



DEPARTMENT OF THE TREASURY
FINANCIAL MANAGEMENT SERVICE
WASHINGTON, D.C. 20227

July 7, 2005

NOTICE TO FINANCIAL INSTITUTIONS
REBIDDING OF BANKING SERVICES
FOR
FEDERAL GOVERNMENT CREDIT AND DEBIT CARD ACQUIRING

The Financial Management Service (FMS), U.S. Department of the Treasury, is rebidding the credit and debit card collection services it provides to agencies across the Federal Government (formerly known as the Plastic Card Network (PCN)). FMS requests that interested and qualified Financial Institutions capable of providing credit and debit card acquiring services to the Federal Government respond with a proposal, in accordance with the requirements specified in this notice.

INTRODUCTION

FMS is responsible for providing the central collection and deposit mechanisms used by Federal agencies to support the collection of fees, fines, sales, leases, donations, loans, duties, and other activities, across the Federal Government. As such, FMS designates the depositories and financial agents that provide the necessary banking services for governmentwide revenue collection. Through this notice, FMS seeks to identify and designate a Financial Institution(s) to provide credit and debit card acquiring services for all Federal agencies.

SCOPE OF CREDIT AND DEBIT CARD ACQUIRING SERVICES

The following information provides Financial Institutions with high level details about the scale and scope of the Federal Government's card acquiring needs.

FMS currently provides for credit and debit acquiring services for nearly 200 Federal agencies that manage over 400 cash-flows or revenue programs at thousands of agency sites around the world. Federal agencies acting in the role of a "merchant" accept cards in payment for fees, fines, sales of goods and services, donations, loan repayments, lease payments, duties, certain taxes such as excise taxes, and for other transactions. Combined, the Federal Government's current annual card acceptance volume is approximately \$5 billion in collections from more than 50 million transactions. These volumes have been increasing at the rate of approximately 20% per annum in recent years, although FMS makes no representations as to whether this trend will continue or otherwise, or whether Federal programs that currently accept credit and debit cards will continue to do so in the future. Federal agencies accept card transactions through a variety of channels, including point-of-sale (POS) locations globally, through mail order and telephone order, over the Internet, and through lockbox operations. Card acceptance

and processing is sometimes integrated into complex Federal agency operations for e-commerce, order fulfillment, case management work flows, and call center operations.

The financial agents that act as the Government's acquiring banks must process all necessary authorizations and settlements, and provide transaction confirmation and status reports to both FMS and to Federal agencies, and assist with reconciliations and exception processing as necessary. Federal agencies currently accept a variety of cards (i.e., Visa, MasterCard, American Express, Discover, Diners Club, etc.).

Prospective Financial Institutions should be aware that card acquiring will not be viewed as a stand alone service, but rather must fit within FMS's enterprise architecture for governmentwide revenue collection. Under this architecture, the management of collections channels is separated from the provision of settlement mechanisms. For example, FMS already operates Pay.gov as a channel application for approximately 75 Federal agencies for Internet transactions. Services to be provided by the card acquiring Financial Institution must fit within the structure of this existing channel application, as well as other channel applications. For another example, the enterprise architecture calls for settling collection transactions directly to a Treasury account at the Federal Reserve where possible, rather than passing funds through accounts at commercial banks. Discussions between FMS and the prospective financial agent(s) will determine the best means of fitting the required services into FMS's enterprise architecture. Financial Institution respondents must also be aware that the success of this service is tied to unique Government requirements that may differ from standard commercial practices, such as intellectual property rules, transaction amount limits, data transmissions in multiple formats, agency reporting particulars, audit and security specifics, centralized monthly billing for transactions versus discounting of transactions, and the like. With regard to personnel security requirements, respondents must be aware that although some staff performing common commercial or routine banking functions may not be subject to any unique security requirements, FMS's general rule is that personnel performing Federal Government processing or with access to Sensitive But Unclassified (SBU) data must be U.S. citizens or lawful permanent residents, and their activities and the systems they use must be within the United States.

