State Street Corporation

Stefan M. Gavell
Executive Vice President and Head of
Regulatory, Industry and Government Affairs

State Street Financial Center
One Lincoln Street
Boston, MA 02111-2900

Telephone: 617.664.8673
Facsimile: 617.664.9339
smgavell@statestreet.com
www.statestreet.com

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Robert de V. Frierson, Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

RE: Docket Number R-1523 and RIN Number 7100-AE37

Via e-mail: regs.comments@federalreserve.gov

Notice of Proposed Rulemaking – Total Loss Absorbing Capacity, Long-Term Debt and Clean Holding Company Requirements for Systemically Important US Bank Holding Companies and Intermediate Holding Companies of Systemically Important Foreign Banking Organizations; Regulatory Capital Deduction for Investments in Certain Unsecured Debt of Systemically Important US Bank Holding Companies

Dear Sir/ Madam:

State Street Corporation ("State Street") welcomes the opportunity to comment on the Notice of Proposed Rulemaking ("NPR") issued by the Board of Governors of the Federal Reserve System ("FRB") regarding the implementation of a series of prudential measures to improve the resiliency and the resolvability of certain large, interconnected banking organizations operating in the United States ("US"). This includes the introduction of a total loss absorbing capacity ("TLAC") requirement and a long-term unsecured debt ("LTD") requirement for US bank holding companies ("BHCs") which have been identified as Global Systemically Important Banks ("G-SIBs").

Under the proposed rule, US G-SIBs would be required to meet a minimum TLAC requirement of 18% of risk weighted assets ("RWA") on a fully-phased in basis, plus a TLAC buffer ranging from 3.5% to 5.0% of RWA depending on the BHC's Method 1 G-SIB capital surcharge, and a minimum TLAC leverage ratio requirement of 9.5% calculated in accordance with the US final rule on the supplementary leverage ratio ("SLR").[1] Based upon the proposed rule, we estimate a fully-phased in State Street TLAC RWA requirement of 21.5% assuming a 1% Method 1 G-SIB surcharge. In addition, US G-SIBs would be required to meet a minimum LTD requirement of 6% of RWA, plus a LTD buffer ranging from 1% to 4.5% of RWA depending on the BHC's Method 2 G-SIB capital surcharge, and a minimum LTD leverage ratio requirement of 4.5% of 'total leverage exposure'. Based upon the proposed rule, we estimate a State Street LTD RWA requirement of 7.5% assuming a 1.5% Method 2 G-SIB surcharge.

Although the proposed framework is intended to be consistent with the international standard adopted by the Financial Stability Board ("FSB") in November 2015, it is in fact far more stringent and complex, notably in regard to the LTD requirement.[2] While we recognize the imperative of ensuring the resolvability of all financial institutions, especially those which have been designated as systemically important, we have serious concerns regarding the design and calibration of the proposed TLAC and LTD requirements, which we believe do not properly account for the particular characteristics and risk profile of the custody bank business model.

Headquartered in Boston, Massachusetts, State Street is a stand-alone custody bank that specializes in the provision of financial services to institutional investor clients. This includes investment servicing, investment management, data and analytics, and investment research and trading. With $27.51 trillion in assets under custody and administration and $2.25 trillion in assets under management as of December 31, 2015, State Street operates in 29 countries and in more than 100 geographic markets. State Street is organized as a US BHC, with operations conducted through several entities, primarily its wholly-owned insured depositary institution ("IDI") subsidiary, State Street Bank and Trust Company. As of December 31, 2015, our Basel III advanced approach common equity Tier 1 ("CET1") ratio was 12.5% and our Basel III standardized approach CET1 ratio was 12.9%. Our estimated *pro forma* SLR equaled 6.2% at the level of the BHC and 6.0% at the level of the IDI.[3]

Our perspective in respect of the NPR is broadly informed by our status as one of only two stand-alone custody banks designated as a G-SIB and therefore our role as one of the world's largest providers of custody services to institutional investor clients.[4] These clients include asset owners, asset managers and official institutions, and encompass US mutual funds and their non-US equivalents; corporate and public retirement plans; sovereign wealth funds; central banks; alternative investment funds; insurance company general and separate accounts;

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[1] 'Final Rule –Regulatory Capital Rules: Regulatory Capital, Enhanced Supplementary Leverage Ratio Standards for Certain Bank Holding Companies and their Subsidiary Insured Depository Institutions', Office of the Comptroller of the Currency, Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation, US Federal Register, Volume 79, Number 84, Page 24528 (May 1, 2014). The SLR is effective as a minimum capital standard as of January 1, 2018, with public disclosure as of January 1, 2015.

