CONTRACT FOR LOANS MONITORING SYSTEM PROJECT

KNOW ALL MEN BY THESE PRESENTS:

This *Contract for Loans Monitoring System Project* (the **"Contract"**), made and entered into, by and between:

PHILIPPINE DEPOSIT INSURANCE CORPORATION, a government instrumentality organized and existing under Republic Act No. 3591, as amended, with principal office address at SSS Bldg., 6783 Ayala Avenue cor. Rufino St., Makati City, Metro Manila, represented herein by its Senior Vice President for Management Services Sector, **Ms. MA. ANA CARMELLA L. VILLEGAS**, hereinafter referred to as **"PDIC"**

- and -

_____ a corporation organized and existing under and by virtue of the laws of the Republic of the Philippines, with principal office addresses at _____, represented herein by its _____, **M_____**, duly authorized for the purpose, and hereinafter referred to as the **"CONTRACTOR"**

WITNESSETH: That –

WHEREAS, PDIC presently maintains semi-automated processes in managing and monitoring the loan portfolios of closed banks as well as those acquired by **PDIC** in the course of the grant of financial assistance;

WHEREAS, PDIC desires to adopt a fully automated and web-based application systems in managing and monitoring the same, aimed at:

- Improving the efficiency in the monitoring and administration of the loan accounts and thus, ensure the accuracy of information;
- Instituting appropriate internal control measures in handling and monitoring various accounts; and
- Integrating the new system with the current systems used in managing transactions related to loan accounts/portfolios.

WHEREAS, for the procurement of the required services, a public bidding was conducted by **PDIC** pursuant to the provisions of Republic Act No. 9184 (The Government Procurement Reform Act);

WHEREAS, in said public bidding, the **CONTRACTOR** submitted the lowest bid and offered the most advantageous terms and conditions for **PDIC.**

NOW, THEREFORE, for and in consideration of the foregoing premises and the mutual covenants hereinafter set forth, the parties hereto hereby agree as follows:

I.   SCOPE OF WORK

The **CONTRACTOR** agrees to fully and faithfully perform, undertake and accomplish to the satisfaction of **PDIC** the following services in connection with **PDIC's** Loan Monitoring System Project (LMS):

A.   The supply, delivery and deployment of software(s) in accordance with the following specifications:

- Loans Monitoring System Software Package, with thirty (30) concurrent licenses; with bundled MS SQL Server 2008 R2 Enterprise Edition with SW Assurance under Select Plus Agreement

B.   Customization, configuration and installation of a web based LMS with the following mandatory requirements/features:

1.   BUSINESS AND FUNCTIONAL REQUIREMENTS:

BUSINESS REQUIREMENTS (BRs)	FUNCTIONAL REQUIREMENTS (FRs)	
BR # 1	**Maintain Loan Accounts**	

	FR #1	**Maintain Loan Profile**
		 • Shall have the facility to create new loan accounts per borrower per bank, either through manual encoding or Excel import which include, among others, the following:
		    o Name of borrower,
		    o Address of borrower,
		    o Borrower type (e.g. individual, institution, etc.),
		    o Type of loan (e.g. housing, regular, short-term, long-term, consumer, DOSRI, encumbered, unencumbered, etc.)
		    o Secured/unsecured
		       • If secured, description of collateral such as type (e.g. Mortgage Trust Indenture (MTI), Real Estate Mortgage (REM (1st or 2nd mortgage) including location), chattel mortgage, shares of stock, bonds, assignment of receivables, jewelries,

		holdout on deposits, and other attributes).
		
		o Loan information:
		    ■ PN Number
		    ■ Original loan granted/principal
		    ■ Outstanding loan principal
		    ■ Date granted
		    ■ Maturity date
		    ■ Interest rate
		    ■ Penalty rate
		    ■ Mode of payment (e.g. monthly, quarterly, semi-annual, annual, lump sum)
		    ■ Advance interest
		    ■ MRI details (e.g. premium amount, premium coverage)
		    ■ with collection agreement
		o Accompanying documents, such as PN, collateral documents (REM/chattel, deed of assignment, disclosure statement), MRI, etc.
		
		• Shall have the facility to search, sort, group by, and filter, with corresponding option to print, as to:
		  o PN Number,
		  o loan account status and history (e.g. current, restructured, past due, under litigation),
		  o loan type,
		  o collateral (e.g. Real Estate Mortgage (REM), chattel, unsecured),
		  o outstanding balance/acquisition cost,
		  o source bank,
		  o address of borrower,
		  o borrower/account name (if DOSRI, bank employee)
		  o encumbered to a specific creditor, and
		  o Collection agent
		
		• Shall also have the facility to display *historical* information (as of a given

			date) on account movement, status, loan payment and payment application, with an option to print.
	FR #2		**Maintain loan status** • Shall have the facility to update the loan status via transactions (see **Annex A** for the various resolutions). • Each of the status above shall have its own characteristics/restrictions. Corresponding accounting entries shall also be automatically generated, whenever applicable. • Shall have the facility to generate a report that will display all records updated (daily, monthly). • Shall have the facility to generate a report on all status changes (with accounting impact) with the corresponding accounting entries.
BR # 2			**Appraisal of Mortgaged Property**
	FR #3		**Update appraised value of mortgaged property** • Shall have the facility to monitor and update appraised value including appraisers' name and appraisal dates, including comments on status of property, if any.
BR # 3			**Collection and Monitoring of payment**
	FR #4		**Maintain Borrower LMS-Subsidiary Ledger (S/L)** • Shall have the facility to create/update an LMS-S/L account, with an option to redirect the view to its details (see **Annex B**: Subsidiary Ledger).

	FR #5		**Monitor Payment of Loans**
			
			• Shall have the facility to preview/print amortization schedule and Statement of Accounts per loan account (see **Annex C**: Statement of Account).
			• Shall have the facility to update LMS-S/L account, with options -
			    o To create schedule of payments due on a daily basis from a predefined location.
			    o To post payments.

