

THE ASSOCIATION OF GLOBAL CUSTODIANS

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May 3, 2004

VIA COURIER AND FIRST CLASS MAIL

Mr. John G. Walsh
Executive Director
The Group of Thirty
1990 M Street, N.W.
Washington, D.C. 20036

Re: Monitoring Recommendations Regarding Global Clearance and Settlement

Dear Mr. Walsh:

On behalf of the Association of Global Custodians ("Association"), we are writing to convey the Association's interest in leading the monitoring efforts with respect to certain of the recommendations ("Recommendations") set forth in The Group of Thirty's ("G30") report entitled, "Global Clearing and Settlement – A Plan of Action."¹ Specifically, the Association believes that it is uniquely positioned to monitor the following Recommendations:

4. Synchronise timing between different clearing and settlement systems and associated payment and foreign exchange systems;
11. Ensure final, simultaneous transfer and availability of assets;

¹ In a letter dated, April 7, 2003, the Association expressed its initial interest in assisting in the G30 monitoring efforts. Letter, dated April 7, 2003, to John G. Walsh, Executive Director, The Group of Thirty, from Margaret R. Blake, Counsel to the Association.

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12. Ensure effective business continuity and disaster recovery planning; and
13. Address the possible failure of a systemically important institution.

As you may be aware, the Association administers on an annual basis the Depository Information-Gathering Project ("DIGP"), whereby it sends out an electronic questionnaire to over 130 depository institutions in over 80 jurisdictions to gather information necessary in performing certain analyses pursuant to U.S. securities regulations.² The Association believes that through the DIGP it has in place practical, relevant information-gathering tools and a base of experience working with the depositories in all relevant markets.³ These tools, coupled with relevant experience, should facilitate efficient progress in achieving meaningful responses to the Recommendations identified above.⁴

Once the G30 has approved the Association's request to monitor the four noted Recommendations, the Association expects to garner the support and assistance of various depository industry groups located in the roughly 14 markets to be monitored.

² The Association has administered the DIGP for the last four years and will begin its fifth initiative later this year. The DIGP is undertaken by the Association in an effort to meet the requirements of Investment Company Act Rule 17f-7, which requires registered investment companies to obtain a continuous review of certain factors relevant to holding assets with eligible foreign depositories. Investment companies commonly delegate their responsibilities under this Rule to a global custodian.

³ With respect to Recommendation 13, we believe the primary sources for the essential information regarding this Recommendation are the critical clearance and settlement infrastructure providers in each market, *i.e.*, the depository institutions. The Association's efforts, based on its experience with the DIGP process, will be directed toward those sources.

⁴ As you know, the Association initially appeared on the G30 Monitoring Assignment List as a supporting entity with respect to Recommendation 8, Automate and standardise asset servicing processes, including corporate actions, tax relief arrangements, and restrictions on foreign ownership. After a careful assessment of the Association's existing programs, however, the Association concluded that its efforts would be best directed towards Recommendations 4, 11, 12, and 13. The Association will of course notify the International Securities Services Association ("ISSA") of its decision, and will offer to support ISSA by reviewing and providing comment on ISSA's conclusions with regard to Recommendation 8.

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The industry groups include those listed on the G30 Monitoring Assignment List, such as the Americas' Central Securities Depository Association, the European Central Securities Depository Association and the Asia Pacific Central Securities Depository Group. In view of the tight timeline for gathering the information needed, and given the value of broadly-supported monitoring efforts, we would appreciate your assistance at this very first stage. In particular, we would request you to advise the relevant depository associations of the role the Association has been assigned and encourage each of them to actively support and assist our efforts.

Also, promptly after we receive your confirmation, we will create the form of the questionnaire to be sent to each of the fourteen markets. For this step, we expect to use the format of the existing DIGP questionnaire and elements of several of the basic questions therein. The depositories are familiar with those ingredients, and we believe that such familiarity will limit the depositories' work and burden. We will then work with our existing contacts at the depositories to collect answers to the questions and tabulate the information for our primary report.

The Association appreciates the opportunity to assist the G30 in monitoring the implementation of these critical elements, which we believe are important to achieving safe and efficient clearance and settlement operations globally. We look forward to your confirmation that the G30 accepts the Association's request to assist in the monitoring efforts as outlined herein.

If you have any questions or comments on this request, please feel free to contact Ed Neeck, Chair of the Association's G30 Committee, or either of the undersigned.

Sincerely,



Margaret R. Blake
Counsel to the Association



Dan W. Schneider
Counsel to the Association