STATE STREET.

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October 28, 2009

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-AD49

Notice of Proposed Rulemaking – Prepaid Deposit Insurance Assessments

Dear Mr. Feldman:

State Street Corporation ("State Street") welcomes the opportunity to comment on the Notice of Proposed Rulemaking ("NPR") issued by the Federal Deposit Insurance Corporation ("FDIC") requiring insured institutions to prepay their estimated quarterly deposit insurance assessments for the fourth quarter of 2009 and for all of 2010 through 2012, effective December 30, 2009. Headquartered in Boston, Massachusetts, State Street specializes in providing institutional investors with investment servicing, investment management and investment research and trading. With $18 trillion in assets under custody and administration, as well as $1.7 trillion in assets under management, State Street operates in 27 countries and more than 100 markets worldwide.[1]

State Street understands the importance of ensuring the orderly, industry supported recapitalization of the deposit insurance fund ("DIF") and believes that the FDIC's proposed approach represents the least disruptive alternative for both the US banking industry and the economy as a whole. Under the terms of the NPR, the proposed prepayment is calculated on the basis of the existing risk-based deposit insurance assessment framework, with provisions for a three basis-point increase in the base assessment rate as of January 1, 2011. In addition, the FDIC proposes to incorporate in its prepayment calculation an assumed 5% increase in an insured institution's assessable deposit base, adjusted quarterly. The prepayment required under the FDIC's proposal is therefore substantial, with an initial cost estimate for State Street of $115 million.

[1] As of September 30, 2009.

We support the FDIC's indication that the prepaid assessment would qualify for a zero percent capital risk weight and look forward to confirmation of this view from the other Federal banking agencies. We also support the recommendation that a zero percent capital risk weight be applied to FDIC guaranteed Temporary Liquidity Guarantee Program debt. As noted by the FDIC, this would ensure the more consistent treatment of obligations backed by the full faith and credit of the US government.

State Street supports the proposed calculation of the prepaid assessment on the basis of the existing risk-based deposit insurance assessment framework. Furthermore, we strongly oppose the suggestion that the prepayment of deposit insurance assessments be based on some other measure, such as total assets. As emphasized in our April 2009 comment letter on the emergency special assessment, the DIF is specifically designed and funded by the industry to protect depositors, irrespective of the nature or size of a depository institution. As a result, assessments have historically and logically been linked to each institution's domestic deposit base.

Even under the current framework, banks such as State Street pay a disproportionate share of deposit insurance premiums. This reflects our institutional client base, for which we operate a small number of deposit accounts, many of which routinely carry balances well in excess of the FDIC's base deposit insurance threshold (currently $250,000). Since 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 available coverage. Shifting to an assessment framework that is even further removed from insured deposits, such as total assets, would in our view further distort the system and unfairly break the link which exists between deposit insurance assessments and assessable domestic deposits.

Thank you 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