[2] 'Principles on Loss-absorbing and Recapitalization Capacity of G-SIBs in Resolution: Total Loss-Absorbing Capacity Term Sheet', Financial Stability Board, November 9, 2015.

[3] All capital ratios are presented based upon Basel III transitional rules.

[4] The Bank of New York Mellon is the only other stand-alone custody bank which has been designated by the Financial Stability Board as a G-SIB.

charitable foundations and endowments. We appreciate the opportunity to offer insight relative to the impact of the NPR on our role as a custodial entity, a role that is widely understood by the market and by the supervisory community as providing important benefits for the safety of client assets and the stability of the financial system.

We have participated in the development of the responses prepared by various financial services trade groups, notably the joint submission from The Clearing House Association, the Securities Industry and Financial Markets Association, the American Bankers Association, the Financial Services Roundtable and the Financial Services Forum, and we broadly support the observations and recommendations made therein. Our intention with this letter is to highlight issues of particular concern to State Street that result from our custody bank business model.

Our key policy recommendations, which are discussed in greater detail below, can be summarized as follows:

- Recalibration of the proposed TLAC leverage ratio requirement to 7.5% of 'total leverage exposure', along with its implementation on a phased basis and its redesign as a combined minimum requirement and leverage buffer requirement;
- Elimination of the proposed leverage ratio requirement for LTD, or alternatively its recalibration to 2.5% of 'total leverage exposure';
- Abandon consideration of a domestic internal TLAC requirement for material operating subsidiaries, or alternatively a narrowing of scope so that such a requirement would only apply to material non-bank operating subsidiaries.

INTRODUCTORY COMMENTS

As emphasized in our recent letter to the FSB on the 'Adequacy of the Loss-Absorbing Capacity for Global Systemically Important Banks', State Street strongly supports the development of a comprehensive framework for the resolution of systemically important financial entities, in a manner that heightens confidence in the stability of the financial system and which prevents the potential imposition of private losses on the public sector.[5] This includes the implementation of a TLAC requirement for US G-SIBs, along with measures limiting the ability of a covered BHC from entering into certain financial arrangements that could impede the orderly resolution of the BHC in the event of insolvency. Similarly, we also support enhanced disclosure of available amounts of loss absorbing instruments, along with limits on the ability of any FRB regulated financial institution from holding unsecured debt issued by a US G-SIB in order to mitigate potential contagion risk.

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[5] 'Consultative Document – Adequacy of the Loss-Absorbing Capacity for Global Systemically Important Banks', State Street Corporation (February 2, 2015).

Nevertheless, we have important reservations regarding the design and calibration of the proposed leverage ratio requirement in both the TLAC and the LTD standard. This reflects three interrelated concerns. First, while we recognize the ability of national jurisdictions to introduce requirements which are more stringent than those prescribed in international standards, we believe as a matter of principle that every effort should be made to implement regulatory capital and liquidity requirements on a globally consistent basis. This is designed to avoid the emergence of competitive disparities among industry participants, which could lead to the migration of financial activities to banks not subject to the same prudential requirements, or to entities operating in the less-regulated shadow banking sector. We are particularly concerned, in this respect, with the proposed implementation of a leverage ratio requirement for LTD, which is not contemplated in the FSB's TLAC term sheet.

Second and as repeatedly emphasized in our comment letters to the US prudential regulators on the SLR, we believe that it is essential for leverage ratio requirements to serve as a complement to risk-based measures of capital rather than as a *de facto* binding regulatory constraint.[6] This is designed to avoid the emergence of a regulatory capital framework that discourages US banks from supporting high-volume, low-risk, low-return client-driven financial activities which are central to the operation of the financial system. From our perspective as a global custody bank, this includes the ability to manage the day-to-day safekeeping, asset administration and cash-related needs of our institutional investor clients in diversified portfolios of investment assets. Unfortunately, the US prudential regulators have implemented an SLR requirement for the US G-SIBs (i.e. the enhanced SLR) that is the binding capital constraint for the custody bank G-SIBs on a business as usual basis, and we are concerned that as designed, the NPR will lead to the same outcome for both TLAC and LTD.