		- To indicate payment type, i.e. cash and non-cash (offset/net-off, dacion, foreclosure) - To view the list of scheduled/actual payments indicating whether or not the payment has already been posted in the LMS-S/L. - To view history of payments made. • Shall have the facility to generate all loans with zero balances. • Shall have the facility to automatically mark loan account as "past due" as follows: - For monthly amortizations – failure to pay three consecutive monthly amortizations; - For quarterly amortizations – failure to pay one quarter amortization; and - For semestral amortizations - failure to pay one semester amortization. • Shall have the facility to generate Payment Order Form with details (e.g. name of closed bank, bank branch name of payor, amount paid, date of payment, BURL Transaction details, PDIC Corporate Transaction details, form of payment, application of payment) automatically extracted from the selected LMS-S/L (see **Annex D**: Payment Order Form). • Shall have the facility to generate reminder letters for accounts with maturing amortization. • Shall have the facility to automatically generate accounting entries for automatic posting to the CBFS-GL. (Note: this requirement is specific to Closed Banks only.)
	FR #6	**Monitor Delinquent Accounts** • Shall have the facility to sort, group by, and filter as to bank/borrower /outstanding balance/number of days past due, with an option to preview/print Account Delinquency Reports.

		• Shall have the facility to automatically compute for interests, penalties/surcharges. • Shall have the facility to flag prescription period early enough and trigger sending of Demand Letter. • Shall have the facility to keep track of number and dates of Demand Letters sent (see **Annex E**: Demand Letter).
	FR #7	**Generate ORs for online payments (Closed Banks)** • Shall have the facility to generate OR using a preprinted OR form. • Shall have the facility to assign OR number for each payment transaction. • Shall have the facility to record OR details in the LMS-S/L. • Shall the facility to generate summary of ORs at any given period, which include date of payment, form of payment, amount, and name of borrower.
BR # 4		**Loan Resolution**

	FR #8	**Restructured Loan**
		• Shall have the facility to record terms and conditions of the restructuring as follows:
		    o Amount of upfront payment
		    o Tenor/term
		    o Interest rate
		    o Mode of payments (i.e. monthly, quarterly, semi-annual, or annual amortizations)
		    o Restructured principal
		    o Capitalized interest
		    o Approving authority
		    o Conditionally waived penalties/interest
		(See **Annex F**: Loan Restructuring)
		• Shall have the facility to generate the new amortization schedule based on above terms and conditions.
		• Shall have the facility to change loan status to 'Loan Restructured'.
		• Shall have the facility to keep track of the number of times the loan account was restructured.

		• Shall have the facility to archive details of the original/previously restructured loan account.

	FR #9	**Other loan resolution (Foreclosure or Dacion en Pago)**
		
		• Shall have the facility to monitor/capture the following:
		  o Amount of deficiency in amount settled, if any.
		  o Redemption period and redemption price (loan obligation plus foreclosure expenses).
		  o Tagging of properties which are candidates for foreclosure.
		  o Other information related to foreclosure e.g. bidding participants (with indicator on the winning bidder), bid price, amount of bid deficiency, adverse claims (third party or borrower) and litigation status in case foreclosure is disputed by the borrower.
		  o Details/attributes of property subject of the dacion settlement which are the same as those of the REMs/mortgaged property (or those of the ROPA attributes maintained inside the ROPAMS).

BR # 5		**Closing of Loan Account**
	FR #10	**Cash Settlement** • Shall have the facility to display/generate report on all loans with 'Fully paid' status (see **Annex G**: Full Settlement). • Shall have the facility to encode details and print cancellation of mortgage based on set templates (see **Annex H**: Cancellation of Chattel Mortgage). • Shall have the facility to record date of release and receipt of original collateral documents and cancellation of mortgage, if secured (See **Annex I**: Cancellation and Release of Mortgage).

	FR #11	**Foreclosure** • Shall have the facility to display/generate report on all loans with 'Foreclosed' status. • Shall have the facility to automatically generate accounting entries for automatic posting to the accounting system. • Shall have the facility to download details of the foreclosed property for uploading to ROPAMS and record the details of downloading, i.e. who downloaded, date and time of downloading.
	FR #12	**Dacion en Pago** • Shall have the facility to display/generate report on all loans with 'Dacion en Pago' status. • Shall have the facility to automatically generate accounting entries for automatic posting to the accounting system. • Shall have the facility to download details of the property subject of the dacion settlement for uploading to ROPAMS and record the details of downloading, i.e. who downloaded, date and time of downloading.
	FR #13	**Written-off/Derecognized Loans** • Shall have the facility to display/generate report on all loans with the 'Written-off/Derecognized' status. • Shall have the facility to automatically generate accounting entries for automatic posting to the accounting system.
BR # 6	**Post-Dated Check (PDC) Monitoring**	
	FR #14	**Monitoring of PDC accounts** • Shall have the facility to set up/update PDCs received. • Shall have the facility to prompt/remind all maturing PDCs upon login and during session.

		• Shall have the facility to generate all PDCs due for the current and ensuing periods as specified. • Shall have the facility to tag which PDCs are cleared/not cleared and released. • Shall have the facility to view/print all cleared/not cleared checks, with the option to generate letters to borrowers.
BR # 7	**Generate Reports and Forms**	
	FR #15	**Generate Reports** • Shall have the facility to preview/generate and download loan reports in Portable Document Format (PDF), Excel and Comma-Separated Values (CSV) file formats. (See Annex **J**: Glossary of reports and input forms).
BR # 8	**Setup and update of policies and rules related to loan'account status and corresponding accounting entries.**	
	FR #16	**Maintain library of loan account status** • Shall have the facility to update the loan status library. This library shall be used as lookup table for tagging of the loan account. (See **Annex K**: Various loan account status). • Each of the loan status shall have its own characteristics/restrictions. • Shall have the facility to generate a report that will display all records with updates on the status. • Shall have the facility to define corresponding accounting entries per status, if applicable.
BR # 9	**Secure application by implementing (1) access rules during user log in and approval transactions, (2) an audit trail of all changes to the System, and (3) backup, recovery, archiving and reloading policies to manage the data.**	
	FR #17	**User login** • Shall have the facility to update user login credentials (user name, password).

