

**UNITED STATES OF AMERICA**  
**Before the**  
**COMMODITY FUTURES TRADING COMMISSION**

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In the Matter of the Request of State Street Bank and Trust Co.  
for a Limited Purpose Swap Dealer Designation  
Under Section 1a(49)(B) of the Commodity Exchange Act

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**AMENDED AND RESTATED ORDER OF A LIMITED PURPOSE  
DESIGNATION FOR STATE STREET BANK AND TRUST COMPANY**

Under the relevant provisions of the Commodity Exchange Act (“CEA”) and the regulations of the Commodity Futures Trading Commission (“Commission”), a person who is a swap dealer (“SD”) is deemed to be an SD with respect to each swap it enters into, regardless of the category of the swap or the person’s activities in connection with the swap, except in circumstances where the Commission, upon an appropriate showing, agrees to limit the person’s designation as an SD to specified categories of swaps or specified activities of the person in connection with swaps.<sup>1</sup> On December 20, 2013, the Commission approved an Order of a Limited Purpose Designation<sup>2</sup> granting a limited purpose swap dealer designation to State Street Bank and Trust Company (“SSBT”),<sup>3</sup> with respect to its activities in foreign exchange products that are swaps (“FX Products”).<sup>4</sup> SSBT deals in FX Products through its unincorporated business unit State Street Global Markets to meet the portfolio management needs of its banking clients, and engages in hedging and funding activities in FX Products through its unincorporated business unit State Street Global Treasury.

SSBT has submitted a request that the Commission amend the Limited Purpose Designation Order dated December 20, 2013 to: (1) increase the annual number of interest rate swaps<sup>5</sup> that SSBT can enter into from 50 to 200; (2) allow SSBT to enter into inter-

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<sup>1</sup> See Section 1a(49)(B) of the CEA; Commission Regulation 1.3(ggg)(3); Further Definition of “Swap Dealer,” “Security-Based Swap Dealer,” “Major Swap Participant,” “Major Security-Based Swap Participant” and “Eligible Contract Participant”, 77 FR 30596, 30645 (May 23, 2012).

<sup>2</sup> The Order is available on the Commission’s website at:  
<http://www.cftc.gov/idc/groups/public/@newsroom/documents/file/ssbtorder121913.pdf>

<sup>3</sup> SSBT is a Massachusetts state chartered bank and a member of the Federal Reserve System and Federal Deposit Insurance Corporation.

<sup>4</sup> For the purposes of this Order, FX Products include non-deliverable forwards, foreign exchange options, foreign exchange swaps, and foreign exchange forwards.

<sup>5</sup> For the purposes of this Order, interest rate swaps are defined as consisting of the following kinds of swaps: interest rate swaps; interest rate basis swaps; interest rate caps; interest rate floors; interest rate

est rate swaps with entities that SSBT controls, is controlled by, or is under common control with, and that do not engage in dealing activity in interest rate swaps, equity swaps, commodity swaps or any financial instruments other than foreign exchange (“**Non-Dealing Affiliates**”), in addition to counterparties who are registered SDs; (3) clarify that SSBT is permitted to enter into interest rate swaps to hedge anticipated or forecasted risk exposures; and (4) clarify that SSBT’s permitted interest-rate swaps are to be counted on a calendar-year basis.

## I. Definitions.

For the purposes of this Amended and Restated Order (this “**Order**”):

- (1) The term “**Global Markets**,” means SSBT’s unincorporated business unit State Street Global Markets, its business, including its infrastructure, all its activities, and its direct employees as of the date of this Order and its infrastructure, activities, and any employees as may be properly shown on SSBT’s internal organizational directory who are directly engaged in its business on any future date;
- (2) The term “**Global Treasury**,” means SSBT’s unincorporated business unit State Street Global Treasury, its business, including its infrastructure, all its activities, and its direct employees as of the date of this Order and its infrastructure, activities, and any employees as may be properly shown on SSBT’s internal organizational directory who are directly engaged in its business on any future date; and
- (3) SSBT’s “**Limited Purpose Designation**” means SSBT’s swaps activities<sup>6</sup> in FX Products, both dealing and non-dealing, as engaged in by Global Markets and Global Treasury.<sup>7</sup>

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collars; interest rate overnight index swaps; interest rate forward rate agreements; interest rate swap-tions; and cross-currency swaps.