This leads, in turn, to our third concern, namely that as a matter of best regulatory practice, the proposed TLAC and LTD requirements must endeavor to appropriately recognize the differences which exist between industry business models, along with the implications of these differences for systemic risk. This includes the US G-SIBs which despite their common label, are not uniform in terms of size and scope, and which do not engage in identical lines of business. Indeed, State Street is the smallest of the designated G-SIBs, with total assets of $245.2 billion.[7] This compares with $2.35 trillion for the largest US G-SIB and $3.62 trillion for the largest non-US G-SIB.[8] Furthermore, State Street's total assets represent substantially less than 1% of the

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[6] 'Joint Notice of Proposed Rulemaking – Enhanced Supplementary Leverage Ratio Standards for Certain Bank Holding Companies and their Subsidiary Insured Depository Institutions', State Street Corporation (October 21, 2013) and 'Joint Notice of Proposed Rulemaking – Regulatory Capital Rules: Proposed Revisions to the Supplementary Leverage Ratio', State Street Corporation (June 13, 2014).
[7] As of December 31, 2015.
[8] 'Earnings Release: Financial Supplement', JP Morgan Chase & Co. (Q4 2015) and data for the Industrial and Commercial Bank of China, 'Global Capital Index: Capitalization Ratios for Global Systemically Important Banks', Federal Deposit Insurance Corporation (June 30, 2015).

total aggregate assets of the entire G-SIB universe.[9] Also, while most G-SIBs are universal banks with extensive retail, commercial and investment banking operations, State Street is one of only two G-SIBs which operate as stand-alone custody banks, focusing on the provision of day-to-day operational services to clients rather than on the accumulation of yield from credit risk assets. This can be seen, among other, from the fact that fee revenue comprised 80.5% of our total revenue as of December 31, 2015.

Stand-alone custody banks such as State Street employ a highly specialized business model, providing financial services to institutional investor clients. These clients, which include pension plans and mutual funds, contract with custody banks to ensure the proper safekeeping of their investment assets, as well as the provision of a broad range of related financial services. Those services include access to the global settlement infrastructure in order to complete the purchase or sale of investment securities, and various asset servicing functions that result from clients' investment activities. Institutional investors have significant day-to-day transactional needs resulting from these investment activities. This requires access to deposit accounts and cash management services offered as a normal part of the custody function. As a result, the stand-alone custody banks have large amounts of client deposit inflows and will often end up with 'excess' amounts of cash on their balance sheet; that is more cash than clients require to address their immediate operational needs.

While institutional investors will typically invest excess cash in order to maximize returns, there are occasions where they will leave cash on deposit with their custodian beyond what is needed to support normal course activities. This is especially true in periods of financial market uncertainty, when institutional investors may seek to adjust their risk exposures or otherwise take steps to preserve the value of their assets. Because the amount of excess cash that institutional investor clients will hold at any given time is unpredictable, the stand-alone custody banks manage these deposit inflows through placements with national central banks, notably the FRB. This highly conservative asset-liability management strategy enables the stand-alone custody banks to support their clients' cash-related needs in a safe and secure manner, without introducing greater risk to the banks, their clients or the broader financial system. As currently designed, however, the SLR does not recognize the unique characteristics of central bank placements, which are treated no differently than a commercial real estate loan or other similar higher risk asset, so that client deposit inflows have a disproportionate effect on the size of the custody bank balance sheet, and therefore leverage-based measures of capital.

Similarly, stand-alone custody banks have balance sheets which are constructed differently than most banks. Indeed, the custody bank balance sheet is liability driven and expands not through asset growth, but through the organic development of client servicing relationships

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[9] 'Global Capital Index: Capitalization Ratios for Global Systemically Important Banks', Federal Deposit Insurance Corporation (June 30, 2015). Calculation of total assets is based on US GAAP, IFRS and local GAAP depending upon the home jurisdiction of the G-SIB.

that, over time, translate into increased volumes of highly stable deposits. These deposits, rather than various sources of wholesale funding, provide the largest part of the custody banks' liabilities. For instance, as of December 31, 2015, client deposits made up approximately 78.2% of State Street's total balance sheet assets. Importantly, custody banks acquire deposit liabilities as a direct result of the financial services they provide. These deposits are a natural consequence of clients' needs to store cash derived from their investment-related activities, not an active effort to grow deposits. In other words, the cash deposits that come on to the custody bank balance sheet are driven by customer demand, not the custody banks' financing decisions.