		• User accounts shall have integration with Microsoft Active Directory (AD) with an option to use either single sign-on or multiple sign-on during authentication.
		• Shall have the facility to support activation of a separate password policy, which includes, but not limited to, the following:
		  o Password history
		  o Password aging
		  o Password length and complexity
		  o Forced changing of password
		  o Account lockout due to failed logon attempts
		  o Password encryption when stored in the database.

	FR #18	**Maintain users** • Shall have the facility to update user accounts. • Shall have the facility to configure user idle time to trigger automatic logout.
	FR #19	**User Roles/Rights** • Shall have the facility to assign and update user access rights (add, view, modify, delete) per role (maker, reviewer, approver, viewer). • Shall have the facility to restrict access to menus and data sources such as databases, tables and folders.

	FR #20	**Provide an Audit Trail/Log Report**
		
		• Shall include, but not limited to, the following:
		  o File updating and maintenance
		  o Errors and abnormal activities in the system
		  o User and system administrator activities
		  o User logon/logoff
		  o User activities relative to the stored information which include updating, printing, downloading, deletion, annotation, and other changes

		o List of records/files removed from the active database for backup purposes. • Shall have the facility to view, print and download audit trail report in PDF, Excel and CSV file formats. • Shall have the facility to display current users of the system any time.
	FR #21	**Backup, Recovery, Archiving and Reloading** • Shall have the facility to define archiving, reloading, backup and recovery policies.
BR # 10		**Provide facility for the easy receipt of datasets and references from other systems (that own the information), and passing of information to other systems (for information generated by LMS and needed by other systems)**

	FR #22	**Import LMS Masterlist**
		
		• Shall have the facility to accept loan Masterlist recorded in preformatted Excel files, together with their detailed historical information.
		• Shall have the facility to
		  o Auto-generate distinct reference number for each upload
		  o Preview/generate exception reports when
		    ▪ duplicate records are detected
		    ▪ incomplete records are detected
		    ▪ upload is aborted
		  o Use the same reference number to
		    ▪ preview/generate prooflist.
		    ▪ Search through uploaded loans
		    ▪ rollback the transaction

	FR #23	**Import IFS-GL/CBFS-G/L payments** • Shall have the facility to upload loan payments recorded in preformatted Excel files as posted to the IFS-G/L and CBFS-G/L, with an option to

		o Auto-generate distinct reference number for each upload
		o Preview/generate exception reports when
		   • duplicate records are detected
		   • incomplete records are detected
		   • upload is aborted
		o Use the same reference number to
		   • preview/generate prooflist.
		   • Search through uploaded payments
		   • rollback the transaction

	FR #24	**Export ad hoc reports** • Shall have the facility to select dataset from the universe of loans/database, with an option to preview/print and download selected datasets in PDF, Excel and CSV file formats.
	FR #25	**Maintain list of REM Location** • Shall have the facility to update list of REM location i.e. region and its corresponding provinces and municipalities/cities. This list shall be used as lookup table to set the exact REM location.
BR # 11	**Accounting Interface**	
	FR #26	**Generate Accounting Entries** • Shall automatically generate accounting entries for every change in status, whenever applicable. Status with accounting impact and the corresponding accounting entries shall be identified. • Shall post automatically all entries generated by LMS to the IFS G/L and CBFS G/L. • Shall have the facility to generate a report of all entries made for the day and a daily proof list.

2.   NON FUNCTIONAL REQUIREMENTS:

  a. System Requirements:

  - Must have the capability to interface and integrate with **PDIC's** current corporate Integrated Financial System (IFS) and with such other systems of **PDIC** which provide and require information to and from LMS. It must have the capacity to provide cross company/multi-company transactions.

  - Must be readily available as a packaged application which, if need be, can be configured and customized in order to meet specific requirements of **PDIC.** The ground-up custom development of modules to complete the solution may be allowed; Provided, however, the same shall not constitute more than 25% of the system, except for reports which were opted to be customized according to **PDIC** requirements.

  b. General System Requirements:

  - All outputs can be viewed on screen, printed and saved to file (PDF and Excel).

  - Availability of report writer for all other ad hoc reports.

  - System shall be highly parameterized and whenever applicable, shall make use of reference tables for easy updating.

  c. Look and Feel Requirements:

  - Screen must be maximized in an 800x600 resolution. It must also have the auto-resize feature according to the screen resolution of the user.

  d. Maintainability Requirements:

  - Must be designed as highly parameterized in terms of business rules i.e., it must not be hard-coded but rather database driven in order to be flexible and maintainable without recompiling the User Interface codes.

e. Installation and Operation Requirements:

- Must be packaged with all the required literature, which shall be installed by the **CONTRACTOR** and turned-over to the **PDIC** for subsequent installations after the turn-over.

f. System Environment Requirements:

- Must be able to operate in the hardware and software environment specified in the table below:

SYSTEM/ APPLICATION	SOFTWARE	HARDWARE
o Database Server	MS SQL SERVER 2008	Minimum Requirement: - Quad Processor 3 GHz Pentium or higher - Minimum of 4GB RAM - SCSI with hardware RAID 5 minimum of 250GB capacity or higher; - With DVD R/RW
o Web/ Application	Windows 2003 Server Standard Edition Any OOP language-based UI Internet Information Services (IIS) 6	- Pentium 4 2.4 GHz or later - Minimum of 1GB RAM - Minimum of 120GB Hard Disk space with CD ROM

o Client PC/ Browser	Windows XP or higher Internet Explorer 5 or higher	- IBM PC/Compatibles, minimum of 433 MHz - Minimum of 256 MB RAM - 40 GB Hard Disk - 800x600 display resolution

3.   ASSUMPTION/CONSTRAINT REQUIREMENTS:

    a. System Requirements:

- Facility to accommodate more than one loan account per owner (i.e., PDIC and the closed bank).

