

THE ASSOCIATION OF GLOBAL CUSTODIANS

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ASSOCIATION OF GLOBAL CUSTODIANS COMPLETES 2004-2005 DEPOSITORY INFORMATION-GATHERING PROJECT

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On January 31, 2005, the Association of Global Custodians (the "Association") completed its fifth annual depository information-gathering project with the publication of "2004-2005 Depository Information-Gathering Project: A Report for Clients and Participating Depositories." As in previous years, the Association is making an electronic copy of this report available to the industry media and other interested persons on the Association's web site: www.theagc.com.

The 2004-2005 Depository Information-Gathering Project ("DIGP") resulted in a higher response rate than in prior years, with 119 depositories submitting completed questionnaires from 88 jurisdictions. "This year's success is a culmination of two key elements – the Association's continued persistence to obtain the most accurate information from depositories in compliance with Investment Company Act Rule 17f-7, and the participating depositories' understanding of the importance of this Rule and their willingness to assist in maximizing the information gathering efforts," says Diana Gouzeas, Second Vice President at The Northern Trust Company and Chair of the Association's Depository Information-Gathering Committee. "This project is truly a benchmark within the global custody community. There are very few organizations in the United States that conduct such detailed and extensive surveys each year," says Gouzeas.

The Association began the DIGP in 2000 in an effort to assist Association members in meeting their 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 agreed to work together to create a joint information-gathering effort believing that this

would produce a higher response rate from depositories and reduce the number of different requests depositories would receive from individual members. The members of the Association are: The Bank of New York, Brown Brothers Harriman, Citibank, N.A., Investors Bank & Trust Company, JPMorgan Chase Bank, N.A., Mellon Financial Corporation, The Northern Trust Company, RBC Global Services and State Street Bank and Trust Company.

Andrew Osborne, Senior Vice President of The Northern Trust Company and Chair of the Association said, while speaking about the importance of the annual DIGP update, "Since the inception of the project in 2000, the DIGP process has not only enhanced the availability of relevant market infrastructure information to assist the end-investor in the investment decision process, it has also provided another bi-directional information conduit to assist the local infrastructures in better understanding the requirements of the international investor. The growth of the industry along with the success of the project has made the DIGP an immeasurable resource." Osborne explains, "The data collected from 119 responding depositories allows members to remain abreast of the ever-changing global markets in light of the needs of their investor clients. Each participating depository provides valuable information that is essential when considering whether to hold funds or assets in a particular market."

The Association reviewed and clarified the types of information needed to assist its members in preparing the risk analyses required by Rule 17f-7. This information falls into 10 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.

The questionnaires were distributed electronically through a secure extranet site designed by Baker & McKenzie LLP IT professionals and coordinated through the firm's

Washington, DC office. Baker & McKenzie LLP serves as counsel and secretariat to the Association and their attorney Margaret R. Blake states, “The DIGP seems to have hit its stride this year. By working closely with depository participants over the years, the Association has refined the questionnaire content and the information-gathering process to facilitate participation in the project. As a result, depositories are more interested in participating in the project and in working with the Association to achieve meaningful results.”

The Association sent questionnaires to 131 depositories in 88 countries and received 119 responses. This year, the Association added three new depositories to the distribution list with two such depositories responding to the project. As of the end date of the project, 12 depositories declined to respond or indicated their responses were pending. “The Association itself does not release questionnaire responses directly to the general public or to other participating depositories, but does encourage depositories to make their own responses available, either through their websites or upon request. The majority of depositories have chosen to do so,” Blake says.

Osborne concludes: “The Association is extremely delighted by the results of the DIGP for 2004-2005. The Association’s ability to work with individual depositories on an annual basis and present a thoroughly detailed report is truly commendable. We will continue to pledge our efforts and support to maintaining the success of the project within the global custody community.”

Details regarding the Association members, as well as the objectives and results of the project can be found in the report or online at www.theagc.com. For more information, please contact the Association's counsel, Margaret R. Blake at 202/452-7020; fax 202/452-7074; e-mail: margaret.r.blake@bakernet.com.

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