As such, the stand-alone custody banks do not need to rely extensively on various sources of debt (both short and long-term) to manage their balance sheets or their day-to-day business activities. Despite these important differences, the particular characteristics of deposit funded banks, such as the stand-alone custody banks, are not reflected in the FRB's proposed LTD requirement, which mandates the same amount of LTD for all of the US G-SIBs regardless of their funding structure or risk profile. When combined with the use of a leverage ratio requirement in both TLAC and LTD, this results in a framework that is particularly punitive for the stand-alone custody bank G-SIBs. We therefore recommend a series of adjustments to the intended approach designed to more appropriately reflect the particular characteristics of the custody bank business model and its inherent potential for systemic risk. This includes changes in both the design and calibration of the leverage ratio requirements. Furthermore, we offer comment on the question posed by the FRB regarding the introduction of a domestic internal TLAC requirement for the material operating subsidiaries of the US G-SIBs.

CALIBRATION OF THE TLAC LEVERAGE RATIO REQUIREMENT

As previously described, the FRB's proposed TLAC standard incorporates a minimum leverage ratio requirement of 9.5% of 'total leverage exposure'. This contrasts with the FSB's international standard, which incorporates a minimum leverage ratio requirement of 6% beginning January 2019, rising to 6.75% in January 2022. Although the NPR does not specify how the TLAC leverage ratio requirement was calibrated, it seems reasonable to assume that calibration is based upon the sum of the eSLR standard of 5% plus the proposed minimum LTD leverage ratio requirement of 4.5%.

In the NPR, the FRB explains that the LTD requirement was calibrated on the basis of the 'capital refill' approach, which aims to 'ensure that each covered BHC has a minimum amount of LTD such that, if the covered BHC's going concern capital is depleted and the covered BHC enters resolution, the LTD will be sufficient to absorb losses and recapitalize the covered BHC by replenishing its going concern capital'.[10] This includes the leverage ratio component of the

[10] FRB Notice of Proposed Rulemaking, pages 26-27.

LTD requirement.[11] In effect then, the proposed TLAC leverage ratio requirement of 9.5% is based on the assumption that a covered BHC must meet the eSLR standard of 5% on a post-insolvency basis. We believe that this calibration is unnecessarily conservative and that it should be adjusted to better reflect the design of the SLR in US prudential regulation.

Minimum Requirement

Under revised US regulatory capital standards, BHCs which are subject to the advanced approaches capital framework must meet a minimum SLR of 3% as of January 1, 2018.[12] Furthermore, BHCs which have been designated as G-SIBs are subject to an additional leverage ratio buffer of 2% which sits on top of the 3% minimum, or what is referred to as the 'enhanced' SLR.[13] The purpose of the leverage ratio buffer is to limit the ability of a US G-SIB from making capital distributions and discretionary bonus payments on a 'going concern' basis, as its capital levels decline in order to reduce the potential risk of insolvency. It operates in a manner similar to the capital conservation and countercyclical capital buffers in the risk-based capital framework. Nevertheless, what the leverage ratio buffer is not designed to do is to serve as a 'gone concern' standard since it is most unlikely that the US prudential regulators would permit a covered BHC emerging from the insolvency process from making either capital distributions or discretionary bonus payments.

In effect then, by incorporating the 2% leverage ratio buffer in both the 5% 'going concern' standard and the 4.5% 'gone concern' standard, the proposed TLAC leverage ratio requirement results in a 'double counting' of the leverage ratio buffer and therefore more loss-absorbing capacity than reasonably required to ensure the orderly resolution of a covered BHC. This is especially true given clear indications from the US prudential regulators that the insolvency process would be used to ensure that a covered BHC is no longer 'systemically important' and therefore implicitly not subject to the higher eSLR standard.[14] As such, we believe that the proposed minimum TLAC leverage ratio requirement of 9.5% should be reduced to 7.5% of 'total leverage exposure', which equals twice the 3% minimum SLR, plus the 2% leverage ratio buffer, minus the FRB's proposed balance sheet depletion allowance of .5%.

