

UNITED STATES OF AMERICA
Before the
COMMODITY FUTURES TRADING COMMISSION

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

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

State Street Bank and Trust Company (“SSBT”) is a Massachusetts state chartered bank and a member of the Federal Reserve System and Federal Deposit Insurance Corporation that engages in swap dealing activities in foreign exchange products that are swaps (“FX Products”)¹ through its unincorporated business unit State Street Global Markets (“Global Markets”) (defined below) to meet the portfolio management needs of its banking clients, and in hedging and funding activities in FX Products through its unincorporated business unit State Street Global Treasury (“Global Treasury”) (defined below). SSBT represents that it will engage in non-dealing interest rate swaps activities² with counterparties who are registered swap dealers (“SDs”) for hedging purposes through Global Treasury, such hedging activities do not exceed 20 to 30 interest rate swaps a year, and SSBT does not have a proprietary trading desk in connection with interest rate swaps. SSBT submitted an application to the Commodity Futures Trading Commission (“Commission”) pursuant to section 1a(49)(B) of the Commodity Exchange Act (“CEA”), as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act

¹ For purposes of this Order, FX Products include non-deliverable forwards, foreign exchange options, foreign exchange swaps and foreign exchange forwards.

² For 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 collars; interest rate overnight index swaps; interest rate forward rate agreements; interest rate swaptions; and cross-currency swaps.

("Dodd-Frank Act"), 7 U.S.C. § 1a(49)(B), requesting a Limited Purpose Designation³ as an SD with respect to all of its swaps activities in FX Products, both dealing and non-dealing, through Global Markets and Global Treasury, as further described below. In addition to complying with all of the requirements that are applicable to SDs within the Limited Purpose Designation, SSBT proposed to apply certain SD regulatory requirements with respect to all of SSBT, including all of SSBT's interest rate swaps activities through Global Treasury. SSBT represented that it does not engage or plan to engage in any other swaps activities. In addition, SSBT requested confirmation that it would not be considered an SD with respect to its interest rate swaps transactions.

WHEREAS, SSBT represented that it 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 such that it only will engage in non-dealing interest rate swaps activities with counterparties who are registered SDs and non-dealing FX Products swaps activities;

WHEREAS, the term "Global Markets," as used in this Order, shall be defined as 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 Global Markets' business on any future date;

³ The term, "limited purpose designation," refers to circumstances in which the Commission designates a person as a SD for one type, class or category of swap or activities without the person being considered a SD for other types, classes, categories or activities. Further Definition of "Swap Dealer," "Security-Based Swap Dealer," "Major Swap Participant," "Major Security-based Swap Participant" and "Eligible Contract Participant," 77 Fed. Reg. 30,596, 30,643 (May 23, 2012). The term, "limited designation," has been used interchangeably with the term, "limited purpose designation." *See, e.g., id.* at 30,643-44.

WHEREAS, the term “Global Treasury,” as used in this Order, shall be defined as 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 Global Treasury’s business on any future date;

WHEREAS, SSBT’s Limited Purpose Designation, for purposes of this Order, shall be defined as SSBT’s swaps activities in FX Products, both dealing and non-dealing, as engaged in by Global Markets and Global Treasury;⁴

WHEREAS, the portions of Global Markets and Global Treasury thereof constituting 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

⁴ 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, 5th floor; London, 2nd floor; Hong Kong, 68th and 70th floors; Taipei, 19th floor; and Seoul. Global Treasury traders currently reside at the following locations and on the following floors: Boston, 9th floor; London, 2nd floor; Hong Kong, 68th floor; Toronto, 15th floor; and Sydney, 14th floor.

