

THE ASSOCIATION OF GLOBAL CUSTODIANS

THE BANK OF NEW YORK MELLON
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STANDARD CHARTERED BANK
STATE STREET BANK AND TRUST COMPANY

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22 October 2010

VIA ELECTRONIC DELIVERY

Mr. P. R. Ravimohan
Chief General Manager
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Mr. B. Mahapatra
Chief General Manager-in-Charge
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Reserve Bank of India
Department of Banking Operations and Development, Central Office
5th floor, Centre-1, Cuffe Parade, Mumbai 400005

Re: Irrevocable Payment Commitments

Dear Sirs:

We write on behalf of the member banks of the Association of Global Custodians, listed on the letterhead above, which provide securities custody and related services to cross-border institutional investor clients located in various jurisdictions around the world. Members' clients represent a significant portion of global institutions that invest in Indian markets.

Members and their clients are familiar with Reserve Bank of India (RBI) Circular No. DBOD.Dir.BC.46/13.03.00/2010-11 of September 30, 2010 that requires Indian custodian banks to have inalienable rights over client securities by 1 November 2010, in order to continue extending Irrevocable Payment Commitments. Association members recognize that the underlying objective of the requirement is to minimize the possibility of future systemic risk, and we appreciate the importance of taking appropriate regulatory steps to limit and control systemic risk. However, following consultation with a number of our members' clients and some of their regulators, we wish to convey to you the following concerns and suggestions with respect to the Circular's requirement.

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We firmly believe that a requirement that agreements between a local custodian and its customer must contain the required inalienable right *should not apply to agreements under which customer transactions are fully pre-funded*. Members report that many customers would have serious difficulties -- either with their governing corporate authorities or with their regulators, or both -- in agreeing to contract terms that give their custodians rights over their securities, including the ability to liquidate their securities. To avoid confronting those difficulties, we believe that customers would be willing to pre-fund their trades. Moreover, where such pre-funding arrangements are in place, we believe that the local custodian should not be required to obtain its customer's agreement to include inalienable rights provisions in the relevant customer services agreement.

Separately, we also urge the RBI to defer the effective date of this requirement for 60 to 90 days. This will enable members' customers, most of which are regulated investment funds or pension funds, to review the impact of the proposed change with their boards of directors or other corporate governing authorities and, where necessary, with their regulators and counsel and determine whether they wish to change their funding practices. A delay will also provide needed time to address any changes in client agreements with a local custodian or in their agreement with an intermediary who is a client of a local custodian.

Members understand that local custodians in India have been in dialogue with you on this subject, and that the Investment Company Institute, which represents a large number of members' US-based clients, is also approaching you. We strongly believe that the above clarification with respect to pre-funding arrangements and the above deferral request will enable the global investment industry to meet your policy objectives in an orderly fashion, without undue disruption to international capital markets.

* * * * *

The Association appreciates the opportunity to convey members' views and stands ready to confer with you or address any questions you may have. Association members also would be pleased to have dialogue with RBI representatives on matters such as this in the future in advance of the release of circulars to the extent such

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dialogue would be useful to you. If you have questions on the foregoing, please contact the undersigned as an initial matter.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Dan W. Schneider". The signature is fluid and cursive, with a long horizontal stroke at the end.

Dan W. Schneider
Baker & McKenzie LLP
Counsel to the Association