<sup>6</sup> “Swaps activities” is defined in Commission Regulations to mean “with respect to a registrant, such registrant’s activities related to swaps and any product used to hedge such swaps, including, but not limited to, futures, options, other swaps or security-based swaps, debt or equity securities, foreign currency, physical commodities, and other derivatives.” *See, e.g.*, Commission Regulation 23.200(j).

<sup>7</sup> FX Products swap trading currently occurs in the SSBT locations at the following addresses: (1) One Lincoln Street, Boston, MA 02111-2900; (2) 20 Churchill Place, Canary Wharf, London E14 5HJ; (3) Two International Finance Center, 8 Finance Street, Central, Hong Kong; (4) 30 Adelaide Street East, Suite 1500, Toronto, Ontario, M5C 3G6; (5) 420 George Street, Level 14, Sydney, NSW 2000 Australia; (6) 31F Center1 West, 26 Eulji-ro 5-Gil, Jung-gu, Seoul 100-210 Korea; and (7) 207 Tun Hwa South Road, Section 2 Taipei, Taiwan 10675. Interest rate swap trading currently only occurs in Boston. Global Markets traders currently reside at the following locations and on the following floors: Boston, 5<sup>th</sup> floor; London, 2<sup>nd</sup> floor; Hong Kong, 68<sup>th</sup> and 70<sup>th</sup> floors; Taipei, 19<sup>th</sup> floor; and Seoul. Global Treasury traders currently reside at the following locations and on the following floors: Boston, 9<sup>th</sup> floor; London, 2<sup>nd</sup> floor; Hong Kong, 68<sup>th</sup> floor; Toronto, 15<sup>th</sup> floor; and Sydney, 14<sup>th</sup> floor.

## II. Representations of SSBT.

In making its request, SSBT has represented certain facts as follows:

- (a) SSBT is primarily a custodian bank that deals in FX Products to address the portfolio management needs of its institutional customers, and therefore accepts less risk than would a universal bank;<sup>8</sup>
- (b) SSBT only engages in swaps activities through two unincorporated business units: (1) Global Markets, which only engages in FX Products swaps activities (including swap dealing); and (2) Global Treasury, which will limit its swaps activities with respect to swaps such that it will only enter into (i) non-dealing interest rate swaps with counterparties who are registered SDs or Non-Dealing Affiliates, and (ii) non-dealing FX Products;
- (c) SSBT's swaps activities in FX Products employ separate trading systems, books and records, and risk management systems from its interest rate swaps activities;
- (d) SSBT represents that its Trading and Markets Risk Committee is the most senior oversight and decision-making committee for risk management of FX Products and interest rate swaps within SSBT and which has as its mission to ensure the alignment of strategy, budget, and risk appetite of SSBT;
- (e) The chief compliance officer ("CCO") of the Limited Purpose Designation, who will have responsibility for all swaps activities within SSBT, including both dealing and non-dealing FX Products and interest rate swaps, will report directly to the Trading and Markets Risk Committee; and
- (f) SSBT is a "financial entity" as defined in section 2(h)(7)(C)(i) of the CEA, and is subject to Part 50 of the Commission Regulations (Clearing Requirement and Related Rules) with respect to all of its swap activities.

## III. Findings.

The Commission FINDS that a Limited Purpose Designation on the terms and conditions set forth in this Order is appropriate. The Commission makes this finding pursuant to sections 1a(49)(B) and 4s of the CEA, based on the representations made, and the materials provided by, SSBT, and after reviewing the complete record in this matter, including a review of (a) the adequacy of SSBT's proposed separation of swap dealing ac-

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<sup>8</sup> See State Street's Resolution Plan at 4 (Oct. 1, 2013) ("State Street believes that the risk profile of a global custody bank differs from that of a global universal bank. State Street has limited trading book exposure and is minimally reliant on wholesale funding, and its earnings are generated largely from recurring fee-based business activities. State Street's consolidated balance sheet is driven largely by client deposits."), available at <http://www.federalreserve.gov/bankinforeg/resolution-plans/state-street-1g-20131001.pdf>.

tivities and non-dealing activities taking into account relevant agreed conditions, (b) the ability of the registrant to comply with all requirements for SDs in connection with FX Products, and (c) the ability of the Commission to adequately regulate and examine the activities within the Limited Purpose Designation.

