

## **Attachment 2**

# **Global Custody Network/Foreign Exchange Questionnaire**

### **I. GLOBAL CUSTODY**

1. Comment on your ability to provide effective global safekeeping/custody of physical and dematerialized assets with your custody unit's domestic and global operations, domestic/global depositories, and with sub-custodial relationships?
2. Describe your global custody network, including details on all markets to which you provide clients access.
3. Discuss your policy and procedures for assuring that each client's assets are properly held in safekeeping and positions are accurately maintained in your accounting records. Include information on segregation of assets and distinctions between physical and book entry positions.
4. Please discuss your policies for ensuring that changes in security registration requirements in international markets are properly and promptly implemented in client accounts, e.g. the transition to omnibus security registration.
5. What support is provided to clients on obtaining global market access?
6. What standard of care do you take when selecting and maintaining global sub-custodian relationships and what information do you provide clients to support an independent review of such data.
7. Describe your process for managing your foreign sub-custodian network of depositories, sub-custodians, and agents, including:
  - a. Selection;
  - b. Negotiation of foreign exchange rates in restricted markets;
  - c. Oversight;
  - d. Problem resolution; and
  - e. Termination.
8. How do you determine your responsibility, as well as your agent's responsibility, for compensation for losses to client accounts due to errors in processing?
9. Discuss any key differentiators related to your global and domestic safekeeping offering including direct depository linkages, proprietary global operations, agent sub-custodian network structure, or others.

### **II. FOREIGN EXCHANGE**

10. Please diagram your foreign exchange operations. Information items to be summarized:
  - a. Principal foreign exchange desk;
  - b. Agency foreign exchange offerings, if any;
  - c. Location within the organization; and
  - d. Relationship to custodial unit;

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11. Please comment on the rationale for offering a custodial foreign exchange service and the competitiveness of your rates.
12. Do you ensure that a custodial client or their managers who opt to use your execution desk achieve the best execution? Is another standard applied?
13. What percentage of your overall foreign exchange execution is represented by current clients of your custodial unit (both notional volume and currency unit volume)?
14. Will you offer custodial indirect/standing instructions under an agency model where executions in all markets for which regulatory controls permit such execution? Describe your firm's philosophy and ability (or lack thereof) to provide such services.
15. Fully describe your ability to support individual contracted third-party foreign exchange executions on a spot or forward basis. Include in your discussion the markets in which you are unable to provide such support due to market restrictions – clearly distinguish between markets for which there are operational hurdles and regulatory hurdles.
16. Fully describe your ability to support an agent or principal third-party foreign exchange program where all eligible foreign exchange transactions would be directed away from the custodial venue.
17. Fully describe your ability to support a manager directed third-party foreign exchange execution and the charges (if any) that might apply to settle such a transaction.
18. Discuss in detail your current indirect/custodial/standing instructions process. Explicitly define the process by which a transaction to be settled under your standing instructions are:
  - a. Sequenced – Executed at what time of day/date relative to trade date instructions being affirmed.
  - b. Netted – clearly define if transactions are netted by fund manager, account, relationship, globally across your client base, etc.
  - c. Priced – clearly define reference rate used (and corresponding time or times of day) and the application of and levels of risk-based spreads by currency.
  - d. Re-rated – if netting is applied, document how, if re-rated, the rates applied to net transactions are transparently applied (i.e. if a larger buy transaction is netted with a smaller sell transaction, how is the blended net buy rate applied to both trades and is it adjusted)?
  - e. Other details on your current processes.
19. Do you anticipate offering any new features within your custodial/indirect foreign exchange suite of services? If so, fully describe.
20. Please discuss what information you would provide regarding an indirect/non-negotiated/standing instruction FX execution to staff or the investment manager. Will you time-stamp executions and maintain and provide such records?
21. Please discuss what information you would provide regarding a direct FX execution with your principal exchange desk to staff or the investment manager. Will you time-stamp executions and maintain and provide such records?

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22. Please discuss what information you would maintain regarding a third-party FX execution to staff or the investment manager.
23. Will your firm provide customized reports showing the daily level of execution compared to benchmark levels (defined time fixing rates, range of day, etc.) identified by the client?
24. Please discuss the process for repatriating foreign exchange balances. Provide information that clearly specifies how rates are determined and documenting the process used to perform the repatriation. Are clients/investment managers free to opt out of repatriation processes?
25. Please discuss the process for supporting the execution of a foreign exchange transaction (both with your execution desk and with a third-party broker) to settle a trade once a trade is received.
26. Does your firm have the ability to net the foreign exchange needed across a client's accounts (thus mitigating the need to execute in the market)? Describe fully.