October 7, 2019

VIA Email: director@fasb.org

Mr. Shayne Kuhaneck
Technical Director, FASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116


Dear Mr. Kuhaneck:

State Street Corporation (“State Street”) appreciates the opportunity to comment on the Financial Accounting Standards Board’s (“FASB’s”) proposed Accounting Standards Update (“ASU”) Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting (the “Proposed ASU”). With $32.75 trillion of assets under custody and administration and $2.92 trillion in assets under management at June 30, 2019, State Street is a leader in providing financial products and services to meet the needs of institutional investors worldwide.

State Street commends the FASB’s extensive outreach, thoughtful policy approach, and the urgency with which it has addressed this unique situation. We believe the FASB’s efforts will help minimize the impact of reference rate reform on the capital markets.

We have contributed to, and support, the joint response to the request from the Alternative Reference Rates Committee (“ARRC”) Accounting and Tax working group and its member firms and the Accounting Committee of the Securities Industry and Financial Markets Association (“SIFMA”). In addition, we would like to highlight the following:
We strongly support the recommendation in the ARRC/SIFMA letter that the FASB should consider allowing a one-time transfer from Held-to-Maturity (“HTM”) classification for debt securities impacted by reference rate reform. In situations where it is unclear how reference rate reform will impact the cash flows of a floating rate security, or the provisions in the security may result in a change from a floating rate to a fixed rate, we are concerned that HTM classification unduly restricts how we can manage the risk inherent in such a unique change.

For example, an entity may decide that the most appropriate risk management action to mitigate any risk of reference rate reform is to simply sell the impacted securities; however, if those securities are classified as HTM, a sale would not be permitted, requiring the entity to retain a position that may be inconsistent with the entity’s risk management strategies and objectives. Similarly, in a situation where the floating rate of a security classified as HTM changes to a fixed rate, the entity will be precluded from selling the security or designating the security in a fair value hedge of its benchmark interest rate risk. To address this unanticipated concern, we request that the FASB allow for a one-time election to transfer out of the HTM classification for securities impacted by reference rate reform.

We appreciate your consideration of our views described above prior to the issuance of a final standard. If you would like to discuss our views above, please contact Ian Appleyard, Corporate Controller and Chief Accounting Officer, at IAppleyard@statestreet.com or Beth Schaefer, Deputy Controller, at ESchaefer@statestreet.com.

Best regards,

Ian Appleyard

Corporate Controller and Chief Accounting Officer