#### **IV. Order.**

IT IS HEREBY ORDERED that SSBT's application for an amendment to the Order of a Limited Purpose Designation with respect to all of its swaps activities in FX Products (including both dealing and non-dealing swaps) through Global Markets and Global Treasury is approved, subject to the terms and conditions set forth below;

IT IS FURTHER ORDERED that the portions of Global Markets and Global Treasury that constitute the Limited Purpose Designation shall include:

- (a) The portions of Global Markets' and Global Treasury's businesses involved with FX Products, including their infrastructure, activities, and direct employees as of the date of this Order and any employees as may be properly shown on SSBT's internal organizational directory who are directly engaged in Global Markets' and/or Global Treasury's FX Products swaps activities on any future date (to the extent any change in Global Markets' and/or Global Treasury's FX Products swaps activities would not be materially inconsistent with this Order as it is in effect on such future date);
- (b) Employees of SSBT within corporate functions that provide direct services to Global Markets' and/or Global Treasury's FX Products swaps activities under the Risk Management Program required by Commission Regulation 23.600,<sup>9</sup> including compliance and risk management professionals; and
- (c) Members of the management of SSBT who have a role in overseeing, supervising, or otherwise managing Global Markets' and Global Treasury's FX Products swaps activities including, without limitation, as of the date hereof: (i) the head of Credit & Global Markets Risk; (ii) the executive vice president, head of Global Markets; (iii) the executive vice president, global head of Global Markets' FX Sales & Trading and Research Division; (iv) the global head of FX Trading of Global Markets; (v) the global head of FX Sales of Global Markets; (vi) the APAC head of FX Sales & Trading in Global Markets; (vii) the London head of FX Sales & Trading in Global Markets; (viii) the head of Global Markets FX Sales & Trading and Research Global Business Risk; (ix) the head of Global Markets Business Controls Executive; (x) the Chief Investment Officer in Global Treasury; (xi) the

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<sup>9</sup> Commission Regulations are set forth in Chapter I of Title 17 of the Code of Federal Regulations.

executive vice president, treasurer and head of Global Treasury; ; and (xii) the global head of Liability Management for Global Treasury;

IT IS FURTHER ORDERED that SSBT may be considered to not be an SD for the non-dealing interest rate swaps activities in which it engages outside the Limited Purpose Designation, subject to otherwise satisfying the conditions for such status outside the Limited Purpose Designation;

IT IS FURTHER ORDERED that SSBT shall be responsible for compliance with all of the statutory and regulatory obligations that are imposed on SSBT by the CEA and the Commission Regulations promulgated thereunder;

IT IS FURTHER ORDERED that the Commission's grant of SSBT's Limited Purpose Designation application is subject to compliance with the following conditions:

- (A) SSBT shall only engage in swaps activities in FX Products through Global Markets and Global Treasury;
- (B) All swap dealing activities of SSBT shall be limited to SSBT's swap dealing activities in FX Products through Global Markets;
- (C) In connection with its swaps activities in FX Products, SSBT shall comply with all sections of the CEA and Commission Regulations applicable to SDs;
- (D) SSBT's interest rate swaps outside the Limited Purpose Designation shall be limited to entering into non-dealing interest rate swaps<sup>10</sup> through Global Treasury with (1) counterparties who are registered SDs and (2) Non-Dealing Affiliates;
- (E) SSBT's interest rate swaps with Non-Dealing Affiliates may be entered solely to allow such affiliates to hedge actual or anticipated risks and SSBT must enter into contemporaneous offsetting swaps with counterparties who are registered SDs on a one-to-one basis before or after entering into any such interest rate swaps with Non-Dealing Affiliates;
- (F) The number of non-dealing interest rate swaps entered into per calendar year by SSBT outside the Limited Purpose Designation with registered SDs shall not exceed two hundred (200) interest rate swaps and SSBT will not have a trading desk in connection with dealing interest rate swaps;
- (G) SSBT, as if it were a fully designated SD, shall comply with, and shall submit to Commission jurisdiction and authority, in connection with all swaps activities with respect to Commission Regulations 3.2 (Registration processing by the National Futures Association ("NFA"); notification and duration of registration),

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<sup>10</sup> For the avoidance of doubt, "non-dealing interest rate swaps" include those entered to hedge actual or anticipated risks.

