

THE ASSOCIATION OF GLOBAL CUSTODIANS

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ASSOCIATION OF GLOBAL CUSTODIANS COMPLETES THE 17TH ANNUAL DEPOSITORY INFORMATION-GATHERING PROJECT

April 11, 2017

On January 31, 2017, the Association of Global Custodians (“Association”) completed its 17th annual Depository Information-Gathering Project (“DIGP”) with the publication of “2016-2017 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.

This year the AGC conducted its DIGP questionnaire process in parallel with the launch of the World Forum of CSDs (WFC) Single Disclosure online tool. The online tool contains all of the AGC DIGP questions as well as questions pertaining to the CPMI-IOSCO Principles for Financial Market Infrastructures disclosure framework. The AGC encouraged CSDs to make use of the new WFC tool as an alternative method to address the AGC DIGP questions. The responses to the AGC questions submitted via the WFC tool were transmitted to the AGC, thus the completion of both DIGP questionnaire and questions on the WFC online tool was not required.

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 163 depositories in over 100 jurisdictions. “DIGP serves the Association’s members by centrally collecting current risk and operational information about the world’s securities depositories; it provides an efficient platform for those securities depositories to communicate information to the Association’s member banks in a uniform format. This enables members to deliver essential, up-to-date risk analysis to their investor clients” says Stephen Hart, Director, Senior Network Manager at Standard Chartered Bank, and Chair of the 2016-2017 DIGP Committee.

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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 foreign depository. The member banks of the Association gather a common set of depository information that is ultimately pooled in the Project's central database and/or the WFC Tool, 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: BNP Paribas, 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 17th consecutive year." Mr. Lomas further notes, "This centralized Project continues to enable Association members to interact with the world's securities depositories and their representatives efficiently, benefitting all. These interactions supplement the work of the individual member banks' due diligence teams in coordination with key 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.

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- Cross-depository linkages.

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 and WFC professionals and administered and coordinated through the firm and the WFC. 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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