

THE ASSOCIATION OF GLOBAL CUSTODIANS

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January 22, 2008

Via Federal Express

Robert J. McGrail
Executive Managing Director
The Depository Trust & Clearing Corporation
55 Water Street
New York, NY 10041-0099

Dear Mr. McGrail:

Thank you again for meeting with representatives of the Association of Global Custodians ("Association") at your facilities on July 9, 2007 to discuss the Association's views concerning the costs and risks associated with late notices on partial calls and our belief that industry efforts to mediate those problems could benefit from DTCC's leadership efforts. This letter follows up that discussion, reiterating the next steps identified for DTCC and Association members during that meeting, and providing a brief summary of the data available to Association members concerning the incidence of late notices. Member representatives would be pleased to confer with you and others again to facilitate progressive industry initiatives.

Tasks for the Association

- Provide Association member data suggesting the frequency and incidence of late partial calls; and
- Seek confirmation from broker-dealers that late partial calls present a market risk and that a broad industry solution should be pursued.

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Tasks for DTCC

- Provide data suggesting the volume and value of partial call events that are announced timely versus those that are announced after publication date; and
- Identify reasons why calls are announced late in the market.

Association members that reviewed their data on late partial calls report that – on average for the first six months of 2007 – members experienced a range of late notices. The experience varies among members based in part on the portfolio mixes of individual members' clients at any given time. The range runs from about 1 to 2 late notices per day on average to about 6 per day. At the largest global custodians, the data suggest that late partial calls occur on upwards of 750 cusips every six months; and on peak days on the first and fifteenth of the month, members can experience late notices on 25 to 30 cusips. As you know, peak days concentrate the risks and the handling problems that accompany late calls. Those impacts affect every global custodian, either as a direct DTC participant or as an indirect participant (in the case of our non-US based members).

In addition to reviewing data, members have conferred with their affiliated broker-dealer entities and with representatives of the Securities Industry and Financial Markets Association concerning the severity and scope of the problems encountered on late partial calls. The discussions with individual broker-dealers suggest that those problems are significant for brokers as well and merit a set of industry discussions and solutions.

In summary, we believe that representative industry-wide discussions -- under DTCC's sponsorship, like the discussions DTCC organized around the processing problems on asset-backed securities – would give the issues visibility and focus and would lead to progressive initiatives. To that end, for your reference, Craig Dudsak (Citi) held brief discussions with both Matt Goad and Michael Bodson to apprise them of this initiative, the follow-up steps identified, and the potential for DTCC to play a leadership role in this area similar to the one it has played in the Structured Securities Initiative.

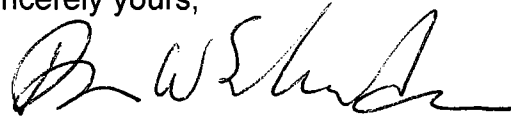
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Thank you again for meeting with Association representatives and beginning the conversation on this subject. We believe it would be useful to arrange another meeting, at your convenience -- to discuss the foregoing, any data and information DTCC has obtained, and suitable next steps. Craig Dudsak or Debbie Mercer-Miller (Citi) will be in touch with you to schedule a meeting soon. We very much appreciate DTCC's support and continued dialogue in this engagement. If you have questions, please contact me at 312.861.2620.

Sincerely yours,



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

CC: Michael C. Bodson
Executive Managing Director