Regulation 23.600,⁵ 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 chief risk officer of Global Markets; (ii) the executive vice president, head of Global Markets; (iii) the executive vice president of Corporate Finance; (iv) the executive vice president, global head of Global Markets' Sales & Trading and Research Division; (v) the executive vice president, treasurer and head of Global Treasury; (vi) the senior vice president and global head of FX Sales and Trading of Global Markets; and (vii) the senior vice president, global head of Liability Management for Global Treasury;

WHEREAS, the Dodd-Frank Act amended the CEA in significant ways to establish a new regulatory regime for the swap markets, a central pillar of which is the comprehensive regulation of SDs;

WHEREAS, pursuant to Commission Regulation 1.3(ggg)(3), promulgated under CEA section 1a(49)(B), a person who is an SD shall be 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 ("default presumption of full designation"); provided, however, that the Commission may, upon an appropriate showing, limit the person's designation as an SD to specified categories of swaps or specified activities of the person in connection with swaps;

WHEREAS, the Commission believes that the default presumption of full designation reasonably reflects the difficulty of separating an SD's swap dealing activities from its non-dealing activities, and the supervisory challenges of applying SD regulatory requirements to only a portion of an SD's activities, and that a Limited Purpose Designation application therefore

⁵ Commission Regulations are set forth in Chapter I of Title 17 of the Code of Federal Regulations.

necessitates an effort to determine whether the swaps activities within the Limited Purpose Designation are sufficiently separated from any non-dealing activities occurring outside the Limited Purpose Designation and that, in light of such separation and all other relevant facts and circumstances, the Commission will be able to effectively regulate the activities of the SD within the Limited Purpose Designation;

WHEREAS, the Commission believes that Limited Purpose Designation applications must be held to a high standard of assurance that the existence of the Limited Purpose Designation would not create undue risks to the activities within the Limited Purpose Designation, render any relevant risks opaque or place them outside the reach of the Commission, or unduly impede the Commission's ability to regulate, examine or otherwise provide regulatory oversight of the swap business within the Limited Purpose Designation, including without limitation, the personnel, infrastructure and other resources used in or to support such business;

WHEREAS, the Commission believes that separating the swap activities within a Limited Purpose Designation from non-dealing activities outside the Limited Purpose Designation may be more challenging when the applicant is a financial institution or an entity engaged in diverse or complex activities, making it more difficult for the applicant to meet the standard of assurance and to overcome the default presumption of full designation;

WHEREAS, SSBT represents it is primarily a custodian bank that engages in swap dealing activities in FX Products in order to address the portfolio management needs of its institutional customers, and therefore accepts less risk than would a universal bank;⁶

⁶ 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

WHEREAS, SSBT represents that its activities in FX Products employ separate trading systems, books and records, and risk management systems from its interest rate swaps activities;

WHEREAS, in connection with the Commission's analysis of SSBT's proposed separation of its dealing activities and non-dealing activities, the Commission considered, among other things: (i) the potential effect of SSBT's activities outside the Limited Purpose Designation, including its non-dealing interest rate swaps activities, on the swap business and related activities inside the Limited Purpose Designation (taking into account, among other things, SSBT's undertakings with respect to the enumerated requirements described below in connection with interest rate swaps activities); (ii) the extent to which the Limited Purpose Designation would need to rely on SSBT resources outside the Limited Purpose Designation for legal, financial, technological, management, personnel or other support; and (iii) SSBT's proposed corporate governance structure both within and outside the Limited Purpose Designation, including, but not limited to, the role of, and reporting line for, SSBT's chief compliance officer ("CCO");⁷

WHEREAS, in determining its ability to effectively regulate, examine and otherwise oversee the activities inside SSBT's Limited Purpose Designation, the Commission considered, among other things: (1) whether all elements necessary to engage in swaps activities within the Limited Purpose Designation, and to comply with the Commission's rules and regulations, are included solely within the Limited Purpose Designation; (2) whether all activities and businesses ancillary or otherwise relevant to such swaps activities are included solely within the Limited Purpose Designation; and (3) to the extent there are shortcomings (i.e., the Limited Purpose

activities. State Street's consolidated balance sheet is driven largely by client deposits."), available at <http://www.federalreserve.gov/bankinfo/reg/resolution-plans/state-street-lg-20131001.pdf>.

⁷ See Commission Regulation 3.3 (Chief compliance officer).

