

## THE ASSOCIATION OF GLOBAL CUSTODIANS

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### **ASSOCIATION OF GLOBAL CUSTODIANS COMPLETES 2005-2006 DEPOSITORY INFORMATION-GATHERING PROJECT**

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On January 31, 2006, the Association of Global Custodians (the “AGC” or “Association”) completed its sixth annual depository information-gathering project (the “DIGP”) with the publication of, “2005-2006 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).

The 2005-2006 DIGP resulted in an increased number of responses, with 122 depositories submitting completed questionnaires from 94 jurisdictions. “The reluctance that depositories felt in the early years of the project has subsided and depositories are welcoming the chance to participate in this important project,” says Jim Harris, Chair of the Association’s Depository Information-Gathering Committee and Senior Manager at RBC Dexia Investor Services. “This year, the AGC elicited the support of chairpersons from a number of regional depository associations around the world in obtaining responses from their depository members. Our goal is to create solid working relationships with the regional depository association members and to emphasize the AGC’s appreciation for the members’ support of the DIGP,” says Harris. “We will continue to pursue healthy working relationships between the chairpersons of the regional depository associations, the depository association members and the AGC,” Harris added.

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., HSBC Securities Services, Investors Bank & Trust Company, JPMorgan Chase Bank, N.A., Mellon Financial Corporation, The Northern Trust Company, RBC Dexia Investment Services and State Street Bank and Trust Company.

Patrick C. Costello, Chair of the AGC and First Vice President, Global Head of Network Management of Mellon Financial Corporation notes, "We are greatly encouraged by this year's response-rate and we look forward to continued success in the future. We understand that the continued success of the project is dependent on the willingness of the depositories to work with the AGC and we are committed to building those relationships to encourage participation."

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.

The Association sent questionnaires to 139 depositories in 94 countries and received 122 responses. This year, the Association added nine new depositories to the distribution list with two such depositories responding to the project. As of the end date of the project, 17 depositories declined to respond or indicated their responses were pending. "We are pleased with the outcome of this year's DIGP and attribute much of the success to the AGC's increased visibility in the global custody arena," says Mr. Harris.

Costello concludes, "The evolution of this project has been an educational experience for all parties involved. The AGC is anxious to continue working with the regional depository associations in order to facilitate the information-gathering process going forward. We are tremendously thankful to the 122 depositories that participated in this year's project and look forward to an even more robust DIGP effort in the future."

Details regarding the Association members, as well as the objectives and results of the 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, Margaret R. Blake at 202/452-7020; fax 202/452-7074; e-mail: [margaret.r.blake@bakernet.com](mailto:margaret.r.blake@bakernet.com).

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