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Technical Director
File Reference No. 2012-220
FASB
401 Merritt 7
P.O. Box 5116
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Via email: director@fasb.org

Re: Invitation to Comment: FASB Discussion Paper, *Disclosure Framework*

Dear Technical Director:

State Street Corporation ("State Street") appreciates the opportunity to comment on the FASB's (the "FASB" or the "Board") Discussion Paper, *Disclosure Framework* (the "DP"). With $23.44 trillion of assets under custody and administration and $2.07 trillion of assets under management as of September 30, 2012, State Street is a leader in providing financial services and products to meet the needs of institutional investors worldwide.

We acknowledge and support the FASB's efforts to improve the effectiveness of disclosures in the notes to the financial statements. The disclosure requirements in the FASB's Accounting Standards Codification have accumulated on a project-by-project basis over many years, without significant integration. The complexity of the underlying accounting standards, the volume of associated disclosures, and the general apprehension with removing disclosures once they have been provided as well as a lack of integration in practice of accounting topics across notes, have all contributed to disclosure overload. As a result, companies have been conflicted with balancing the effective communication of information that they deem most relevant and important to investors and other stakeholders with the volume of disclosure required. We support the development of an overall disclosure framework that considers the reduction of the overall volume of disclosures with an emphasis on the relevance of disclosures to the users of financial statements. We appreciate the efforts of the Board to solicit feedback and we hope the Board finds our comments helpful as it continues to contemplate guidance in this area.

Scope

The DP only addresses the disclosures in the notes to the financial statements and does not consider information provided elsewhere in financial reports, such as Management's Discussion and Analysis of Financial Condition and Results of Operations (the "MD&A"). Under current regulations, duplicate information is sometimes required to be provided both in the notes to the financial statements and the MD&A. Duplicate information does exist in areas such as investment securities, loans and leases, lines of business and restructuring charges. In addition, recent proposed Accounting Standard Updates for disclosures and forward-looking assumptions that are not linked to amounts reported in the financial statements have highlighted divergent views on appropriate information to be included within the notes to the financial statements, the MD&A and Bank regulatory reporting. We acknowledge that the FASB has removed some of the proposed disclosures from its agenda and we urge that future proposals consider other information provided within the financial statements through co-ordination with the FASB, the SEC and banking regulators in order to achieve alignment of objectives and consistency of the information reported where possible. We believe this synchronized approach would provide more efficient access to financial information for investors. This will reinforce the objective of the DP, and help ensure that disclosures are not duplicative, are provided on a consistent basis and are relevant within an overall framework.

Fundamental principle

We acknowledge that FASB Concept Statement 8: Conceptual Framework for Financial Reporting ("CON 8") states that "Information about a reporting entity's cash flows during a period also helps users to assess the entity's ability to generate future net cash inflows. It indicates how the reporting entity obtains and spends cash, including information about its borrowing and repayment of debt, cash dividends or other cash distributions to investors, and other factors that may affect the entity's liquidity or solvency. Information about cash flows helps users understand a reporting entity's operations, evaluate its financing and investing activities, assess its liquidity or solvency, and interpret other information about financial performance." We believe that the notes to the financial statements should provide information about the historical results, assumptions and judgments that serve as a basis for the reported amounts, risks that may affect reported amounts, claims against and rights of the entity that exist as of the reporting date and alternative measurements where this information would be relevant. Information that is subject to management's future plans and judgments on the occurrence of future events that are not supported by contractual terms or legal obligations existing at the balance sheet date should not be required to be disclosed in the footnotes to the financial statements.

The principle discussed in the DP is to provide financial information that is relevant to making investment and credit decisions. These decisions are based on implicit or explicit assessments of an entity's prospects for cash flows. We believe this represents a significant change from disclosing information on past transactions and other events existing at the reporting date to disclosure of information based on how such information would affect a user's assessment of an entity's future cash flows. CON 8 states that "general purpose financial reports do not and cannot provide all of the information that existing and potential investors, lenders, and other creditors need. Those users need to consider pertinent information from other sources, for example, general economic conditions and expectations, political events and political climate, and industry and company outlooks." We believe that the purpose of the notes to the financial statements is to provide essential supplemental information to the primary financial statements needed to understand the financial performance, financial position and cash flows of an entity. We recognize and acknowledge the need to include certain limited forward-looking information in the footnotes to the financial statements in order to provide context for transactions or financial statement line items that are in existence as of the balance sheet date. However, we do not believe that it is appropriate to focus the notes to the financial statements on information pertaining to future cash flows as footnote disclosures are not to be viewed as predictive.