Finally, given the high cost of card collections versus other tender mechanisms, prospective Financial Institutions must know that cost considerations and cost management are paramount to FMS.

FINANCIAL AGENT SELECTION PROCESS

FMS, in its sole discretion, will select and designate the financial agent(s) to perform credit and debit card acquiring services.

The financial agent selection process will involve several stages or rounds beginning with the initial submission of a high-level proposal from interested Financial Institutions, as outlined in the section "Initial Proposal" below, and ending with the designation of a

financial agent(s) and the negotiation of a financial agency agreement(s).¹ Based on the initial proposals, FMS in its sole discretion will determine which if any Financial Institutions will proceed to the second round. Instructions for the second round will be distributed at the time of selections for the second round.

Further, FMS in its sole discretion will determine which if any Financial Institutions proceed to succeeding rounds leading to the final designation of a financial agent. The overall process, particularly in succeeding rounds, is intended to be flexible, allowing for direct discussions and interaction with the potential financial agents as FMS determines, and will depend on progress made at each stage. FMS expects to work closely with Financial Institutions to cooperatively determine how to best meet the needs of FMS and Federal agencies. The process is not based on and will not follow the invitation for expression of interest (IEI) process previously used by FMS to select certain financial agents.

By submitting a response and participating in this process, the Financial Institution agrees to FMS's financial agent selection process and decisions. This notice to submit a proposal in no way commits the Federal Government to any legal or fiduciary obligation to any respondent or participant in the process, and FMS is not liable for any costs incurred by respondents participating in the process or in preparing and submitting a response or any future documentation.

FMS seeks to designate one or possibly multiple Financial Institutions as financial agents for the required credit and debit card acquiring services. FMS anticipates an initial three (3) year financial agent agreement with several option years.

INITIAL PROPOSAL

Financial Institution respondents to this notice must submit an initial proposal describing general capabilities and providing background information. The initial proposal must cogently and directly address the following topics, which will be factors in selecting the financial agent(s):

- Experience in providing credit and debit card acquiring services.
- Size of clients and diversity of processing base.
- Management and institutional commitment to the card acquiring market.
- Staff expertise and depth.
- Management control structure.
- System infrastructure, performance capabilities, and ability to add volume, whether internally or via third parties. (Identify any third parties, their role, and include references.)
- Transaction and data reporting capabilities, methods, and flexibility.
- Privacy standards and assurances.

¹ FMS reserves the right to modify the selection process if FMS determines it is in the best interest of the Government.

- Security standards and assurances, including personnel, physical, and information technology. (Include levels of audit compliance for IT resources.)
- Service level options the Financial Institution may propose or offer for a merchant of the size and scope of the Federal Government.
- Ability to monitor and help control high-dollar transactions. (Currently FMS's governmentwide policy prohibits the use of credit or debit cards to process a Federal revenue transaction that, split or in whole, exceeds \$99,999.99.)
- Overseas experience and coverage.
- Key elements of a transition plan or strategy for taking over the Federal Government's acquiring business. (FMS currently employs two existing financial agents to process card transactions governmentwide.)
- Statement on or discussion of intellectual property rights or constraints. (Given the importance to Federal fiscal operations, FMS will require non-exclusive rights to any ideas and concepts developed as part of the financial agent arrangement, and to any new software developed as part of the financial agent arrangement.)
- Pricing model options the Financial Institution may propose. (Do not include prices or quotes, but rather identify potential pricing approaches or models, to include formulas and/or examples only if space allows.)
- Variety of references related to the Financial Institution's card acquiring business.

In writing a proposal, Financial Institutions should keep in mind the program attributes identified in the section above, "Scope of Credit and Debit Card Acquiring Services."

FMS will not consider any additional or supplemental materials as part of the initial proposal.

No part of the initial proposal may be marked with "proprietary and confidential" or similar markings as such materials will not be accepted or reviewed.

