Letter of Comment No: 6
File Reference: FSPFIN46RC



November 30, 2005

Mr. Lawrence W. Smith
Director – Technical Application and Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
PO BOX 5116
Norwalk, CT 06856-5116

Re: Proposed FASB Staff Position No. FIN46R-c, Determining the Variability to Be Considered In Applying FASB Interpretation No. 46R

Dear Mr. Smith:

Thank you for providing State Street Corporation the opportunity to comment on the Proposed FASB Staff Position FIN 46(R)-c, Determining the Variability to Be Considered in Applying FASB Interpretation 46(R) (the "FSP").

State Street Corporation is a financial holding company organized under the laws of the Commonwealth of Massachusetts which, through its subsidiaries, provides a full range of products and services for sophisticated investors worldwide. With \$9.80 trillion of assets under custody and \$1.41 trillion of assets under management as of September 30, 2005, State Street is a leading specialist in meeting the needs of investors. State Street is also the sponsor and administrator of four asset-backed commercial paper ("ABCP") programs which collectively have more than \$17 billion outstanding in the U.S., European and Australian ABCP markets.

State Street supports the Financial Accounting Standards Board's (the "FASB's") effort to provide further clarification in this area, and is generally supportive of the approach described by the proposed FSP. In particular, we support the adoption of a "by-design" approach, which moves towards a more qualitative analysis in determining which interests are variable interests in a variable interest entity ("VIE") and which party is the primary beneficiary of the VIE. In some cases, however, we believe the practical implementation of the proposed FSP could be facilitated by providing a clearer articulation of the principles underlying the FASB's view, and by clearly demonstrating the application of these principles through more detailed discussion of relevant examples.

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In particular, we urge the FASB to further clarify the conditions under which an interest rate swap is considered a creator of variability, rather than an absorber of interest rate risk. While the proposed FSP provides some insight into this distinction, we recommend the FSP explicitly articulate the difference between the use of a senior interest rate swap to match asset and liability risk profiles as described in Example 1(b) and a subordinated swap, such as the embedded swap described in the last paragraph of Example 2. The former is a creator of variability, and therefore need not be considered in a FIN 46(R) analysis; the latter is an absorber of variability, which should be considered in such analysis.

In addition, we believe Footnote 8 to Paragraph A5 of the FSP is too broad. While we understand the need to address potential abuses or lack of transparency, Footnote 8 appears to suggest that any multiple involvement by a swap counterparty may change the analysis of variable interests in a VIE. We do not believe that the mere existence of a counterparty's multiple involvement in a structure should result in a change to the governing factors in the FIN 46(R) analysis, specifically, as stated in Paragraph 10, "the nature of the risks that the entity was designed to create and pass along." We strongly believe that the evaluation of the terms of a derivative or any other contract to determine the variability to be considered, in accordance with the design of the VIE, should be consistent, regardless of a swap counterparty's multiple involvement.

We suggest that the FASB modify Footnote 8 to provide more specificity with regard to situations where multiple involvement in a VIE by a swap counterparty could change the FIN 46(R) analysis, including a detailed discussion of the principals underlying the conclusion.

Overall, we believe that additional clarification, as outlined above, will improve consistency and reduce diversity of practice.

Once again, thank you for providing State Street Corporation the opportunity to express our views on the proposed FSP. Please contact me at 617-664-7902 if you would like to discuss our comments further.

Sincerely,

Pamela D. Gormley

Executive Vice President and Corporate Controller