We believe that disclosure of the risks that affect reported amounts and claims against and rights of the entity at the reporting date, if determined to be relevant and material in the context of an overall framework, would provide users with financial information that is useful for making investment and credit decisions. For example, explanations of period-to-period changes would provide financial statement users with information that would allow them to make an assessment regarding cash flow prospects. Forward-looking information about other events or conditions that could affect cash flows, probabilities of occurrence and sensitivities to changes in financial condition may result in required disclosures in the notes to the financial statements of information that is currently provided in the MD&A or elsewhere in the annual report. These potential changes could be challenging from both a legal and an audit perspective. The objective of MD&A, as outlined in SEC Regulation S-K Item 303, is to provide financial statement users with both a short- and a long-term analysis of the business of the company, which includes an evaluation of potential future outcomes. We believe that such forward-looking information should be included in MD&A and not in the notes to the financial statements.

Framework and relevance

The FASB seeks to identify information that should be disclosed in the notes to the financial statements by asking a series of yes/no questions. For each question, the Board describes what information is to be considered for disclosure and why that information could be important. A majority of financial institutions would answer "yes" to the questions contemplated and we believe that the natural outcome of the process would be greater volume of disclosures. In the current regulatory environment, we believe companies will continue to favor disclosing "everything" and limit the use of judgment on selectively disclosing material and relevant information. We believe that the FASB should define an overall framework to assist in establishing disclosure requirements that are relevant and decision-useful for investors. This framework could be used by management to apply judgment to determine which disclosures are relevant for the reporting entity. The FASB should reinforce the concept of not disclosing immaterial information since including such information reduces the relevance and understandability of disclosures.

Disclosure volume

We believe that the Board should consider a reduction in disclosure volume as a primary objective of the DP. The volume and complexity of disclosures has grown steadily over the years, while their overall effectiveness has declined as a result. As financial statements have become more complex to read, users tend to rely on more unaudited concise forms of disclosure (such as earnings release data) and non-GAAP information. We believe that the FASB should undertake incremental procedures to ensure that perceived user's needs are weighed against the costs of providing disclosures, as well as the likelihood that important disclosures can be overlooked or lost in the process of providing required, but less useful, information. We believe that the FASB should develop a procedure to routinely review required disclosures, as users' information needs may change over time and it is important to consider whether existing disclosures continue to be relevant. In addition, disclosures in future Accounting Standards

Updates should be less prescriptive in the context of the overall framework. We believe that the framework should allow entities to exercise greater judgment in evaluating disclosures for relevance and materiality. In addition, we believe that the FASB should provide guidance on when to remove certain disclosures that may no longer be relevant as such changes tend to significantly affect shareholder behavior.

Disclosures for interim financial statements

We believe that developing a framework for establishing interim disclosures would be helpful. Currently, certain information provided in the notes to the interim financial statements is at the same level of detail as that provided in the annual financial statements. We believe that materiality and relevance should be applied to interim financial statements as well, with a focus on whether significant and or material changes have occurred since the last annual financial statements. We recommend that the FASB consider provisions similar to those found in SEC Regulation S-X that specifically permit omission in interim financial statements of disclosure where there has been no significant change in amount or composition since the date of the latest annual financial statements.

Flexibility and other matters

We believe that providing flexibility in the context of an overall framework would be beneficial. Although it may be challenging in the initial years of adoption, as there may not be granular comparable information available for financial statement users, we believe that accepted practice would develop over time within industry groups.

Operational considerations

The concept of disclosure in the notes to the financial statements based on prospects for future cash flows is a significant change from current disclosure practices and will require management to develop new processes which would not have previously been subjected to audit or financial reporting controls. Furthermore, these new processes may result in the development of information for financial statement note disclosure purposes only, which may not reflect management decision-making related to past transactions and, therefore, may provide misleading information to the users of financial statements.

Professional auditing standards require auditors to obtain relevant and reliable evidential matter supporting financial statement disclosures and related management assertions. We are concerned about the auditability of the disclosures based on prospects for future cash flows and the challenges surrounding providing evidential support for forward looking information for audit purposes.

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We appreciate your consideration of our comments and welcome the opportunity to discuss them with you.

Sincerely,

Sean P. Newth
Senior Vice President and Director of Global Accounting Policy