- For each mortgaged property can secure multiple loans from other banks.

- For each borrower can have multiple loans with other banks.

- Facility to maintain loan portfolio by bank and allow various classifications across banks, address of borrower, type of loan, etc.

- The attributes of real estate collaterals (REMs) and dacion en pago (payment in kind) captured by LMS must be the same as those of the ROPA accounts maintained in the ROPAMS.

    b. User Performance Support Requirements:

- Access to the system must be limited only to workstations or computers within the **PDIC** Domain (Microsoft AD), and must work with the existing Internet access or bandwidth of **PDIC.**

C.   The **CONTRACTOR** hereby agrees to conscientiously provide **PDIC** with the following services:

1.   Migration of Existing Data/Data Build-up Services:

- Present and submit for the approval of **PDIC** a Migration Strategy Plan that will ensure that the migration method and/or activities shall not interfere with the **PDIC's** operation and preserve the confidentiality of data. It shall include a migration schedule/timeline and detailed instructions for users.

- Migrate PDIC-acquired loans and loan accounts of at least five (5) closed banks with different classification and volume to be determined by **PDIC.**

  Migration shall cover all master/reference data and other relevant date, which include all electronic files maintained by the users, with at least five (5) years of transactional data.

- Develop an approach and define criteria for data validation.

2. Training Services:

- Present and submit for the approval of PDIC a Training Plan that will enhance the understanding and/or skills of the key users, as well as the needed technical support in the implementation of the LMS.

- Conduct, in consultation with **PDIC,** technical training for the IT personnel of **PDIC** in order to ensure that they can provide assistance in the implementation of the system and maintain/manage the system after the implementation. The training shall include the following:
  - o System setup and configuration;
  - o System database design inclusive of Entity Relationship Diagram and File Layouts;
  - o The use of the reporting tool;
  - o The development/programming tool to effect customization as needed; and
  - o Such other aspects of the software implementation as may be needed by PDIC in the successful implementation and post-implementation related services.

3. Implementation Services:

- Work closely and harmoniously with the **PDIC's** Information Technology (IT) Group and the user review group relative to the planning, conceptualization, implementation, integration, testing and acceptance of the LMS.

- Present and submit for the approval of **PDIC** a detailed Work Plan outlining the timetable of activities and responsibilities, and Risk Management Plan that shall explicitly state the top five (5) high probability and high impact risks and their nature to the project, as well as the approaches to manage and control them within the constraint of time, scope and cost.

- Conduct a thorough and objective analysis of current processes, organization capabilities, and technologies as well as the impact of the changes to the organization, and submit to **PDIC** a gap/analysis report pertaining thereto.

- Facilitate, using the business needs defined in the assessment/gap analysis, system design/configuration/customization sessions in order to ensure that the new system is properly implemented and meet the requirements specified in this Contract.

- Collaborate with all parties/users in the preparation of the design, building and communication of the new system interfaces.

- Customize the system in accordance with defined requirements of PDIC. The **CONTRACTOR** shall likewise ensure that the application response time, using **PDIC's** existing facility, shall not exceed more than ten (10) seconds regardless of the number of concurrent users logged-in.

- Submit to **PDIC** a monthly report, indicating thereon the work accomplishments and problems encountered, if any.

- Present and submit for the approval of the **PDIC** an Issue Management Plan that will help manage, monitor and resolve a wide range of issues that occur during the project duration. The **CONTRACTOR** shall provide instructions to users on how to expedite, escalate, fast track and document issue resolution and communicate the same to affected parties.

- Present and submit for the approval of the **PDIC** a Test Plan that will provide a systematic approach to testing the web application, its modules and interfaces with related systems, using test scripts/scenarios provided by the **CONTRACTOR** and approved by **PDIC** proponents.

- Conduct a pilot test of the LMS as per plan or as deemed necessary by **PDIC**, in order to determine whether or not all the requirements of the system as specified in this Contract have been met.

- Provide **PDIC** with complete functional and technical documentation and such other instructional manuals/materials which shall provide **PDIC** with comprehensive knowledge of the LMS.

- Present and submit for the approval of the **PDIC** 'to-be' and 'as-built' processes.

- Provide **PDIC** during the warranty period with sufficient technical support personnel who would attend to any and all concerns/queries of **PDIC** relative to the LMS at no extra costs to **PDIC**.

- Ensure that a support infrastructure during the official business hours of **PDIC** is available at no extra charge.

- Provide **PDIC,** during the entire warranty period, with on-site technical support necessary to undertake any enhancement/improvement on the LMS as determined by, and at no extra cost to, **PDIC**.

The parties hereby agree that the technical support referred to herein shall be equivalent to at least two (2) days per month for the entire duration of the warranty

period. **PDIC** may exercise/avail of the same at any time during the warranty period for the software components and extending up to six (6) months thereafter.

It is likewise understood herein that **PDIC** may, at its option, convert the required period for technical support, in whole or in part, into training hours.

- Provide support in the UAT, Parallel Run, and deployment of the system. The UAT, parallel run and deployment shall remain the responsibility of **PDIC.**

- Render any and all services necessary for the successful completion of the LMS.

II. SCHEDULE OF WORK

A. The **CONTRACTOR** shall promptly and completely perform all items of works under Section 1 hereof and submit all the corresponding deliverables within a period of six (6) months upon issuance of Notice to Proceed.

