

TERMS OF REFERENCES

FOR

Partner Company- Arranger

Background

The International Bank for Reconstruction and Development has granted a USD 30 million loan to the Republic of Serbia (hereinafter: RoS) to support the reform of capital markets through the implementation of the Catalyzing long term finance through capital market project (hereinafter: The Project).

The Financial System Department of the Ministry of Finance (hereinafter: MoFFS) is the entity responsible for all technical aspects of the Project implementation. The Project will be built upon the MoFFS's successful experience in implementing previous World Bank Group projects.

Given the specific nature of the Project, the MoFFS will be closely working with the Republic of Serbia Securities Commission (hereinafter: SSC), Central Security Depository and Clearing House (hereinafter: CSD), Belgrade Stock Exchange (hereinafter: BELEX), and other relevant institutions on the implementation of this Project in order to properly align it with regulatory requirements prescribed by the law.

The Project will be governed by a Stakeholder Committee with the operational activities performed by a dedicated Taskforce appointed by the MoFFS.

In order to efficiently implement all planned activities additional professional support will be required and engaged throughout the Project lifecycle.

Objectives of the Project

The Project's overall objectives are the development of the legal, regulatory and economic environment under which the capital markets operate, and to deepen the corporate bond market, including green and other thematic bond issuances. The Project is structured around two main components: Component 1 - Institutional, Legal and Regulatory Reforms and Component 2 - Corporate Bond Issuance.

Strengthening the capital market institutions, particularly the SSC, CSD, and BELEX by aligning them with the relevant international standards is the focus of Component 1.

Component 2 will be focused on expanding the supply side and the corporate bond issuer base (issuing more corporate bonds and/or other non-government securities instruments) starting from the identification of potential issuers and supporting the process that will lead to the final issuance. Specific focus will be on green and other thematic issuances (with an explicit emphasis on climate financing). Additionally, deepening the demand side (attracting more investors) by simplifying the taxation regime for capital markets will also be an important part of the Component 2 activities.

MoFFS, will select a group of companies, such as law firms, audit firms, financial advisory firms, brokerage firms, EMSA-registered credit rating agencies, and other critical service providers, that will provide full support and guidance to companies participating in the Project.

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Objective of the Assignment

The Taskforce will identify domestic companies that are potential corporate bond issuers (hereinafter: CBIs), and engage Partner Companies that will conduct all necessary activities during corporate bond issuance process – act as Arrangers.

In the Primary procurement stage, MoFFS will enter into a Framework agreement (hereinafter: FA) with several Partner Companies, setting out terms and conditions under which specific Services (call-off contracts) will be provided directly or competitively throughout the term of the agreement. Once the particular CBI is determined, a Partner Company shall be selected from the panel using the secondary procurement process, which shall be described in the FA in details. Finally, the Partner Company will enter into a three-party contract with the CBI Candidate and the Ministry of Finance in accordance with Call-Off contract template that will be provided in respective Framework Agreement.

Scope of Work

The Arranger (in this context functioning as what is also termed a lead underwriter), is a broker – dealer company/investment firm that supports and assists the corporate bond issuance candidate (hereinafter: CBI Candidate) in completing the bond issuance transaction.

Main responsibilities of the Arranger shall include:

- Preparation of the initial bond offering plan which includes a proposal on the terms and conditions of the bonds (including amount to be raised, maturity, coupon rate and frequency, special call features if any, and covenants). This activity regarding structuring and pricing of the bonds shall also include:
 - a) Forecasting of the expected issuance costs by all relevant agents and advisors
 - b) Market research / market condition analysis
 - c) Assessment of borrowing conditions
- Determination with the issuer of the final terms and conditions of the offered bonds, or range of terms and conditions acceptable to the issuer during the offer and sale process,
- Confirmation if the bond is to be issued under a green, social, or other thematic framework - in cooperation with the Partner Company managing the certification process (if applicable)
- Assistance to the issuer in preparation and publication of the prospectus and the registration statement to be filed with the SSC if required
- Identification of potential investors and promotion of the bonds among the investors
- Management of the bond allocation process among members of the underwriting group (if one exists) and among the group of interested purchasers, if demand for the offering exceeds the offering amount.
- Application for the approval of the SSC, if required
- Executing the offering according to the underwriting agreement with the issuer, and in compliance with the registration statement filed with the SSC and the prospectus delivered to investors
- Publication of the offering results
- Submission of a request for registration in the Central Register of Securities and a request for listing on the Belgrade Stock Exchange (if needed)

Deliverables and Reporting Requirements

- Interim Report, prior to the offering
 - a) Bond structure proposal (with accompanying analysis)

