



STATE STREET.

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February 1, 2010

Jennifer J. Johnson, Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

RE: Docket Number R-1381

**Notice of Proposed Rulemaking – Amendments to Regulation D – Reserve Requirements of Depository Institutions**

Dear Ms. Johnson:

State Street Corporation (“State Street”) appreciates the opportunity to comment on the Notice of Proposed Rulemaking (“NPR”) issued by the Board of Governors of the Federal Reserve System (“Board”) amending Regulation D to authorize the establishment of a term deposit facility. Designed to enhance the conduct of monetary policy, the proposed facility would be open to institutions eligible to receive credit interest on balances held in Federal Reserve Bank accounts (i.e. “eligible institutions”). Term deposits would not satisfy an eligible institution’s reserve requirements or be available to cover intra-day or overnight overdrafts. Term deposits would, however, be eligible to pledge as collateral for Discount Window funds.

Headquartered in Boston, Massachusetts, State Street specializes in providing institutional investors with investment servicing, investment management and investment research and trading. With \$18.8 trillion in assets under custody and administration, as well as \$1.9 trillion in assets under management, State Street operates in 25 countries and more than 100 markets worldwide.<sup>1</sup>

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<sup>1</sup> As of December 31, 2009.

State Street broadly supports the Board's proposed establishment, under Regulation D, of a term deposit facility for eligible institutions. We believe that such a facility would serve as a useful complement to other methods that the Federal Reserve may use to drain excess liquidity from the financial system, including reverse repurchase agreements, tri-party reverse repurchase agreements and supplementary financing programs. As such, it represents an appropriate use of Board authority.

State Street believes that an auction-style framework is the most effective way to organize and price the proposed facility. We emphasize in this respect that the use of term deposits will be greater if eligible institutions can bid on the basis of rates that they are willing to accept, rather than on the basis of a pre-determined pricing formula. We also note that shorter dated term deposits (i.e. less than six months) are likely to draw broader participation, since eligible institutions may be reluctant to invest substantial excess funds for longer periods of time without a clearer sense for the duration and breadth of the Federal Reserve's monetary policy efforts. State Street welcomes the recommendation that term deposits be eligible to serve as Discount Window collateral, since this will mitigate concerns regarding unavailable funds, while also addressing any reasonable need for immediate liquidity.

Thank you once again for the opportunity to comment on the important matters raised within this NPR. Please feel free to contact David Silk at 617-664-3461 should you wish to discuss State Street's submission in greater detail.

Sincerely,

A handwritten signature in black ink, appearing to read 'Stefan M. Gavell', written in a cursive style.

Stefan M. Gavell