B. **PDIC** reserves the right to terminate this Contract and blacklist the **CONTRACTOR** for cause as determined by **PDIC** for, among others, failure of the **CONTRACTOR** to perform in a timely manner any of their works, duties, functions, responsibilities or obligations stipulated herein or failure to carry out the task herein required in a manner acceptable to **PDIC,** or violation by the **CONTRACTOR** of any of the terms and conditions of this Contract, subject to sanctions and remedies provided for herein and under the pertinent laws, rules and regulations.

C. The above-mentioned activities shall be done in the **PDIC** Head Office and/or **CONTRACTOR** Head Office. PDIC shall provide a Project work area at PDIC head office for the **CONTRACTOR** throughout the duration of this contract. Activities shall be conducted during work days, from 8:00 a.m. to 5:00 p.m., Monday to Friday, except legally declared holidays. Unless warranted by the circumstances and properly coordinated with, and authorized by **PDIC,** no overtime work shall be permitted within **PDIC's** premises.

III. CONSIDERATION

A. For and in consideration of all the foregoing, as well as compliance by the **CONTRACTOR** of all the terms and conditions specified herein, **PDIC** agrees to pay the **CONTRACTOR** the sum

total of _____ (P_____.00), Philippine currency, inclusive of any and all taxes (including, but not limited to, the applicable Value Added Tax), fees, duties and such other imposts or levies which may be required by the government, both national and local.

Payment shall be made according to the following schedule of payment. Each and every payment herein specified shall be understood to be subject to any and all amounts required by law or this Contract to be retained or posted in favor of **PDIC** by the **CONTRACTOR.**

Milestones	Progress Billing
1. Upon completion of mobilization and set-up of Test and Production Environments as well as submission of the following: a. Project Management Plan/Charter; b. Risk Management Plan; and c. Acceptance Plan.	**10%** of the Contract price.
2. Upon submission and approval by PDIC of the blueprints for current and to-be processes	**15%** of the Contract price.
3. Upon completion of the customization and installation of the customized application/system as well as submission of the Blueprint of as-built process	**15%** of the Contract Price.
4. Upon completion of the required data build-up/migration and submission of the following (see note below: a. Migration Strategy Plan; and b. Migration Logs and Issues	**15%** of the Contract price.
5. Upon completion of the UAT and submission of the following : a. Test Plan; b. UAT Document (test cases/scripts) c. Test Results/Error Logs; and d. Issue Management Plan.	**15%** of the Contract price.
6. Upon completion of the training sessions and submission of the following :	**15%** of the Contract price

a. Training Plan ; b. Training Materials/Certificates; c. User and Administration Manuals; and d. Server Configuration Manual.	
7. Upon submission, and approval by **PDIC**, of the following: a. Final Installation/ Set-up Program (including drivers, plug-ins, etc.); b. System Architecture; c. E/R Diagram; d. List of Module; e. List of Tables; f. Table Module Matrix ; g. Table Abstracts ; h. Physical Data Model ; i. High Level Design (HLD) ; J. Other Technical Specifications ; and k. Signed User Acceptance Document.	**15%** of the Contract price

B.   To ensure the full and faithful compliance by the **CONTRACTOR** of all the terms and conditions of this Contract as well as to cover for any defects on the system, a retention money or a special bank guarantee equivalent to ten percent (10%) of the total amount due to the **CONTRACTOR** for every progress billing shall be deducted/retained or posted in favor of **PDIC** by the **CONTRACTOR.**

The retention money or the special bank guarantee shall be released to the **CONTRACTOR** only after **PDIC** shall have issued a certificate of full acceptance for the project, which certificate shall be issued only after the lapse of the warranty period; and provided, further, that the software supplied/delivered under this Contract shall be free from patent and latent defects and all conditions imposed under this Contract have been fully met.

C.   Payment of each and every progress billing shall be made by **PDIC** no later than ten (10) working days from completion of the phase of work/milestone subject thereof and upon issuance by **PDIC** of a preliminary certification for the satisfactory completion of all the deliverables/outputs turned in by the **CONTRACTOR** corresponding thereto. Satisfactory completion shall be understood to mean compliance by the **CONTRACTOR** with all of the standards/requirements set by **PDIC** for every phase of work/milestone. For purposes of this provision, the **CONTRACTOR** hereby acknowledge that **PDIC** shall be the final arbiter on the

acceptability and sufficiency of the **CONTRACTOR's** deliverables and completed outputs.

D.   All payments made under this Contract shall be subject to **PDIC** and government accounting rules and regulations.

IV.   REPRESENTATIONS AND WARRANTIES

The **CONTRACTOR** represents and warrants to **PDIC** that:

A.   It is a domestic corporation duly registered and existing under and by virtue of the laws of the Republic of the Philippines.

B.   It has full legal power, authority and right to carry on its present business. It further warrants that its representative **M**_____, has full legal power to sign, execute and deliver this Contract and that it will comply, perform and observe the terms and conditions hereof.

C.   All corporate and other actions necessary to validate or authorize the execution and delivery of this Contract have been taken.

D.   To the knowledge of the **CONTRACTOR**, there are no pending or threatened actions 'or proceedings before any court or administrative agency of any jurisdiction, which may materially or adversely affect the financial condition or operation of the **CONTRACTOR** or the **CONTRACTOR**'s ability to comply with the terms and conditions of this Contract.

If the **CONTRACTOR** should thereafter learn of the existence or occurrence of the same, the **CONTRACTOR** undertakes to report such fact to **PDIC** within five (5) days therefrom.

Failure to do so shall constitute sufficient ground for the cancellation of this Contract and the enforcement of remedies which **PDIC** may exercise under this Contract, pertinent laws, rules and regulations.

E.   This Contract, when executed and delivered, will be legal, valid and enforceable in accordance with its terms.

F.   It warrants that the software components supplied under this Contract are new, unused, of the most recent models, and that they incorporate all recent improvements in design and materials.