Phase-in

While the NPR includes a phase in period for the minimum TLAC RWA requirement, this is not the case for the leverage ratio requirement which is proposed to be implemented in full as of January 2019. In contrast, the FSB prescribes an initial TLAC leverage ratio requirement of 6.0%

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[11] FRB Notice of Proposed Rulemaking, pages 28.
[12] 12 CFR Part 217.10 – Minimum Capital Requirements.
[13] 12 CFR 6.4 – Capital Measures and Capital Category Definitions. The eSLR is effective as a minimum capital standard as of January 1, 2018, with public disclosure as of January 1, 2015.
[14] As an example, in a November 18, 2015 speech, FDIC Chairman Martin Gruenberg commented that 'An explicit objective (of the FDIC resolution process) is to ensure that no systemically significant entity emerges from this process'.

effective January 2019, rising to 6.75% as of January 2022. In order to account for US G-SIBs which operate with lower levels of balance sheet risk and which are therefore more likely to be constrained by measures of leverage capital, we believe that the US TLAC leverage ratio requirement should also be subject to implementation on a phased basis. More specifically, we suggest the implementation of the 6% leverage ratio requirement prescribed by the FSB as of January 2019, followed by implementation of the higher US leverage ratio standard of 7.5% beginning January 2022.

TLAC Leverage Ratio Buffer

Finally and consistent with the policy rationale articulated in Question 9 of the NPR, we suggest that once implemented in full (i.e. by January 2022), the TLAC leverage ratio standard should be structured as a minimum requirement of 5.5% and a buffer requirement of 2%, in a manner analogous with the calibration of the eSLR. This would permit the implementation of a more proportionate approach, in which a US G-SIB falling below the 7.5% TLAC leverage ratio requirement would be subject to progressively more stringent limits on its ability to make capital distributions and discretionary bonus payments, rather than to immediate designation as inadequately capitalized. This is particularly important in view of the FSB's assertion that 'a breach, or likely breach, of minimum TLAC should ordinarily be treated by supervisors….as seriously as a breach, or likely breach, of minimum regulatory capital requirements'.[15]

CALIBRATION OF THE LTD LEVERAGE RATIO REQUIREMENT

As previously described, the FRB's proposed LTD framework incorporates a minimum leverage ratio requirement of 4.5% of 'total leverage exposure'. This contrasts with the international standard, where the FSB does not foresee any leverage ratio requirement for LTD. Given the presence of a minimum leverage ratio requirement in the overarching TLAC standard, we believe that an additional leverage ratio requirement for LTD is both unnecessary and is likely to be particularly punitive for banking organizations, such as the stand-alone custody banks, which specialize in the provision of high-volume, low-risk, low-return client-driven financial activities, and which have balance sheets with much lower levels of embedded risk. Indeed, based on the NPR and State Street's current balance sheet composition, the LTD leverage ratio requirement would be our binding loss-absorbency constraint.

As such, we strongly recommend that the FRB adjust its proposed approach by abandoning the use of a leverage ratio standard in the LTD requirement. Alternatively, if a leverage ratio standard is introduced, it should be set at 2.5% of 'total leverage exposure', which is consistent with the minimum SLR requirement for advanced approaches banks, less the FRB's proposed balance sheet depletion allowance of .5%. In our view, this approach more accurately reflects

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[15] Principles on Loss-absorbing and Recapitalization Capacity of G-SIBs in Resolution: Total Loss-Absorbing Capacity Term Sheet', Financial Stability Board, November 9, 2015, page 12.

what should be expected of a banking entity emerging from a period of insolvency, rather than the proposed 4.5% standard which is based on an unwarranted and highly conservative 'going concern' view of capital. While it is impossible to know whether a US G-SIB emerging from insolvency would still be designated as a G-SIB, if this were in fact the case, we suggest that plans for the replenishment of the 2% leverage ratio buffer should be the subject of a post-insolvency agreement between the resolved banking entity and its primary regulator rather than a matter addressed within the FRB's LTD requirement.

DOMESTIC INTERNAL TLAC

The FRB requests comments in its NPR on the desirability of implementing a domestic internal TLAC requirement for material operating subsidiaries of the US G-SIBs. This is designed to ensure that there is an adequate mechanism in place to transfer losses from a material operating subsidiary to the covered BHC in the event of insolvency. Furthermore, the FRB asks for comments on the extent to which the domestic internal TLAC requirement should be made up of 'contributable resources' held at the covered BHC to cover potential losses across the banking entity, and 'prepositioned resources' comprised of LTD that would be held by the material operating subsidiary in order to facilitate its recapitalization in the face of substantial losses. While we appreciate the desire to improve the resolvability of the US G-SIBs, we believe that a domestic internal TLAC requirement is unnecessary and that it would introduce unwarranted costs for the industry with little to no offsetting regulatory benefit.