FMS, in its sole discretion, will determine which if any Financial Institution(s) proceed to the second round, based on the overall quality and directness of the responses. After FMS reviews the initial proposals, the Financial Institutions will be notified in writing as to whether they have been selected to move to the next phase. At that time, FMS will provide guidance to those Financial Institutions regarding further discussions and the submission of a technical proposal.

DEADLINE AND SUBMISSION REQUIREMENTS

FMS must receive initial proposals from Financial Institutions by 5 PM Eastern, Monday, August 1, 2005.

Financial Institutions must submit five (5) hard copies of the proposal and one CD containing (a) the proposal in Microsoft Word format and (b) a signed copy of the proposal in Adobe PDF format.

Initial proposals may not exceed fifteen (15) single-spaced, one-sided pages on 8 ½ x 11 inch paper with one-inch margins using 12 point Times New Roman font.

Initial proposals must be on the Financial Institution's letterhead and signed by a person legally authorized to represent and bind the Financial Institution.

Initial proposals should be submitted to Mr. Matthew Friend, Financial Management Service, 401 14th Street, SW, Room 401, Washington, DC 20227.

AUTHORITY

The Secretary of the Treasury has authority to designate depositaries and financial agents of the United States to accept deposits of public money and perform other services determined by the Secretary.² The Financial Institution(s) designated to provide credit and debit card acquiring services pursuant to this notice shall be a depositary and financial agent of the United States, and not a contractor. Neither this notice, nor the credit and debit card acquiring services sought by FMS, is a procurement subject to the Federal Acquisition Regulation.

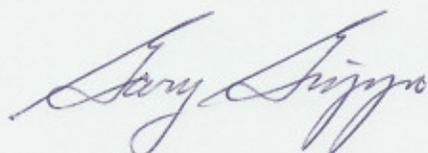
FURTHER CONTACT INFORMATION

All questions should be directed to Mr. Matthew Friend at 202-874-1251 or card.rebid@fms.treas.gov

CONCLUSION

Prospective Financial Institutions must understand that, if designated, they will have a principal-agent relationship with FMS and not an arm's length contractor relationship. As such, the designated financial agent(s) will have a fiduciary responsibility to FMS, and FMS will expect full transparency in all discourse.

FMS invites all Financial Institutions that are eligible to serve as a depositary and financial agent of the United States to submit an initial proposal for providing the stated collection services to the Federal Government. Eligibility requirements are attached to this notice.



Gary Grippo
Assistant Commissioner, Federal Finance
Financial Management Service
U.S. Department of the Treasury

Attachment

² See, e.g., 12 U.S.C. 90, 31 U.S.C. 265 and 31 CFR Part 202. The authority to designate financial agents is delegated to FMS.

Financial Institution Eligibility Requirements

All Financial Institutions that meet the following threshold requirements are eligible to participate in the financial agent selection process for credit and debit card acquiring services. Failure to meet any of the qualifications listed below may result in the rejection of the response from further consideration, at any point in the financial agent selection process, in FMS's sole discretion. Prospective Financial Institutions:

1. Must be eligible to be designated as a depository and financial agent of the United States as defined in 31 CFR Part 202 (see <http://www.gpoaccess.gov/cfr/index.html>);
2. Must not be on the Federal Debarment and/or Suspension List, and must not be delinquent on any debts owed to the Government;
3. Must covenant, to the satisfaction of FMS, that any personnel or organizational conflicts of interest that may be identified by FMS or the Financial Institution will be addressed;
4. If currently doing business with FMS, must not be in a probationary status, and must be addressing and resolving any identified deficiencies in performance, if any;
5. If currently doing business with FMS, must have completed and submitted to FMS all required information related to internal and external audits of depository and financial agent services;
6. Must provide a response, and other information as required, that demonstrates the Financial Institution understands and can credibly support the nature and governmentwide scale of services specified in the notice;
7. Must be able to partner with other financial agents or Federal Reserve Banks, when determined by FMS to be in the best interest of the Government.