G.   It warrants to **PDIC,** in an unconditional, unqualified, absolute, full and direct manner, the software components supplied under this Contract against any and types of incompatibilities or any defect, hidden, inherent or otherwise, which would render them unfit for the use for which they were intended, or which would

diminish the fitness of their use to the extent that, had **PDIC** been aware thereof, it would not have acquired/accepted the same.

H. It warrants to **PDIC,** in an unconditional, unqualified, absolute, full and direct manner, that the system, upon its completion, shall be free from any defects arising from poor design/ workmanship, inferior/substandard materials, or from any negligent act or omission of the **CONTRACTOR** that may develop during the normal use of the system.

I. It warrants that it has the exclusive right and license over the software components supplied under this Contract; and that, the use thereof by **PDIC** would not amount to infringement of any patent or copyright therein.

J. It warrants the integrity, competency, independence, professionalism and qualifications of the personnel, staff or representative that it will assign to handle the project and undertake the services required herein.   It shall employ hardworking, dedicated, well-behaved and honest employees with ID displayed conspicuously while working within the compound.

K. **PDIC** reserves the right to demand at any time, without need to present proof or substantiate its request, the immediate replacement of any of the **CONTRACTOR**'s personnel, staff or representative assigned to the project who is wanting in competence, honesty, integrity, or whose services is deemed to be or will otherwise be prejudicial to the interest of **PDIC.**

L. It warrants that it shall not replace key personnel when the project has reached 25% completion, except for justifiable reasons.

M. It warrants that it shall fill-in in the project team its personnel with at least 5 years of experience in loan management.

N. It warrants that it shall comply with the laws governing employees' compensation, PhilHealth, Social Security and labor standards and other laws, rules and regulations applicable to personnel employed by the **CONTRACTOR** on account of the contracted services. The **CONTRACTOR** shall pay its personnel not less than the minimum wage and other benefits mandated by law.

O. It shall provide at least one (1) year warranty on the application and its components, which shall be reckoned from the date of **PDIC's** issuance of the final certificate of full completion of the entire project.

P.   It warrants that it shall neither assign, transfer, pledge nor subcontract any part or interest therein.

V.   CONFIDENTIALITY

The **CONTRACTOR** agrees and acknowledges that the subject of this Contract may expose the **CONTRACTOR** to confidential information and that any disclosure of such information may subject **PDIC** to financial, material and operational loss, and therefore, the **CONTRACTOR** hereby agrees as follows:

A.   The **CONTRACTOR**, or any of its employees, agents or representatives, shall not, either during the term of this Contract or at anytime thereafter, reveal, disclose or furnish, in any manner, to any person, firm or corporation any information relating to **PDIC** which it or other members of the work staff/team, may have acquired or which came to its/ their knowledge or possession during the subsistence of this Contract.

B.   The **CONTRACTOR** shall not, during the effectivity of this Contract and extending for a period of one (1) year reckoned from the termination of this Contract, be directly or indirectly engaged or have an interest in any business undertaking or operation of other group, office or company which, in the normal course of operation, would necessitate the use of the information or knowledge gained or acquired during its engagement herein, unless it is granted written consent by **PDIC**;

C.   The **CONTRACTOR** agrees to assume sole responsibility and hereby undertakes to indemnify **PDIC**, for any damage, which **PDIC** may sustain by reason of breach of any of the above conditions.

VI.   RELATION OF THE PARTIES

The **CONTRACTOR** shall have no authority, express or implied, to assume or create any obligation or responsibility on behalf of or in the name of **PDIC** or bind **PDIC** in any manner whatsoever. The **CONTRACTOR's** personnel, representatives or staffs shall not be construed as employees of **PDIC**. The **CONTRACTOR** is being engaged herein as an independent contractor. Nothing herein shall be construed as creating an employer/employee relationship between the **CONTRACTOR's** employees, representatives or staffs and **PDIC**.

VII.   PERFORMANCE SECURITY

A. To guarantee the faithful performance of the obligations and services required under this Contract, the **CONTRACTOR** shall, upon execution of this Contract, post in favor of **PDIC** a Performance

Security in the form of _____ in an amount equivalent to ____ (__%) of the Contract price.

B. The Performance Security offered by the **CONTRACTOR** must be effective until **PDIC** issues the final certificate of full completion of the entire project. In the event that the Performance Security offered by the **CONTRACTOR** becomes inadequate or otherwise rendered unacceptable, **PDIC** shall have the right to require the **CONTRACTOR** to post additional/acceptable performance security in the form and amount determined by **PDIC** and allowed under the existing laws and regulations.

C. The Performance Security shall be released within ten (10) days after the end of the Contract's term and only upon issuance by **PDIC** of the final certificate of full completion of the entire project. The Performance Security shall, in addition to other remedies and sanctions provided herein, answer for any damage that **PDIC** may suffer by reason of the **CONTRACTOR's** default of any of its obligations and/or breach of the terms and conditions of this Contract. It shall likewise guarantee payment for any loss, damage or injury that may be caused by the **CONTRACTOR** to **PDIC**, its employees and guests.

D. The Performance Security shall be forfeited in favor of **PDIC** in the event that the **CONTRACTOR** is in default or breach of its obligation under this Contract. Any changes made in this Contract shall in no way annul, release or affect the liability of the **CONTRACTOR** and the surety.

E. Failure of the **CONTRACTOR** to comply with any of the terms and conditions of this Contract shall result in the forfeiture of the Performance Security.

