

James J. Malerba Executive Vice President Corporate Controller

Finance State Street Financial Center - SFC 13-02 One Lincoln Street Boston, MA 02111

Telephone: 617-664-8697 Facsimile: 617-664-4316 617-319-5763 jjmalerba@statestreet.com

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Mr. Russell G. Golden
Financial Accounting Standards Board
Technical Director
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference: No. 1840-100

Re: Proposed Accounting Standards Update, Contingencies (Topic 450) – Disclosure of Certain Loss Contingencies

State Street Corporation ("State Street") appreciates the opportunity to comment on the FASB's Proposed Accounting Standards Update, *Contingencies (Topic 450): Disclosure of Certain Loss Contingencies* (the "Proposed ASU"). With \$19 trillion in assets under custody and administration and \$1.8 trillion in assets under management, State Street is the world's leading provider of financial services to institutional investors. This comment letter is written from State Street's perspective as the preparer of its own consolidated financial statements and from its perspective as an asset manager and asset custodian.

Although we generally agree with the overall objective of the FASB to improve the transparency of loss contingencies, we have a number of comments regarding the Proposed ASU that we believe need to be addressed, in order to achieve the proper balance of providing additional disclosure of information concerning loss contingencies and ensuring that such additional disclosure is both reliable and relevant to the users of the financial statements.

Timeline of Comment Period and Effective Date

We appreciate the FASB's consideration for further due process evidenced by its decision to extend the comment period for the Proposed ASU. We encourage the FASB to maintain its focus on ensuring that the timetables for this draft and all other exposure drafts are suitable to allow for full consideration of the potential effects. As such, we support the FASB's action to delay the effective date of the Proposed ASU to sometime after January 1, 2011.

Comments Related to the Overall Content of the Proposed ASU

We have reviewed the Proposed ASU and have significant concerns with respect to the relevance and reliability of the information described in the expanded disclosure requirements. Primarily, the notion of remote loss contingencies that expose an entity to severe impact seems logically inconsistent. By

definition, a remote contingency does not present a meaningful risk of adverse impact, let alone a severe one. If the intention of the Board is to require disclosure of damages claimed exceeding the "severe impact" threshold for all remote contingencies, such disclosure would seem unreliable, irrelevant and potentially misleading to financial statement users trying to assess an entity's actual exposure to losses. In the ordinary course of business, entities are involved in disputes, litigation and regulatory inquiries and investigations, both pending and threatened. There are a variety of possible outcomes; however, those with meaningful risk to the entity (i.e., those considered to be reasonably probable that they will have a material adverse impact) are recognized in the financial statements and disclosed once sufficient information is available. Disclosure of contingencies before they represent a meaningful risk to the entity (i.e., those considered to have a remote probability) would dilute the usefulness of the information and create difficulty for the user in discerning the future financial statement impact. With respect to our managed funds and custody and administration clients, the disclosure of such remote contingencies may lead a user of the financial statements to draw incorrect conclusions, such as a going concern issue, due to the potential outcomes under litigation if the plaintiffs have sought broad remedy and relief.

Beyond the merits of the content of the expanded disclosures, we believe that the requirement to provide additional disclosure could result in undue hardship with respect to an entity's legal proceedings. Namely, the proposal that an entity disclose the amounts it has accrued for each loss contingency could prove highly damaging, as it may effectively waive or limit an entity's attorney-client privilege or work-product protection, and will give an entity's litigation adversaries an unfair advantage in settlement negotiations by alerting them to settlement amounts deemed "probable" and "reasonably estimated."

Given these concerns, we strongly recommend that the disclosure requirements be revisited with an emphasis on ensuring that the required disclosures provide for relevant and reliable data while limiting the associated burden on an entity's legal proceedings.

Specific Clarifications Requested for the Proposed ASU

Notwithstanding our points above, if the Board decides to proceed with the Proposed ASU, we request further clarification for the following items:

<u>Scope</u> – It is unclear whether certain guarantees within the scope of ASC 460 (previously FIN 45) are expected to be within the scope of the proposed ASU.

Required Tabular Reconciliation – Further clarification is needed regarding the level of aggregation expected and the context of the dollar amounts in the example relative to the assumed net income. Additionally, the requirement for an entity to disclose an entire period upon implementation is not practical from an operational standpoint due to the need for new processes, controls and/or systems. We recommend that period-end information be required upon implementation with intra-period activity required subsequently.

<u>Definition of "Severe Impact"</u> — Further clarification is needed as to what the Board's intended meaning is for "severe impact" and its relationship to "material."

<u>Removal of Prejudicial Exemption</u> – The prejudicial exemption has been excluded from the current draft and we urge the Board to maintain this exemption. Despite the mitigating factors incorporated into the draft, we believe that much of the required information in the Proposed ASU will be considered

prejudicial, particularly that in the tabular reconciliation. The disaggregation by class may result in disclosure of a single case that will allow the user of the financial statements to easily link the disclosure with the case in question.

<u>Convergence with IFRS</u> – We fully support the Board's efforts to converge the guidance of U.S. GAAP with IFRS. We recommend that the guidance in the Proposed ASU, once finalized, reflect guidance that will be consistent with IFRS, including any revisions resulting from the current IASB project.

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

Sincerely,

James J. Maleroa
Executive Vice President
and Corporate Controller