3.3 (Chief compliance officer), 3.10 (Registration of futures commission merchants, retail foreign exchange dealers, introducing brokers, commodity trading advisors, commodity pool operators, swap dealers, major swap participants and leverage transaction merchants), 23.22 (Associated persons of swap dealers and major swap participants), 23.504 (Swap trading relationship documentation), 23.600 (Risk Management Program for swap dealers and major swap participants), 23.601 (Monitoring of position limits), 23.602 (Diligent supervision), 23.603 (Business continuity and disaster recovery), 23.606 (General information: availability for disclosure and inspection), 23.607 (Antitrust considerations), and 170.16 (Swap dealers and major swap participants) and all prudential regulator capital and margin requirements;

- (H) The Commission or NFA may access the books and records of and examine SSBT and any of its business units (including, but not limited to, Global Markets and Global Treasury) and any of SSBT's affiliates at any time to ensure compliance with the CEA, Commission Regulations applicable to SDs, and this Order;
- (I) All corporate officers within the direct reporting line from the senior officers in Global Markets and Global Treasury that are involved with swaps activities to the chief executive officer of SSBT's parent company State Street Corporation ("**State Street**") shall be designated as principals of the SSBT SD;<sup>11</sup>
- (J) SSBT shall promptly provide notification to the Commission and NFA of any event, circumstances, or situation concerning any operations or activities of SSBT or its affiliates that: (1) may materially affect or detract from the ability of SSBT to continue to comply with any of the terms of this Order; (2) would render any statement in the supporting material (including, among other things, SSBT's application materials and information relayed to staff) provided to the Commission by SSBT incomplete, untrue, or misleading; or (3) would constitute a material change to the facts or circumstances pursuant to which this Order is issued; and
- (K) SSBT shall provide such notification to the Director of the Division of Swap Dealer and Intermediary Oversight, and such notification shall be followed as soon as possible (but in any event within 48 hours of knowledge of such occurrence) by SSBT's assessment of whether the occurrence of such event, circumstances, or

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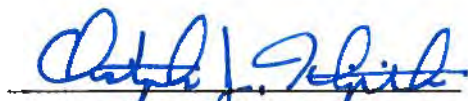
<sup>11</sup> Included among the executives who currently will register as principals (in addition to State Street's CEO) are: State Street's chief financial officer; CCO of the Limited Purpose Designation; the head of Credit & Global Markets Risk; the head of Global Markets; the global head of Global Markets' FX Sales & Trading and Research Division; the treasurer and head of Global Treasury; the global head of FX Sales of Global Markets; the global head of FX Trading of Global Markets; the APAC head of FX Sales & Trading in Global Markets; the London head of FX Sales & Trading in Global Markets; the head of Global Markets FX Sales & Trading and Research Global Business Risk; the head of Global Markets Business Controls Executive; the Chief Investment Officer in Global Treasury; the global head of Liability Management for Global Treasury; and all other members of the board of directors of SSBT.

situation would impair: (1) the separation of the activities within the Limited Purpose Designation from the rest of SSBT's and its affiliates' activities; (2) SSBT's ability to maintain full compliance, in the context of this Order, with the requirements imposed on SDs by the CEA, Commission Regulations promulgated thereunder, and this Order; or (3) the Commission's ability to regulate and examine SSBT's swap dealing activities;

This Order is based upon the representations made, conditions agreed to, and the supporting material provided to the Commission by SSBT and, in the event of any changes to or omissions in the material facts or circumstances pursuant to which this Order is issued (including, without limitation, any changes to SSBT's, Global Markets' or Global Treasury's respective businesses (including their respective infrastructure, activities, and employees) to the extent such changes would be materially inconsistent with this Order), or in the event of any failure of performance of conditions or enforceability thereof, or for any reason in its own discretion, the Commission may condition, modify, suspend, terminate, or otherwise restrict the terms of this Order, as appropriate and as permitted by law, on its own motion.

Issued in Washington, DC, this 20th day of June, 2018.

By the Commission



Christopher J. Kirkpatrick  
Secretary of the Commission