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-AD59

Notice of Proposed Rulemaking – Contingent Resolution Plans for Large Insured Depository Institutions

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 certain large insured depository institutions ("covered IDI") to prepare and submit contingent resolution plans. The primary intent of the proposed rule is to enhance the FDIC's ability to assess the insurance risk posed by covered IDI's, and also to facilitate their resolution in the event of insolvency. The FDIC envisions in this respect, that covered IDI's will identify steps to credibly remediate or mitigate perceived impediments to orderly resolution.

Headquartered in Boston, Massachusetts, State Street specializes in providing institutional investors with investment servicing, investment management and investment research and trading. With $18.8 trillion in assets under custody and administration, as well as $1.9 trillion in assets under management, we operate in 25 countries and more than 100 markets worldwide.[1] State Street is organized as a bank holding company

[1] As of March 30, 2010.

(“BHC”) and has more than $100 billion in total assets. Our primary bank subsidiary, State Street Bank and Trust Company, has in turn more than $10 billion in total assets. We are therefore a covered IDI for the purposes of the intended rule.

The FDIC’s proposed contingent resolution framework is consistent with trends towards the more detailed assessment of risk within the global financial system, notably the risk posed by systemically important institutions. This includes the risk of moral hazard associated with financial entities deemed “too big” or “too interconnected” to fail. State Street strongly supports efforts to address these and other systemic vulnerabilities within the global financial system. We are, however, concerned by the growing potential for uncoordinated policy responses, including at the national, regional and international level. In addition, we are concerned by the emergence of increasingly sweeping regulatory measures which may impose unnecessary and/or duplicative regulatory burdens upon the financial industry.

In response to the financial crisis, U.S. lawmakers have recently finalized legislation that will profoundly affect the structure and regulation of the financial industry, including in respect of systemic risk. Among these are provisions mandating the development by the FDIC and the Board of Governors of the Federal Reserve System of contingent resolution plans for large BHC’s. In our view, the importance of these plans stem from their ability to improve the assessment of institution specific risk, rather than as a means of imposing certain specific structural or organizational requirements. Irrespective of their intended role, however, the framework proposed by the FDIC for covered IDI’s and the framework mandated for BHC’s will inevitably encompass virtually identical information and analysis. They are as a result deeply complementary, and in many practical respects broadly duplicative.

As a result, State Street strongly recommends that the FDIC postpone the development of a contingent resolution framework for covered IDI’s until its proposal can effectively be combined with BHC-level mandates. While we acknowledge the importance of better planning in the resolution of covered IDI’s, we do not believe that the FDIC’s regulatory interests would be materially impacted by a temporary delay in the development of its envisioned framework. In addition, we believe that IDI-based contingent resolution planning will ultimately better address the FDIC’s goals if they are developed in close cooperation with BHC-level planning.

The FDIC’s proposed framework covers a broad array of institution-specific information, including legal and functional structures, core business activities, group interrelationships and counterparty exposures, capital structures, funding arrangements, cross-border activities and systemically important functions. Also envisioned are the identification of material events and the development of a gap analysis. As a result, compliance with the rule is expected to be both time consuming and complex. In the interest of mitigating these concerns, State Street recommends that the FDIC develop a specific contingent resolution plan template. This could operate in a manner similar to the Federal Reserve Board’s Supervisory Capital Assessment Program template and would offer several important advantages.

First, it would facilitate the information gathering process by clearly identifying relevant data sets, their interrelationship and specific areas where the FDIC believes that there are information gaps or vulnerabilities in IDI planning. Second, it would offer far greater comparability of data across the financial industry than what can be obtained via individually executed plans. This has important implications for the usefulness of the intended data, including the ability to benchmark and define best practices.

Third, this approach would better support an iterative contingent resolution framework, where data fields are adjusted and refined based upon regulatory experience over time. This includes the elimination of required information in instances where it is determined to be of little practical relevance or use. Finally, we believe that this approach would help provide covered IDI's with greater confidence that they can or have in fact met the intended regulatory requirement. There is in our view legitimate concern regarding the open-ended nature of the proposed framework and its inherent lack of predictability. By enabling financial institutions to make use of a prescribed template, we believe that the FDIC can substantially alleviate these concerns and therefore improve essential legal certainty.

The anticipated cost of compliance with the proposed rule is likely to be substantial. This includes the required staff hours to gather and analyze the necessary data, the development or upgrading of information technology platforms, the institutionalization of compliance processes and the allocation of senior management resources. State Street therefore suggests that every effort be made to rely, whenever possible, on data already provided by institutions when complying with relevant banking or securities law. This includes financial statements and other relevant accounting data. We note in this respect that although audited financial statements are required at the BHC-level, this is not necessarily the case for subsidiary entities, including IDI's. State Street therefore recommends that the FDIC clarify in its final rule that audited financial statements should be used in the preparation of contingent resolution plans only to the extent to which they are currently required by law or prudential regulation.

The FDIC proposes that contingent resolution plans be submitted by covered IDI's within six months of the implementation of the final rule. As previously noted, the scope of the envisioned framework is substantial, requiring the gathering of extensive group-wide information and also the undertaking of complex cross-organizational analysis. As such, we are concerned that the envisioned implementation schedule will not provide covered IDI's with sufficient time to develop a carefully considered contingent resolution framework. We therefore recommend that the FDIC provide covered IDI's with greater time to comply with the final rule. Consistent with other complex institution-wide rulemaking, we believe that an appropriate implementation schedule would be on the order of 12 to 18 months.

Thank you once again for the opportunity to comment on the important matters raised within this NPR. To summarize, State Street supports efforts to address systemic risk, including "too big" and "too interconnected" to fail, but recommends that the FDIC

postpone the development of contingent resolution plans for covered IDI's so that these can be developed in conjunction with BHC-level mandates. In addition, we believe that compliance with the intended framework, and also the usefulness of the data would be enhanced if the FDIC were to introduce a specific contingent resolution plan template. Further, we recommend clarification that the FDIC's proposed framework is not intended to require the use of audited financial statements beyond what is currently mandated by law or prudential regulation. Finally, we urge the FDIC to consider the introduction of a lengthier implementation schedule of between 12 and 18 months.

Please feel free to contact either me or Simon Zornoza at szornoza@statetreet.com should you wish to discuss our submission in greater detail.

Sincerely,

Stefan M. Gavell