VIII.   LIQUIDATED DAMAGES

A. In the event that the **CONTRACTOR** violates any of the terms and conditions of this Contract, or neglects to perform in a timely manner any of the works, duties, functions, responsibilities or obligations stipulated herein, or fails to carry out the tasks herein required in an acceptable manner for any reason whatsoever, the **CONTRACTOR** shall be liable for damages for such failure and shall pay **PDIC** liquidated damages in an amount equivalent to one-fifth (1/5) of one (1%) percent of the total contract price for every day of delay or breach, in addition to other remedies that **PDIC** may exercise under this Contract, pertinent laws, rules and regulations, until such services are finally delivered and accepted by **PDIC**. In the event that the total sum of liquidated damages or the total cost to **PDIC** of any such delay or inability by the **CONTRACTOR** to deliver its obligations exceeds 10% of the contract price, **PDIC** may terminate this Contract and impose appropriate sanctions over and above the liquidated damages.

B. **PDIC** need not prove that it has incurred actual damages to be entitled to liquidated damages. Furthermore, **PDIC** reserves the right to deduct any and all of the liquidated damages from any money due or payments which may become due to the **CONTRACTOR** under the terms of this Contract and/or from the securities/warranties filed/submitted by the **CONTRACTOR** as **PDIC** may deem convenient and expeditious under the prevailing circumstances.

IX.   INDEMNITY

The **CONTRACTOR** assumes full and complete responsibility as well as assumes any and all risks attendant or incidental to the selection of the software to achieve the intended result, and the use and results obtained from it. The **CONTRACTOR** shall be directly, fully and solely liable to **PDIC** for any loss or damage that **PDIC** may sustain, and for any claim made against **PDIC** by a third party arising out of the use of a defective, malfunctioned or incompatible software, including any loss or damage that **PDIC** may sustain from the use of a defective customization and installation of the same. The **CONTRACTOR** shall likewise indemnify **PDIC** against infringement of any patent or copyright which may arise from the use of the software supplied under this Contract. The loss or damage may be in the form of, but shall not be limited to, loss of profits, revenue, data, records or costs of substitute goods or services, property damage, personal injury, interruption of business, loss of business information or for any special, direct, indirect, incidental, economic, cover, punitive, special or consequential damages, arising out of the use of or inability to use the software and the business model as intended.

The **CONTRACTOR** agrees to fully compensate, indemnify and hold harmless **PDIC** and its officers, directors, employees, and agents for any loss, damage, cost, expense, liability or claim suffered or incurred by, or made against **PDIC** arising out of the **CONTRACTOR**'s, fraud, misrepresentation, negligence, omission or willful misconduct or breach of its warranty as provided herein.

The indemnity required herein shall be in addition to the forfeiture of the Performance Security.

X.   SUSPENSION OF PAYMENT/TERMINATION FOR DEFAULT

PDIC shall have the right to suspend, in whole or in part, any payment due to the **CONTRACTOR** under this Contract in the event there is delay, default, failure, refusal or violation on the part of the **CONTRACTOR** to perform its obligations under this Contract in an acceptable manner. Further, **PDIC** shall have the right to procure/engage, upon such terms and manner as **PDIC** shall deem appropriate, the services of another contractor to undertake the unperformed/undelivered service(s) of the **CONTRACTOR.** Any and all expenses that may be incurred in relation thereto shall be for the exclusive account of the **CONTRACTOR.**

In the event that such delay, default, failure, refusal or violation continues for a period of more than ten (10%) percent of the Contract price or time, whichever comes first, inclusive of the duly granted time extension, if any, **PDIC** shall have the right to terminate this Contract upon giving the **CONTRACTOR** written notice at least five (5) calendar days prior to the intended date of termination. In addition, **PDIC** shall have the right to procure/engage the services of another contractor to complete the services required of the **CONTRACTOR** under this Contract. Any and all expenses that **PDIC** may incur in connection thereto shall be for the sole account of the **CONTRACTOR.**

The **CONTRACTOR** hereby agrees that the remedies mentioned above shall be understood to be without prejudice to other rights and remedies that **PDIC** may exercise under this Contract, applicable laws, rules and regulations.

XI.   TERMINATION FOR UNLAWFUL ACTS

PDIC may terminate this Contract, after giving the **CONTRACTOR** written notice at least five (5) days prior to the intended date of termination, whenever it is determined by **PDIC** that the **CONTRACTOR** has engaged, before or during the implementation of this Contract, in unlawful deeds and behaviors relative to Contract acquisition and implementation. Unlawful acts shall include, but not necessarily limited to, the following:

A.   Corrupt, fraudulent, and coercive practices as defined under R.A 9184 otherwise known as the *"Government Procurement Reform Act;"*

B.   Drawing up or using forged document;

C.   Using adulterated materials, means or methods, or engaging in production contrary to rules of science or the trade; and

D.   Infringement of any patent or copyright over the goods/equipment/components supplied under this Contract; and

E.   Any other act analogous to any of the foregoing.

The **CONTRACTOR** hereby agrees that the termination referred to herein shall be understood to be without prejudice to other rights and remedies available to **PDIC** under this Contract or the applicable laws.

XII.   OTHER GROUNDS FOR TERMINATION

PDIC may terminate this Contract, in whole or in part, at any time for its convenience, after giving written notice to the **CONTRACTOR** at least five (5) calendar days prior to the intended date of termination, if it has

been determined by **PDIC** that this Contract would be economically, financially or technically impractical and/or unnecessary on the part of **PDIC**; Provided, however, that **PDIC** shall accept, at the Contract terms and prices, the goods or services that have already been delivered and/or performed within thirty (30) calendar days prior to receipt by the **CONTRACTOR** of the Notice of Termination. For goods not yet performed/delivered but have already been purchased by the **CONTRACTOR** and are ready for delivery or performance prior to the actual receipt of the Notice of Termination by the **CONTRACTOR, PDIC** may elect to:

A.   Have any portion thereof to be delivered and/or performed and pay at the Contract terms and prices; and/or

B.   Cancel the remainder and pay to the **CONTRACTOR** an agreed amount for materials and parts previously purchased by the **CONTRACTOR.**

Provided, further, if the **CONTRACTOR** suffers loss in its initial performance of the terminated contract, such as purchase of raw materials for goods specially manufactured for **PDIC** which cannot be sold in the open market, the **CONTRACTOR** shall be allowed to recover partially from the Contract on a *quantum meruit* basis. Before recovery may be made, the fact of loss must be established under oath by the **CONTRACTOR** to the satisfaction of **PDIC** before recovery may be made.

