

## THE ASSOCIATION OF GLOBAL CUSTODIANS

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### **ASSOCIATION OF GLOBAL CUSTODIANS COMPLETES THE 13<sup>TH</sup> ANNUAL DEPOSITORY INFORMATION-GATHERING PROJECT**

April 15, 2013

On January 31, 2013, the Association of Global Custodians (“Association”) completed its 13th annual Depository Information-Gathering Project (“DIGP”) with the publication of “2012-2013 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](http://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 155 depositories in over 100 jurisdictions. “DIGP serves both Association members and securities depositories by providing required and important risk information and by providing a disciplined mechanism for information disclosure. We are pleased that so many depositories participated in this year's Project,” says Mark Williams, Second Vice President, Subcustodian Network Management, at Northern Trust, and Chair of the 2012-2013 DIGP Committee. “We continue to refine the information-gathering process and the facility used by participating depositories to complete and submit information to the Project. Indeed, we continue to review the questionnaire and refine questions as needed so as to ensure clarity and to incorporate feedback received from depositories. As a result, Association members have access to an expanding and increasingly refined information base from which to evaluate depositories and provide valuable insight to investors.”

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

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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 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 Services, Skandinaviska Enskilda Banken, Standard Chartered Bank and State Street Bank and Trust Company.

Ranjit Chatterji, Chair of the Association of Global Custodians and Managing Director, Securities and Fund Services, Citibank, N.A. notes, "The Association is pleased that the DIGP has now completed its 13th consecutive year." Mr. Chatterji further observes, "This unique Project enables Association members to sustain and enhance their working relationships with representatives of depositories and depository associations. The DIGP process and the DIGP base of information, coupled with members' interactions with depository personnel, enable the Project to obtain valuable feedback from depositories while significantly assisting Association members' own due diligence."

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](http://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](mailto:dan.schneider@bakermckenzie.com).

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