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- b) Record of final terms decided with the issuer, or range of acceptable terms
- Details of assistance to the issuer in preparation and publication of the prospectus and the registration statement to be filed with the SSC if required
- Details of agreed bond allocation process among members of the underwriting group (if one exists) and among the group of interested purchasers, if demand for the offering exceeds the offering amount.
- Report of assistance to the issuer for the approval of the SSC, if required
- Interim Report, after conclusion of the offering
 - a) Offering results
 - b) Record of submission of a request for registration in the Central Register of Securities and a request for listing on the Belgrade Stock Exchange (if needed)
- Upon request, the Partner Company shall submit progress reports on the implementation of the assignment to the Taskforce in addition to the Deliverables noted above
- The CBI Candidate and the Arranger will organize regular meetings to discuss the achieved progress, any challenges arising, and the next steps (need based). The Project Taskforce will be kept informed of these meetings and will attend the meetings if it deems it is appropriate

Other provisions

- The mandatory provision necessary for the progression to the Project Issuance phase is the conclusion of a legally binding document between the Issuer (“CBI Candidate”) and the Service Providers (arrangers, legal advisors, and financial advisor) defining rights and obligations in relation to the bond issuance success fee. The Issuer and the Service Providers, under full criminal and material liability, confirm that the bilateral binding document signed between these two parties will not, in any event, have any negative impact on the implementation of the agreement concluded on the basis of this Terms of Reference, with the Ministry of Finance of the Republic of Serbia

High level profile of the Partner Company

The Partner Company shall:

- Be a reputable company with significant experience in providing brokerage and investment services on Serbian Capital Market
- Be licensed as an investment firm (broker-dealer company or bank/credit institution) with the permission of the Securities Commission to provide investment services and perform investment activities in accordance with the Law on the Capital Market (Official Gazette of the Republic of Serbia, No. 129/2021)
- Be a member of the Central Securities, Depository and Clearing House (CSD).
- Membership of the Belgrade of Stock Exchange will be considered as a distinct advantage
- Have a license to provide services as an Agent (placing of financial instruments without a firm commitment basis).
- The possession of an Underwriter license will be considered as a distinct advantage (underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis)
- Have experience in supporting issuances of securities - will be considered as a distinct advantage

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Key experts:

- Key expert 1:
 - a) University degree in economics, business or finance. Master's degree or higher will be considered as a distinct advantage
 - b) Broker license (possession of an investment adviser license will be considered as a distinct advantage)
 - c) Minimum 7 years of professional experience in field of the capital market, especially in:
 - research and financial analysis in the field of investment
 - preparation and execution of issuing process
 - d) Knowledge of local regulations related to capital and financial market
 - e) Strong presentation and communication skills, and excellent knowledge of written and spoken English
- Key expert 2:
 - a) University degree in economics, business, finance or related field. Master's degree or higher will be considered as a distinct advantage
 - b) Broker license (possession of an investment adviser license will be considered as a distinct advantage)
 - c) Minimum 5 years of professional experience in field of the capital market, especially in:
 - research and financial analysis in the field of investment
 - preparation and execution of issuing process
 - d) Knowledge of local regulations related to capital and financial market
 - e) Strong presentation and communication skills, and excellent knowledge of written and spoken English
- Project Team:
 - a) Additional project team members will be defined in line with specific needs of each corporate bond issuance candidate

The bidder shall include CVs for all proposed team members, together with a commitment letter executed by each proposed team member certifying their availability to work on this assignment during the period estimated, committing to remain available, and committing to travel and work within Serbia as needed during the project

Length of assignment

The assignment will be for a period ending with March 2027 conclusively and subject to extension based on Project needs and satisfactory performance verified by the Taskforce

Confidentiality

The Partner Company undertakes to maintain confidentiality on all information that is not in the public domain and shall not be involved in another assignment that represents a conflict of interest to the prevailing assignment

Selection of Partner Company

The Taskforce, intends to shortlist up to 10 eligible firms to whom a subsequent Request for Proposals (RFP), shall be sent.

A Partner Company will be selected under Quality - based selection method procedures, in accordance with the World Bank's "Procurement Regulations for IPF Borrowers" (July 2016, revised November 2017, August 2018

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and November 2020) (“Procurement Regulations”), which can be found at the following website: www.worldbank.org.

The Framework Agreement to be concluded will be “Single-User.” A Framework Agreement will be concluded with several Partner Companies (“Multi-Consultant Framework Agreement”).

The selection of an Arranger Partner Company to be awarded a Call-off Contract will be done through a Secondary Procurement as defined in the Framework Agreement. However, the conclusion of a Framework Agreement shall not impose any obligation on the Procuring Agency, including participating Clients, to procure the consulting services under a Call-off Contract. The conclusion of Framework Agreement does not guarantee that a Partner Company in the Framework Agreement will be awarded a Call-off Contract.