XIII.   NON-WAIVER OF RIGHTS

The failure of **PDIC** to insist upon the strict performance of any of the terms and conditions of this Contract shall not be deemed a relinquishment or waiver of any right or remedy that **PDIC** may have nor shall it be construed as a waiver of any subsequent breach or default of the terms and conditions hereof, which in turn, shall continue to be in full force and effect. No waiver by **PDIC** of any of its rights under this Contract shall be deemed to have been made unless expressed in writing and signed by **PDIC.**

XIV.   MISCELLANEOUS PROVISIONS

A. **Severability** - If any one or more provisions of this Contract shall, for any reason, be held void or unenforceable, the legality and enforceabilty of the remaining provisions contained herein shall not in any way be affected or impaired, and shall remain in full force and effect.

B. **Binding Effect/Assignment of Rights** – This Contract shall be binding upon the **CONTRACTOR,** its partners, successors-in-interest, its legal representatives and assigns. Foregoing notwithstanding, the **CONTRACTOR** shall not in any way, assign, or transfer its rights and obligations under this Contract without the written approval of **PDIC.**

C. **Amendment** - This Contract may be amended or modified only in writing upon mutual agreement of the parties hereto.

D. **Governing Law and Language** – The rights and obligation of the parties hereto shall be governed primarily, by the provisions of this Contract, and suppletorily by the provisions of R.A. 9184 otherwise known as the "Government Procurement Reform Act" and other applicable law, rules and regulations.

This Contract has been executed in English language, which shall be the binding and controlling language for all matters relating to the meaning and interpretation of this Contract. All correspondences and other documents pertaining to this Contract exchanged by the parties shall be written in English.

E. **Notices** – Any notice, request or consent required or permitted to be given hereunder shall be in writing and shall be personally delivered or transmitted by registered mail with postage prepaid to the parties as follows:

To PDIC	:	Ma. Ana Carmela L. Villegas
		c/o Maria Belinda C. San Jose
		(Vice President)
		6Th Floor SSS Bldg.
		6782 Ayala cor. V.A. Rufino
		Makati City, 1226
To TERA SYSTEM	:	MICHAEL C. UY
		President
		Suite 3A, 1184 Chino Roces Avenue
		Makati City, 1231

F. **Documents Incorporated** – The provisions of this Contract shall be read together with the Terms of Reference and other related bid documents, which shall be considered integral part of the provisions and requirements of this Contract.

G. **Venue of Action** - It is hereby agreed that any and all actions that shall arise from this Contract shall be instituted and tried before the proper court (s) of the City of Makati only.

H. **Attorney's Fees** - In the event that **PDIC** is compelled to seek judicial relief to enforce the provisions of this Contract, it shall be entitled to attorney's fees and liquidated damages equivalent to ten percent (10%) and fifteen percent (15%), respectively, of the contract price or the amount claimed in the judicial action, whichever is higher, aside from the costs of litigation and other incidental expenses thereto.

IN WITNESS WHEREOF, the parties have hereunto affixed their signatures on the dates in the places indicated below their respective signatures.

**PHILIPPINE DEPOSIT
INSURANCE CORPORATION**
Client

By:

MA. ANA CARMELA L. VILLEGAS
Senior Vice President,
Management Services Sector
Date: _____
Place: _____

_____
Contractor

By:

_____
Date: _____
Place: _____

CERTIFICATION

This is to certify that pursuant to PDIC Board Resolution No._____ dated _____, the Information Technology Group has an Approved Budget for the Contract (ABC) for the *Loans Monitoring System Project* in the amount of _____ (PhP _____) for the year _____. The remaining amount of the contract, if any, shall be made available in the COB of the PDIC for the succeeding year.

IRENE DL ARROYO
Vice President
Treasury Group

SIGNED IN THE PRESENCE OF:

_____   _____

A C K N O W L E D G M E N T

REPUBLIC OF THE PHILIPPINES)
_____   ) SS.

BEFORE ME, a Notary Public for and in the City of Makati on this __ day of
_____, 2014, personally appeared:

Name	**Identification Card No.**
Ma. Ana Carmela L. Villegas	
PDIC	

known to me and to me known tp be the same person who executed the foregoing instrument and who acknowledged to me that the same is her free and voluntary act and deed and that of the Corporations which she represent; and that she is duly authorized for the purpose.

This instrument refers to a _Contract for Loans Monitoring System Project_ consisting of _____ (_) pages including this page whereon the Acknowledgment is written, signed by the party and her witness on each and every page thereof.

WITNESS MY HAND AND SEAL on the day and place first above written.

NOTARY PUBLIC

Doc. No._____;
Page No._____;
Book No._____;
Series of 2014.

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
_____   ) SS.

BEFORE ME, a Notary Public for and in the City of Makati, this _____ day of _____, 2014 personally appeared:

Name   **Identification Card No.**

known to me to be the same person who executed the foregoing instrument and acknowledged to me that he is duly authorized to execute this instrument and that the same is his free and voluntary act and deed, as well as that of the entity he represents.

This document refers to *Contract for Loan Monitoring System Project* consisting of _____ (___) pages, including this page on which this Acknowledgment is written, signed by the party and his witness on each and every page thereof and thereafter sealed with my notarial seal.

WITNESS MY HAND AND SEAL on the date and place first above written.

NOTARY PUBLIC

Doc. No. ____;
Page No. ____;
Book No. ____;
Series of 2014.