

THE ASSOCIATION OF GLOBAL CUSTODIANS

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ASSOCIATION OF GLOBAL CUSTODIANS COMPLETES THE 16TH ANNUAL DEPOSITORY INFORMATION-GATHERING PROJECT

March 22, 2016

On January 31, 2016, the Association of Global Custodians (“Association”) completed its 16th annual Depository Information-Gathering Project (“DIGP”) with the publication of “2015-2016 Depository Information-Gathering Project: A Report for Clients and Participating Depositories.” As in previous years, the Association has made an electronic copy of this report available to the industry media and other interested persons on its web site: www.theagc.com.

Since its inception in 2000, the Project has grown steadily in the number of depositories and jurisdictions included in the Project. In the first year of operation, for example, the questionnaire was sent to 131 depositories in 81 jurisdictions, while this past year, it was sent to 160 depositories in over 100 jurisdictions. “DIGP serves Association member global banks by systematically gathering current risk information about the world’s securities depositories and their operations. That information, in turn, helps members deliver current data and analysis to their investor clients. The Project also enables the world’s securities depositories to communicate the needed base of information to the Association’s member banks efficiently and in a uniform format, through one central facility,” says Damian Curcio, Executive Director, Head of Network Client Consulting for the Americas at JPMorgan Chase Bank, N.A., and Chair of the 2015-2016 DIGP Committee. “In addition, through the DIGP, member banks work closely with the world’s securities depositories to maintain the precision and efficiency of the Project’s questionnaire and processes.”

The Association launched the DIGP in an effort to assist Association members in meeting regulatory compliance requirements under Investment Company Act Rule 17f-7. This Rule details how U.S. mutual funds may hold securities through foreign depositories and requires the ongoing monitoring of depositories. In addition, the Rule requires funds to receive an analysis of the custody risks associated with maintaining assets with a

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foreign depository. The member banks of the Association gather a common set of depository information that is pooled in the Project's central database, believing that this joint approach produces a high response rate from depositories and reduces the number of different information requests depositories receive from individual members. The members of the Association are: BNY Mellon, Brown Brothers Harriman, Citibank, N.A., Deutsche Bank, HSBC Securities Services, JPMorgan Chase Bank, N.A., Northern Trust, RBC Investor & Treasury Services, Skandinaviska Enskilda Banken, Standard Chartered Bank and State Street Bank and Trust Company.

Stephen Lomas, Chair of the Association of Global Custodians and Managing Director and Head of Market Policy for Global Transaction Banking at Deutsche Bank notes, "The Association is pleased to report that the DIGP has now completed its 16th consecutive year." Mr. Lomas further notes, "This unique centralized Project continues to enable Association members to interact with the world's securities depositories and their representatives efficiently and effectively, which we believe benefits all. These interactions supplement the ongoing relationship between individual member banks' due diligence teams and the key, knowledgeable professionals in the securities depository community."

In devising the DIGP, the Association evaluated and clarified the types of information members need to enable each bank individually to prepare the risk analyses required by Rule 17f-7. This needed information, which is obtained through the project questionnaire, falls into 9 broad areas of inquiry:

- Scope, structure, ownership, capital, regulation, and audit oversight.
- Participant identification and eligibility criteria.
- Functionality and services, including the use of agents.
- Account structures and recordkeeping.
- Settlement processes.
- Ownership of securities held in the depository.
- Standard of care, loss prevention, and asset recovery methods.
- Business recovery mechanisms.
- Cross-depository linkages.

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To streamline and simplify the process in the most efficient way possible for all involved, the Association materially shortened the DIGP questionnaire in 2008 by consolidating questions and eliminating marginal matters.

Project questionnaires are distributed electronically to the universe of depositories through a secure extranet site designed by Baker & McKenzie LLP IT professionals and administered and coordinated through the firm. Baker & McKenzie LLP serves as counsel and secretariat to the Association.

Details regarding the Association members, as well as the objectives and results of DIGP can be found in the report or online at www.theagc.com. For more information, please contact the Association's counsel, Dan W. Schneider at 312/861-2620; fax 312/861-2899; e-mail: dan.schneider@bakermckenzie.com.

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