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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Brent J. Fields, Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

File Number: SR-FICC-2017-003

Via e-mail: rule-comments@sec.gov

Self-Regulatory Organizations – Fixed Income Clearing Corporation: Notice of Filing of Proposed Rule Change to Expand the Types of Entities that are Eligible to Participate in FICC as Sponsored Members

Dear Sir/ Madam:

State Street Corporation ("State Street") welcomes the opportunity to comment on the Notice of Filing of a Proposed Rule Change ("Proposed Rule Change") submitted by the Fixed Income Clearing Corporation ("FICC") to the Securities and Exchange Commission ("SEC"), which would expand the scope of entities eligible to participate in FICC as a Sponsored Member. The Proposed Rule Change would eliminate the existing requirement that a Sponsored Member must be a Registered Investment Company ("'Investment Company") under the Investment Company Act of 1940, relying instead on the parallel requirement in the FICC rulebook that a Sponsored Member must be a legal entity that meets the definition of a 'Qualified Institutional Buyer' ("QIB") under Rule 144A of the Securities Act of 1933. Furthermore, FICC also proposes to expand the scope of eligible Sponsored Members to include other entity types not expressly denoted within Rule 144A, but which otherwise meet the financial requirements specified therein. State Street strongly supports the Proposed Rule Change which would provide institutional investors with expanded access to the central clearing capabilities of FICC, without material changes to FICC's operational or risk management practices.

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 $28.77 trillion in assets under custody and administration and $2.47 trillion in assets under management, as of December 31, 2016, State Street operates in 30 countries and in more than 100 geographic markets. State Street is organized as a United States ("US") bank holding company ("BHC"), with operations conducted through several entities, primarily its wholly-owned insured depositary institution ("IDI") subsidiary, State Street Bank and Trust Company.

State Street is a direct member of FICC and has served as a Sponsoring Member for its Investment Company clients since 2005. The opportunity to access FICC's central clearing capabilities and risk mitigation processes has proven, over time, to be highly attractive to many of our clients. This reflects a number of interrelated factors. First, sponsored access provides eligible Investment Companies with an alternative solution for the investment of their short-term cash on a secured basis. Second, FICC transactions are low risk since they involve a well-capitalized and strongly rated counterparty[1], and are backed by high quality collateral (either US Treasury or US Agency securities). Similarly, the use of a central clearing counterparty, such as FICC, helps to reduce operational and settlement risk in both bilateral and tri-party repurchase transactions. Finally, sponsored access to FICC is cost effective in that it does not require our clients to separately deploy and maintain the infrastructure needed for non-centrally cleared transactions, while also ensuring seamless systems integration with their Sponsoring Member providers.

We believe that it is appropriate for the SEC to approve the rule change proposed by FICC in order to extend these important benefits to a broader range of institutional investors. This includes insurance companies, public and private pension funds, common and collective trust funds, and charitable foundations and endowments, all of which play a central role in the accumulation of retirement income and other sources of long-term wealth.

Furthermore, we would also draw the SEC's attention to the important balance sheet implications of the Proposed Rule Change for prudentially regulated FICC members. By expanding the scope of entities eligible for sponsored access, the Proposed Rule Change would permit the greater use of netting to offset Sponsored Member transactions against a direct member's other eligible FICC-cleared transactions, thereby substantially reducing required amounts of leverage capital.[2] This is particularly useful for custody banks, such as State Street, whose primary interest is to provide its institutional investor clients with a safe and reliable alternative for the investment of their short-term cash.

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[1] As of the date of this comment letter, FICC is rated AA+.
[2] In certain cases, the use of FICC can also result in a reduction in risk-based capital when compared to non-centrally cleared transactions.

In practical terms, this involves the execution of transactions on a matched book basis, with Sponsored Member trades offset by one or more equivalent transaction(s) with other FICC clearing members. The importance of the ability to sponsor access to FICC is particularly crucial for the global systemically important bank ("G-SIB") custody banks which are required under US prudential regulation, to meet a supplementary leverage ratio ("SLR") requirement that is twice the international standard of 3%.[3] Finally, we would also emphasize the importance of increased participation in FICC by Sponsored Members in enhancing the liquidity and efficiency of collateral and financing markets in the US.

Thank you once again for the opportunity to comment on the rule change proposed by FICC. To summarize, State Street strongly supports expansion of the scope of entities eligible to participate in FICC as a Sponsored Member given the importance of this rule change in providing institutional investors with expanded access to central clearing capabilities for repurchase transactions, without material changes to FICC's existing operational or risk management practices, and without introducing additional risk to short-term funding markets. We therefore recommend that the SEC approve the Proposed Rule Change within the time frame specified in Section III.

Sincerely,

Stefan M. Gavell

[3] The minimum SLR requirement for US G-SIBs is 5% at the level of the BHC and 6% at the level of the IDI. Stand-alone custody banks, such as State Street, conduct virtually all of their activities within one or more IDI subsidiary.