As an initial matter, we note that internal TLAC was specifically conceived by the FSB as a means of building trust between home and host supervisory authorities in order to facilitate the orderly resolution of a G-SIB in a cross-border context. Specifically, the FSB states that 'The primary objective of internal TLAC is to facilitate cooperation between home and host authorities and the implementation of effective cross-border resolution strategies…within resolution groups outside of the resolution entity's home jurisdiction'.[16] This is simply not relevant in the context of a domestic insolvency, where there is no mechanical impediment to the implementation of an orderly resolution, and indeed where there should be no grounds for concern that US regulators will act in a manner detrimental to the overall stability of the financial system. This is especially true for domestic bank subsidiaries of the US-GIBs which operate on the basis of a virtually identical regulatory capital framework and which are subject to the receivership authority of the Federal Deposit Insurance Corporation.[17]

Furthermore, there are in our view, other far less costly and onerous measures which the FRB and the other US prudential regulators can take to facilitate the orderly transfer of resources between a covered BHC and a material operating subsidiary in the event of insolvency. This

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[16] 'Principles on Loss-absorbing and Recapitalization Capacity of G-SIBs in Resolution: Total Loss-Absorbing Capacity Term Sheet', Financial Stability Board, November 9, 2015, page 17.
[17] Federal Deposit Insurance Act of 1950.

includes 'capital contribution agreements' which would impose upon a covered BHC the legal obligation to recapitalize a specified domestic subsidiary upon the occurrence of one or more prescribed trigger events. This approach is consistent with existing supervisory expectations for recovery and resolution planning at the US G-SIBs and has the benefit of permitting tailored implementation according to each G-SIB's individual business model, legal structure and risk profile. While the FRB does acknowledge the value of 'capital contribution agreements' as a means of strengthening a potential domestic internal TLAC requirement, we view the introduction of a contractual framework as sufficiently robust to address any reasonable concern regarding the ability to transfer losses from a material domestic operating subsidiary to the covered BHC in the event of insolvency.

We therefore do not support the introduction of a domestic internal TLAC requirement for material operating subsidiaries in US prudential regulation, whether in the form of contributable or pre-positioned resources, since such an approach is both unnecessary and unduly burdensome. If notwithstanding our concerns, the FRB determines that it is necessary to implement such a requirement, we strongly recommend that the requirement be limited to material non-bank operating subsidiaries where there may be a higher risk of complications in the implementation of an orderly resolution. In no circumstances, however, should this requirement apply to material IDI subsidiaries, where as previously noted, the potential for a contested insolvency process is effectively non-existent.

CONCLUSION

Thank you once again for the opportunity to comment on the important matters raised within this NPR. To summarize, while we support the introduction of a TLAC requirement for the US G-SIBs, we have serious reservations regarding the proposed structure and calibration of the leverage ratio requirements in both the TLAC and the LTD standard since these requirements tend to disproportionately affect certain BHCs, such as the stand-alone custody banks, with more conservatively managed balance sheets.

In terms of the TLAC leverage ratio requirement, we recommend: that it be recalibrated to 7.5% of 'total leverage exposure' in order to avoid the double counting of the eSLR leverage buffer; that the requirement be implemented on a phased basis beginning with the 6% international standard in 2019, rising to 7.5% in 2022; and that the US standard should be reconstituted as a 5.5% minimum requirement and a 2% leverage buffer, in a manner consistent with the design of the eSLR.

In terms of the LTD leverage ratio requirement, we believe that it should not form part of the intended framework, or alternatively that it should be recalibrated to 2.5% of 'total leverage exposure', which reflects the minimum SLR requirement prescribed in US prudential regulation for advanced approaches banks, less the proposed balance sheet depletion allowance of .5%.

Finally, we oppose the introduction of any domestic internal TLAC requirement for material operating subsidiaries, but if such a requirement were to be implemented, we strongly recommend that it be limited to material non-bank operating subsidiaries where there may be a higher risk of complications in the implementation of an orderly resolution in the event of insolvency.

Please feel free to contact me at smgavell@statestreet.com should you wish to discuss State Street's submission in further detail.

Sincerely,

Stefan M. Gavell