

THE ASSOCIATION OF GLOBAL CUSTODIANS

The Bank of New York
Brown Brothers Harriman
The Chase Manhattan Bank
Citibank, N.A.
Deutsche Bank, AG
Investors Bank & Trust Company
Mellon Trust/Boston Safe Deposit
& Trust Company
The Northern Trust Company
State Street Bank and Trust Company

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For immediate release

ASSOCIATION OF GLOBAL CUSTODIANS COMPLETES DEPOSITORY INFORMATION PROJECT

March 27, 2001

The Association of Global Custodians has announced the completion of its first depository information-gathering project with the publication of a "Report for Clients and Participating Depositories." Given the significance of the project and the interest it has attracted, the Association has decided to make a copy of its report available to the industry media and other interested persons.

"This is the culmination of an exercise that started eight months ago," explains Simon Zornoza, Senior Vice President and Head of the Global Operations Legal Group at State Street. "The project involved two key phases – the creation of an extensive questionnaire to depositories addressing risk issues, and the gathering of the information from over 120 depositories operating around the world" says Zornoza, who headed the Association committee formed to tackle this initiative. Mary Fenoglio, Executive Vice President of State Street and current Chair of the Association calls the project "truly precedent-setting". "Up until now, depositories have operated with relatively little attention, but the globalization of the securities market place is changing this, and investors are demanding more information than ever before," states Fenoglio.

The project was launched in May 2000 after the U.S. Securities and Exchange Commission adopted Investment Company Act Rule 17f-7. The rule details how U.S. mutual funds may hold securities through foreign securities depositories, and requires funds to receive an analysis of the custody risks associated with maintaining assets with each depository. The nine banks that are members of the Association decided to put their collective weight behind a joint information gathering effort, believing that this would produce a higher response rate from depositories and spare depositories from having to respond to numerous different requests from individual members. The members of the Association are The Bank of New York, Deutsche Bank, Brown Brothers Harriman, The Chase Manhattan Bank, Citibank, Investors Bank & Trust

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Company, Mellon Trust/Boston Safe Deposit & Trust Company, The Northern Trust Company, and State Street Bank and Trust Company.

Kevin Smith, Senior Vice President at The Bank of New York and outgoing Chairman of the Association, states “We were very conscious that many depositories would not have the resources necessary to respond to individual studies by each of the Association members, and felt that depositories would overcome any reluctance they might have to participate if they realized we were actually trying to facilitate the process for them.”

The Association committee first identified the types of information needed to assist its members in preparing these risk analyses. This information falls into nine broad areas of inquiry:

- Depository scope, structure, ownership, capital, regulation, and audit.
- Depository participants.
- Depository functionality and services, including the use of agents.
- Account structures and depository recordkeeping.
- Settlement processes.
- Ownership of securities held in the depository.
- Handling of securities held outside the depository environment.
- Standard of depository care.
- Depository business recovery mechanisms.

The questionnaires were distributed, and the receipt of responses coordinated, through the Washington Office of Baker & McKenzie, which acts as counsel and secretariat to the Association. Daniel Goelzer, a partner in Baker & McKenzie and former General Counsel of the Securities and Exchange Commission, states: “We didn’t know what sort of a response-rate to expect, but the level of cooperation we have received and the nature of the discussions we have had with depositories in the process has demonstrated that depositories recognize the importance of their role in the modern securities market and want to provide greater transparency in their operation.”

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“This has been a huge undertaking” explains Zornoza. “The committee, consisting of representatives of each Association member, has been meeting by phone or in person several times a month, sometimes every week, since it was formed. I think the importance of the exercise can be seen from the fact that, since the creation of the Association questionnaire, ISSA and CPSS-IOSCO have separately issued recommendations for securities settlement systems, and created questionnaires of their own.” Adds Smith “These questionnaires contain significant overlap with the Association’s and we will be contacting both CPSS-IOSCO and ISSA to see whether there are any synergies that could benefit our organizations.”

Of 131 questionnaires sent, the Association received 121 responses, with a number of responses still in the pipeline. Says Goelzer “While the Association will not itself release questionnaire responses directly to the general public or to other participating depositories, we have encouraged depositories to make their own responses available, either through their websites or upon request, and a considerable number have chosen to do so. We hope that number will increase as depositories realize the efficiencies that this will create.”

Fenoglio concludes: “The Association intends to make the depository information-gathering exercise an annual one, and will be reviewing the questionnaire to factor in lessons learned from this year’s effort. We have heard from a number of depositories inquiring about the project, and they want to hear from us. We will be looking for and using opportunities to explain to individual depositories and the regional depository associations how the Association conducted its project and how the individual members of the Association may use the information that has been collected.”

Details regarding the Association members, as well as the objectives and results of the project can be found in the report. For more information, please contact the Association’s counsel, Daniel L. Goelzer at 202/452-7013; fax 202/452-7074; e-mail daniel.l.goelzer@bakernet.com.