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November 14, 2008

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File Reference No. 1620-100

Re: Exposure Draft: Proposed Statement of Financial Accounting Standards, Amendments to FASB Interpretation No. 46(R)

Thank you for the opportunity to comment on the Proposed Statement of Financial Accounting Standards, Amendments of FASB Interpretation No. 46(R) (Proposed Amendment). State Street Corporation (State Street) has been following closely the project of the Financial Accounting Standards Board (FASB or Board) and would like to comment on the assessment and subsequent impact of consolidation under the FIN 46(R) model as well as the timing of adoption, given the decision to defer the effective date of the Proposed Amendment to January 1, 2010 (for calendar companies).

The purpose of this comment letter is twofold. First, we request that the FASB alter the Proposed Amendment to ensure that upon consolidation of a VIE's assets and liabilities, the consolidating entity is able to achieve ongoing accounting that reflects only the risks that the consolidating entity owns. Second, we request that FASB include an early adoption option under the Proposed Amendment for the application of FIN 46R¹. These are discussed in further detail below.

Consolidation Accounting Model

Under the Proposed Amendment, upon consolidation of a VIE, in certain cases there may be no ongoing accounting recognition of risk not borne by the consolidating entity, resulting in a mixed attribute accounting model. For example, the classification of consolidated assets as trading or

While the focus of this letter is on the FIN 46 Proposed Amendment, we concur with the staff's general sentiment that FIN46R and SFAS 140 amendments should be adopted simultaneously. As such, generally we would also support an early adoption option in the SFAS 140 amendment, assuming that such an amendment is issued with provisions grandfathering the current QSPEs. However, we do not believe that adoption of FIN 46R should be held up because of delays or complications with a possible early adoption option for SFAS 140.

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available-for-sale securities may not be offset by the accounting for the liabilities even in the event that a fair value option was elected on the liabilities if other risk is borne by a third party. We believe that there should be an ability to offset the impact of the asset recognition with the portion of the risk that is truly borne by other interest holders and otherwise not accounted for in the financial statements.

Early Adoption Provision

We appreciate the transition difficulties and timing problems posed for other institutions that underlie the Board's decision to defer mandatory adoption for a year. However, we also believe that institutions that are able to consolidate under the Proposed Amendment should be permitted to do so as soon as possible, and that they should account for the change as a cumulative effect of an change in accounting principle in the same way that later adopters will account for the consolidations.

We acknowledge that this option may result in temporary comparative differences between the primary financial statements of early and later adopters. However, an early adoption option, coupled with the Board's proposed FSP FAS 140-e and FIN 46(R)-e on enhanced disclosure requirements, will alleviate any comparability concerns. We believe there are compelling reasons for the inclusion of an early adoption option which are addressed below.

Many financial institutions spend a significant amount of time and effort managing, discussing and disclosing their involvement with unconsolidated VIEs. Early adoption will allow management and financial statement users to focus decision making on core business operations and balance sheet management without the significant distractions that the FIN 46R process demands.

We acknowledge that the comparability of financial statements among institutions with similar activities is critical to investors and analysts. As we have witnessed recently, in some cases, institutions have proactively forced consolidation of off-balance sheet activities and may continue to do so in advance of the deferred adoption of the Proposed Amendment and some institutions have consolidated only selective activities and not all. This means that it is currently difficult to compare balance sheets between institutions that have forced consolidation with those that have been required to consolidate.

Postponing the adoption of the Proposed Amendment will not ensure comparability. Such comparability will, however, be greatly enhanced by the 2009 implementation of FASB's proposed FSP FAS 140-e and FIN 46(R)-e requiring enhanced disclosure. The disclosures will insure that investors have the necessary information to compare the performance of all institutions. Finally, permitting an early adoption option will ultimately allow better balance sheet comparisons between companies that have consolidated in 2009 using the early adoption option with those that consolidate in 2010.

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In summary, we believe that an early adoption option under the Proposed Amendment would provide useful information to investors and the market. It would enable companies to focus on core business issues while not compromising the concern of comparability among companies.

We appreciate your consideration of these matters and welcome the opportunity to discuss them with you.

Sincerely,

James J. Malerbal

Executive Vice President and Corporate Controller