STATE STREET.

March 12th, 2007

Via e-mail: comments@FDIC.gov

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

Advance Notice of Proposed Rulemaking ("ANPR") on Large Bank Deposit Insurance Determination Modernization Proposal

Dear Sir:

State Street Corporation ("State Street") appreciates the opportunity to comment on the revised ANPR issued by the Federal Deposit Insurance Corporation ("FDIC") on December 13th, 2006 relative to the proposed modernization of the large bank deposit insurance determination process. This follows an original ANPR issued on December 13th, 2005, to which State Street also responded. Headquartered in Boston, Massachusetts, State Street specializes in providing institutional investors with investment servicing, investment management and investment research and trading. With $11.9 trillion in assets under custody and $1.7 trillion in assets under management as of December 31st, 2006, State Street operates in 26 countries and more than 100 markets worldwide. Consistent with the nature of our client base, State Street operates a very small number of insured deposit accounts, most of which routinely carry balances well in excess of the FDIC's core $100,000 insurance threshold.

Under the terms of the FDIC's revised ANPR, State Street would fall into the category of a "Tier 2 covered" institution, that is a bank of lesser complexity with fewer than 250,000 deposit accounts, yet more than $2 billion in domestic deposits and more than $20 billion in domestic assets. This contrasts with the FDIC's original ANPR where State Street was categorized as a "potentially covered" institution. As was the case in our original comment letter dated March 13th, 2006, State Street is not convinced that there is a need to include specialized institutions with fewer than 250,000 deposit accounts within a modernized large bank deposit insurance determination process. We re-emphasize in this regard that in light of our core institutional client base and the very small number of insured deposit accounts which we maintain, State Street's insurance determination profile is no more complex than that of a small to medium size bank. Moreover, we also reiterate that the ratio of our estimated deposit insurance assessment base to our estimated FDIC coverage is substantially lower than nearly all other US banks. As such, the potential exposure which State Street poses to the FDIC is modest and would create few if any of the complex insurance determination challenges which the FDIC's proposal is designed to address.

Should the FDIC nonetheless choose to proceed with a large bank deposit insurance determination process that includes specialized institutions such as State Street within its scope, we urge it to recognize that our business profile is materially different than that of the retail focused firms which stand at the core of its proposal. More specifically, State Street's role as a service provider to the institutional investor community creates business, operational and informational imperatives which are markedly different than those of other banking entities. As an example, data fields common within a retail banking environment may not be relevant in the context of an institutionally focused bank. As a result, State Street recommends that the FDIC structure its proposal in a manner which is both flexible and consistent with an institution's existing operational framework. This includes the development of a standard data set which is based upon information already maintained by a specialized banking institution as part of its normal day to day business operations, rather than the establishment of a narrow "one size fits all" approach.

In addition, State Street encourages the FDIC to incorporate within its proposal a series of specific provisions designed to minimize the compliance burden on banks without reducing the proposal's overall effectiveness. Firstly, State Street recommends as simple and as streamlined of a deposit insurance determination process as possible. This includes the use of only one provisional hold ratio. This also includes as little parsing of the standard data set as possible, notably no requirement to exclude certain types of accounts (ex: bank owned accounts). Secondly, in light of the substantial technological and financial investments involved, State Street urges the extension of any implementation timeframe to at least two years. This is especially true since it is difficult to predict business imperatives which may delay or complicate the roll out process for a given firm. Thirdly, in order to avoid the proliferation of additional regulatory requirements, State Street encourages the development and implementation of as simplified of a testing protocol as possible. In the case of low risk institutions (i.e. those that fall within the FDIC's Risk Category I), State Street believes that it may be feasible to test no more frequently than every five years.

Finally, State Street urges the FDIC to clarify in any subsequent Notice of Proposed Rulemaking the way in which it proposes to handle the deposit insurance determination process for retirement plan accounts with pass through insurance coverage, a structure which is common within the institutional marketplace. State Street's recommendation is that after having ordered the placing of a provisional hold and having been advised of the pass-through structure of a particular retirement plan account, the FDIC will work directly with the underlying plan sponsor in order to determine applicable beneficial holder level insurance coverage on a post business resumption basis. Specific confirmation of the FDIC's understanding of this matter is however desirable.

In summary, State Street remains unconvinced that there is a need to include specialized institutions with fewer than 250,000 deposit accounts within the FDIC's large bank deposit insurance determination modernization proposal. Should the FDIC nonetheless decide to proceed according to the terms of its revised ANPR, we strongly urge it to remain sensitive to the unique business profile of firm's like State Street and therefore to develop a process which is both flexible and consistent with an institution's existing operational framework. Similarly, State Street also urges the FDIC to consider a number of more specific adjustments to its proposal including the use of only one provisional hold ratio, as little parsing of the proposed standard data set as possible, a lengthier implementation timeframe and a proportionate testing protocol.

Thank you once again for the opportunity to comment on this revised ANPR. To the extent that the FDIC intends to proceed with this proposal, State Street would be pleased to meet with FDIC staff in order to discuss the specific nature of our business as well as possible approaches which can satisfy FDIC expectations while nonetheless minimizing the compliance burden on State Street. Please feel free in this regard to contact Robert McKeon at 617-664-7632 for assistance.

Sincerely,

Neil C. Carfora
Senior Vice President
Global Services

Stefan M. Gavell
Executive Vice President
Head of Regulatory & Industry Affairs