STATE STREET.

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Via e-mail: Comments@FDIC.gov

Robert E. Feldman
Executive Secretary
ATTN: Comments
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

RE: RIN 3064-AD35

Interim Rule – 20 Basis Point Emergency Special Assessment

Dear Mr. Feldman:

State Street Corporation ("State Street") appreciates the opportunity to comment on the Interim Rule issued by the Federal Deposit Insurance Corporation ("FDIC") imposing an emergency 20 basis point special assessment on depository institutions, effective the second quarter of 2009. The Interim Rule also provides the FDIC with the ability to charge additional special assessments of up to 10 basis points in subsequent quarters, if deemed necessary to ensure the sufficient capitalization of the Deposit Insurance Fund ("DIF").

Headquartered in Boston, Massachusetts, State Street specializes in providing institutional investors with investment servicing, investment management and investment research and trading. With $12.04 trillion in assets under custody and $1.44 trillion in assets under management as of December 31, 2008, State Street operates in 27 countries and more than 100 markets worldwide.

State Street understands the importance of recapitalizing the DIF, but particularly in this difficult economic climate, urges the FDIC to consider all potential alternatives to the proposed special assessment. For example, we strongly support the FDIC's decision to seek an increase in its line of credit with the U.S. Treasury to mitigate the size and immediacy of the special assessment.

State Street is concerned about the substantial, retroactive impact of the special assessment on the funding decisions of depository institutions. As an example, banks that issued negotiable term certificates of deposit prior to the announcement of the Interim Rule are not in a position to factor the cost of the special assessment into their original wholesale funding decisions. Prior knowledge of the special assessment would almost certainly have resulted in different and less costly funding choices. We therefore urge the FDIC to consider amending the Interim Rule to exclude from the scope of the special assessment, assessable negotiable term funding issued prior to April 1, 2009.

State Street also notes the considerable uncertainty inherent in the FDIC's proposed authority to impose additional special assessments in subsequent quarters. This includes its impact upon crucial budgetary, liquidity and capital planning decisions, best made on a prospective rather than reactive basis. We therefore recommend that no further special assessment be levied to recapitalize the DIF without adequate notice, as well as the opportunity for comment.

Among the specific questions posed by the FDIC in its Interim Rule is whether the proposed special assessment should be levied on assets or some other similar measure, rather than the FDIC's existing assessment framework. State Street strongly urges the FDIC to apply any special assessment through the existing assessment framework. The DIF is specifically funded by the industry to ensure depositor protection, irrespective of the nature or size of a depository institution. As a result, assessments have historically and logically been linked to an institution's domestic deposit base.

Even under the current framework, banks such as State Street pay a disproportionate share of deposit insurance premiums. Due to our institutional client base, State Street operates a small number of deposit accounts, many of which routinely carry balances well in excess of the FDIC's base insurance threshold of $250,000. Since base deposit insurance premiums are calculated on the basis of total assessable deposits rather than insured deposits, our contribution to the DIF is substantial relative to the value of our base deposit insurance coverage. Shifting to an assessment framework even further removed from insured deposits, such as total assets, would further distort the assessment system and unfairly remove the reasonable linkage which exists between deposit insurance assessments and domestic deposits. State Street is therefore strongly opposed to any suggestion that the recapitalization of the DIF be based on a measure other than the FDIC's existing assessment framework.

Thank you once again for the opportunity to comment on this important matter. Please feel free to contact me should you wish to discuss our submission in greater detail.

Sincerely,

Stefan M. Gavell