

## THE ASSOCIATION OF GLOBAL CUSTODIANS

THE BANK OF NEW YORK  
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CITIBANK, N.A.  
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### **ASSOCIATION OF GLOBAL CUSTODIANS COMPLETES 2003-2004 DEPOSITORY INFORMATION-GATHERING PROJECT**

April 1, 2004

On February 27, 2004, the Association of Global Custodians (the "Association") completed its fourth annual depository information-gathering project with the publication of "2003-2004 Depository Information-Gathering Project: A Report for Clients and Participating Depositories." As in previous years, the Association is making a copy of this report available to the industry media and other interested persons (an electronic copy is available on the Association's web site: [www.theagc.com](http://www.theagc.com)).

The Association committee charged with this year's update reviewed comments and suggestions from depository respondents in prior years in order to revise and update the questionnaire more effectively. "The depositories participating in the project over the last few years have provided invaluable commentary on the questionnaire content," explains Keri Smith, Director at Investors Bank and Trust Company and Chair of the Association's Depository Information-Gathering Committee. "We considered each comment in light of the information being sought and revised the questionnaire accordingly. The result is a more clearly-defined questionnaire and more useful depository information being gathered."

The Association has conducted the depository information-gathering project since 2000 in an effort for Association members to meet 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 decided to put their collective energies behind 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

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from individual members. The members of the Association are: The Bank of New York, Brown Brothers Harriman, Citibank, NA, Investors Bank & Trust Company, JPMorgan Chase Bank, Mellon Financial Corporation, The Northern Trust Company, RBC Global Services and State Street Bank and Trust Company. In addition, Deutsche Bank Trust Company Americas was a member of the Association until December 31, 2003 and assisted in these efforts up until its departure from the group.

Andrew Osborne, Senior Vice President of The Northern Trust Company and current Chair of the Association calls the annual project “a wonderful tool that allows Association members to review markets in 88 different jurisdictions around the world.” Osborne explains, “The data collected from 115 responding depositories allows members to remain abreast of the ever-changing global markets in light of the needs of their investor clients. This being the fourth year of the project, most depositories understand that the contribution of each institution’s data is important to Association members in establishing the depository’s status as an ‘eligible securities depository’ as defined under Rule 17f-7.”

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 IT professionals and coordinated through the firm’s Washington, DC office. Baker & McKenzie serves as counsel and secretariat to the Association and their attorney Margaret R. Blake states, “More and more, depositories understand the importance of this information-gathering exercise and have been

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increasingly committed to assisting the Association throughout the project. Association members, in turn, recognize the dedication of participating depositories and work each year to make the information-gathering process more responsive to their comments and suggestions.”

The Association sent questionnaires to 133 depositories in 88 countries and received 115 responses. Five contacted entities were either not yet in operation, were ceasing operations, or didn't fall within the scope of Rule 17f-7. This year, two new depositories were added to the Association's distribution list with only one such depository responding to the project. As of the end date of the project, 13 depositories had declined to respond or had 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 appreciates the dialog this project has created between the participating depositories and the Association members. Association members continue to recognize the importance of this annual project, and we will continue to contribute our efforts and resources to this exercise in the future.”

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](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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