Designation depends on support functions outside of the Limited Purpose Designation) in (1) or (2), the potential effect that any such shortcoming (alone or in the aggregate) might have on SSBT's ability to comply with the regulations or the Commission's ability to regulate and examine the swaps activities within the Limited Purpose Designation (taking into account, among other things, SSBT's undertaking described below with respect to the enumerated requirements described below in connection with interest rate swaps activities);

WHEREAS, to the extent any support functions are located outside the Limited Purpose Designation, SSBT represents that it will: (i) ensure that such support functions are provided to the Limited Purpose Designation on an ongoing basis; (ii) allow the Commission unfettered access and rights to examine such support functions, regardless of their location; and (iii) provide appropriate supervision, monitoring and reporting with respect to those support functions;

WHEREAS, SSBT acknowledges that staffs of the Commission and National Futures Association ("NFA") have the right to examine SSBT as necessary or appropriate to verify compliance with this Order;

WHEREAS, SSBT acknowledges that it 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;

AND WHEREAS, the Commission FINDS that, pursuant to sections 1a(49)(B) and 4s of the CEA, 7 U.S.C. §§ 1a(49)(B) and 6s, 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 activities and non-dealing activities taking into account relevant agreed conditions, (b) the ability of the registrant to comply with all requirements that are applicable to SDs in connection with the FX Products

swaps activities, (c) whether the proposed Limited Purpose Designation, taking into account the agreed conditions, is such as to allow the Commission to adequately regulate and examine the activities within the Limited Purpose Designation, and (d) such other matters as the Commission believes to be necessary or appropriate, including whether SSBT has demonstrated that, for the reasons discussed below, a Limited Purpose Designation on the terms and conditions set forth herein is appropriate.

IT IS HEREBY ORDERED that SSBT's application for 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 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 its Global Markets and Global Treasury business units;
- B. All swap dealing activities of SSBT shall be limited to SSBT's swap dealing activities in FX Products through its Global Markets business unit;

- C. All swaps of SSBT (both inside and outside of the Limited Purpose Designation) will be executed and entered into by SSBT;
- D. In connection with its swaps activities in FX Products, SSBT shall comply with all sections of the CEA and Commission Regulations applicable to SDs;
- E. As SSBT proposed in its Limited Purpose Application, SSBT's swaps activities outside the Limited Purpose Designation shall be limited to interest rate swaps activity through its Global Treasury unit (1) with counterparties who are registered SDs; (2) solely for purposes of hedging interest rate risks directly incurred by SSBT,⁸ and (3) not by or for any entity that controls, is controlled by, or is under common control with, SSBT ("affiliate");
- F. As SSBT proposed in its Limited Purpose Application, SSBT's interest rate swaps hedging activities outside the Limited Purpose Designation shall not exceed fifty (50) interest rate swaps per year;
- G. As SSBT proposed in its Limited Purpose Application, SSBT will not have a trading desk in connection with dealing interest rate swaps;
- H. As SSBT proposed in its Limited Purpose Application, in addition to its responsibilities in respect of the Limited Purpose Designation, SSBT shall comply with, and shall submit to Commission jurisdiction and authority, as if it were a fully designated SD, in connection with all swaps activities with respect to Commission Regulations 3.2 (Registration processing by the National Futures Association; notification and duration of registration), 3.3 (Chief compliance officer), 3.10

⁸ SSBT represents that it will only enter into interest rate swap transactions on behalf of SSBT as principal for its own account, to hedge (1) long-term debt issued by SSBT and (2) certain assets held in SSBT's investment portfolio and other balance sheet liabilities.

(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;

- I. SSBT shall implement written policies and procedures with respect to all its swaps activities (copies of which shall be provided to the Commission) to ensure full compliance with the requirements imposed on SDs by the CEA and all Commission Regulations promulgated thereunder, and those written policies and procedures shall include measures to ensure full compliance with the requirements of this Order;
- J. The written policies and procedures referenced in the immediately preceding paragraph shall include policies and procedures that will require SSBT to monitor its personnel and annually examine its operations to ensure compliance with the CEA, all Commission Regulations promulgated thereunder, and this Order;
- K. The Commission or NFA may examine SSBT and any of its business units (including, but not limited to, SSBT's Global Markets and Global Treasury business units) and any of SSBT's affiliates at any time to ensure, *inter alia*, compliance with this Order;

