additional work should be clauses in the contract.
12. Cost payment plan	The agreed cost payment plan will be a clause in the contract.

ii. (7 Marks)

The clauses in the outsourcing contract that will cover those points that require specific attention in the Work Area 2 are shown below.

Specific evaluation criteria	Clause(s) in contract
1. Contractor experience in the specific area of investment analysis, as described by specific references from previous customers	This will not be part of the contract, other than the vendor warranting that he is actually whom he says he is! (and hence the party to whom references have been made).
2. Individual contractor employee experience	The clause in the contract dealing with assigned personnel will specifically identify those staff assigned by the vendor and will state that these staff, (whilst they are employees of the vendor company) will be permanently assigned to the position of project manager unless their release and replacement are mutually agreed by vendor and client.
3. Transfer of knowledge from contractor to client	The transfer of knowledge, in the form of documents, or training will be identified as specific deliverables in the schedule described in the contract.
4. Demonstration/benchmarking of existing products	This will not be part of the contract, other than the vendor warranting that he is actually whom he says he is! (and hence the party who owns the products that have been referred to).
5. Intellectual Property Rights	The ownership of the products will be carefully specified in the ownership clauses of the contract. These clauses will specify which client has rights to exploit the products.
6. Cost payment plan	The agreed cost payment plan will be a

Specific evaluation criteria	Clause(s) in contract
	clause in the contract.
7. Quality Management	<p>The quality management procedures and responsibilities and organization will be a clause in the contract. Also the schedule in the contract should identify when:</p> <ul style="list-style-type: none">• Internal reviews,• External reviews• Tests <p>of products should take place and who should participate.</p>
8. Plans	<p>The product development and test plans will form the schedule which will either be a clause within, or an appendix to the contract.</p>