



BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, DC 20551

January 9, 2026

Luigi L. De Ghenghi, Esq.
Davis Polk & Wardwell LLP
450 Lexington Avenue
New York, New York 10017

Dear Mr. De Ghenghi:

This is in response to your letter dated November 13, 2025, to the Board on behalf of State Street Corporation (“State Street”) and State Street’s state member bank subsidiary State Street Bank and Trust Company (“SSBT”), both of Boston, Massachusetts, requesting relief under the Board’s Regulation Q (the “capital rule”).¹ Specifically, State Street and SSBT request authorization to treat the proposed transaction by SSBT (the “CLN transaction”) as a synthetic securitization for purposes of calculating State Street’s and SSBT’s risk-weighted assets under the capital rule.²

In the CLN transaction, SSBT intends to issue debt obligations in January 2026, the principal and interest payments on which are calculated based on the performance of a pool of loans held by SSBT. Specifically, payments on the obligations would be calculated as if a credit default swap were in place. SSBT would receive cash from purchasers in consideration for the issuance of these debt obligations.

To be a securitization exposure under the capital rule, an exposure must arise from or reference a “traditional securitization” or a “synthetic securitization,” as defined in the capital rule.³ If the transaction meets certain operational criteria, a Board-regulated institution may, in the case of a traditional securitization, exclude the underlying exposures from the calculation of its risk-weighted assets or, in the case of a synthetic securitization, recognize for risk-based capital purposes the use of a credit risk

¹ 12 CFR part 217.

² The transaction name is expected to be the “144A Credit-Linked Notes” followed by the maturity date of the notes, which will be determined based on the closing date.

³ 12 CFR 217.2 s.vv. securitization exposure, synthetic securitization, traditional securitization.

mitigant to hedge the underlying exposures.⁴ A Board-regulated institution that meets these conditions must hold risk-based capital against any credit risk of the exposures it retains in connection with the securitization.⁵ State Street and SSBT request that the Board permit them to compute their risk-weighted asset amounts under the capital rule as if the CLN transaction were a synthetic securitization that met the operational criteria for synthetic securitizations.

For a transaction to be a synthetic securitization under the capital rule, at least a portion of the credit risk of one or more underlying exposures must be transferred to one or more third parties through the use of one or more “credit derivatives” or “guarantees,” as defined in the capital rule.⁶ Moreover, to meet the operational criteria for a synthetic securitization, a Board-regulated institution must use a qualifying credit risk mitigant in the form of “financial collateral,” a guarantee that meets certain requirements, or a credit derivative that meets certain requirements.⁷ State Street and SSBT have not demonstrated that the CLN transaction would satisfy each of these elements of the capital rule.

Under the CLN transaction, as represented by State Street and SSBT, a portion of the credit risk of the underlying exposures would be transferred to the obligation holders by use of contractual provisions that incorporate standard industry credit derivative documentation. In addition, SSBT would receive the value of the purchased credit protection at issuance in the form of cash proceeds; the proceeds would serve to mitigate credit risk of the protection providers. The amount of cash that SSBT would owe to the obligation holders would depend on the credit performance of the pool of reference assets. Thus, the credit protection would be pre-funded rather than backed by collateral. State Street and SSBT contend that the CLN transaction would meet all other definitional requirements and operational criteria for synthetic securitizations under the capital rule. It is expected that the risk weight produced under the securitization framework under the capital rule would be commensurate with the risk of the exposures that arise from the transaction if the CLN transaction as represented by State Street and SSBT were treated as a synthetic securitization that meets the operational criteria for a synthetic securitization.

Based on all the facts of record, the Director of the Division of Supervision and Regulation, acting pursuant to section 217.1(d)(3) of the capital rule under authority delegated by the Board,⁸ and after consultation with the General Counsel, has determined that State Street and SSBT may calculate their risk-weighted asset amounts under the capital rule as if the CLN transaction were a synthetic securitization that met all the operational criteria for a synthetic securitization. This action also permits State Street and SSBT to treat other credit-linked-note transactions as synthetic

⁴ 12 CFR 217.41(a) and (b); .141(a) and (b).

⁵ Id.

⁶ 12 CFR 217.2 s.vv. credit derivative, guarantee, synthetic securitization.

⁷ 12 CFR 217.41(b)(1); .141(b)(1); see also 12 CFR 217.2 s.vv. eligible credit derivative, eligible guarantee, financial collateral.

⁸ 12 CFR 265.7(k)(1)(ii)(C).

securitizations for purposes of calculating risk-weighted assets under the capital rule, so long as any such other credit-linked-note transactions are structured and documented in a substantially identical manner to the CLN transaction and do not deviate from the definitional requirements and operational criteria for synthetic securitizations in the capital rule other than with respect to the use of a "credit derivative" and the presence of a qualifying credit risk mitigant. In addition, this action applies only to the CLN transaction and other substantially identical CLN transactions up to an aggregate outstanding reference portfolio principal amount of the lower of 100 percent of State Street's or SSBT's total capital or \$20 billion. State Street and SSBT may not apply this treatment to less than the entirety of all the exposures arising out of any given CLN transaction.⁹

This action is based on the specific facts and representations in the request and in communications with Board staff, as well as any commitments provided by State Street and SSBT. Any change in these facts or representations should be communicated immediately to Board staff and could result in a different conclusion. This action also is limited to this transaction and like transactions as described above and does not apply to any other transaction.

Very truly yours,

(Signed) Michele Taylor Fennell

Michele Taylor Fennell
Associate Secretary of the Board

⁹ State Street and SSBT represent that although the notes to be issued through the CLN transaction, and the cash consideration to be received by SSBT is denominated in U.S. dollars, certain of the reference exposures may be drawn in other currencies. When treating a transaction as a synthetic securitization under this approval, State Street and SSBT must reduce the protection amount in the manner of an eligible guarantee or eligible credit derivative under 12 CFR 217.36 or 217.134, as applicable, consistent with 12 CFR 217.45 or 217.145, as applicable.