- L. To the extent that any of the business, activities or operations within the Limited Purpose Designation relies on any material support from SSBT or any affiliate of SSBT but outside of the Limited Purpose Designation, SSBT shall, by December 30, 2013, provide to the Commission: (a) a written notice adequately describing such support and input and any conditions thereto; (b) minutes of the governing body ratifying or adopting resolutions to provide such support or input; and (c) documents setting forth written and enforceable rights to access the area outside of the Limited Purpose Designation for the purpose of examining the applicant as the Commission determines is necessary or appropriate;
- M. To the extent that any of the business, activities or operations within the Limited Purpose Designation relies on any material support from SSBT or any affiliate of SSBT but outside of the Limited Purpose Designation, SSBT must: (1) implement and maintain diligent supervision of the activities within the Limited Purpose Designation related to such support or input meeting the standards established within Commission Regulation 23.602 (Diligent supervision); (2) document, maintain and enforce risk management policies and procedures designed to monitor and manage the receipt of, and the satisfaction of, any conditions required as a condition to receipt of, such support or input; and (3) treat any material failure by persons outside the Limited Purpose Designation to timely provide any such support or input as a breach of a risk tolerance limit and related policy and procedure pursuant to Commission Regulation 23.600 (Risk Management Program for swap dealers and major swap participants), and provide immediate notice of such breach to the CCO;

- N. SSBT shall comply with all applicable recordkeeping and reporting rules, and provide the Commission with enforceable access to any books and records of SSBT that, in the sole opinion of the Commission, are necessary to determine compliance with the CEA, Commission Regulations applicable to SDs, and this Order;
- O. SSBT shall designate all SSBT corporate officers within the direct reporting line from the senior officers in Global Markets and Global Treasury that are involved with swaps activities and the relevant support functions to the chief executive officer of State Street Corporation (“State Street,” which is SSBT’s parent company) as principals;⁹
- P. SSBT represents that the 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, which SSBT represents 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 alignment of strategy, budget, and risk appetite of SSBT;
- Q. 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: (i) may materially affect or detract from the ability of SSBT to continue to comply with any of the terms of this Order; (ii) would render any

⁹ 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 chief risk officer of Global Markets; the executive vice president, head of Global Markets; the executive vice president of Corporate Finance; the executive vice president, global head of Global Markets’ Sales and Research Division; the executive vice president, treasurer and head of Global Treasury; the senior vice president and global head of FX Sales and Trading of Global Markets; the senior vice president, global head of Liability Management for Global Treasury; and all other members of the board of directors of SSBT.

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 (iii) would constitute a material change to the facts or circumstances pursuant to which this Order is issued;

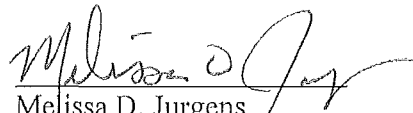
- R. SSBT shall provide such notification to the Director of the Division of Swap Dealer and Intermediary Oversight, and such notification shall be followed as soon as possible (but in any event within 48 hours of knowledge of such occurrence) by SSBT's assessment of whether the occurrence of such event, circumstances, or situation would impair: (i) the separation of the activities within the Limited Purpose Designation from the rest of SSBT's and its affiliates' activities; (ii) 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 (iii) the Commission's ability to regulate and examine SSBT's swap dealing activities;
- S. After providing such notification, SSBT shall be available (and shall make any of its affiliates or personnel available) to discuss with the Commission whether any modification to this Order is required due to the event, circumstances, or situation; and
- T. 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 Market's 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.

IT IS FINALLY ORDERED that, as the Commission promulgates new regulations (or modifies existing regulations), or as Congress enacts new statutory provisions (or modifies existing statutory provisions), that apply to SDs, SSBT shall demonstrate compliance with those statutory provisions and regulations in a timely fashion.

Issued in Washington, DC, this 19th day of December, 2013.

By the Commission


Melissa D. Jurgens
Secretary to the Commission