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Mr. Brent J. Fields
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Via email: rule-comments@sec.gov

Re: Investment Company Reporting Modernization (File Number S7-08-15)
Amendments to Form ADV and Investment Advisers Act Rules (File Number S7-09-15)

Dear Mr. Fields:

State Street Corporation ("State Street") welcomes this opportunity to provide comments on the United States (US) Securities and Exchange Commission's (SEC) proposed rules on investment company reporting modernization[1] and amendments to Form ADV and Investment Advisors Act rules[2].

Headquartered in Boston, Massachusetts, State Street specializes in providing institutional investors with investment servicing, investment management and investment research and trading. With $28.65 trillion in assets under custody and administration and $2.374 trillion in assets under management as of June 30, 2015, State Street operates in more than 100 geographic markets worldwide. State Street is organized as a US bank holding company, with operations conducted through several entities, including State Street Global Advisors, its asset management division.

Overall, State Street is supportive of the SEC's efforts in modernizing reporting and amending Form ADV. As the primary regulator of the asset management industry, the SEC is in the best position to respond to changes taking place in the industry. Although generally supportive, we believe the suggestions noted below will provide clarity to the SEC's proposals and avoid any unintended consequences. Our comments are organized by the following topics: Form N-PORT; amendments to Regulation S-X; option for website transmission of shareholder reports; Form N-CEN and rescission of Form N-SAR; compliance dates; Form ADV; and data security.

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[1] Investment Company Reporting Modernization, Investment Company Act Release No. 31610 (May 20, 2015), 80 Fed. Reg. 33590 (June 12, 2015).
[2] Amendments to Form ADV and Investment Advisors Act Rules, Investment Advisers Act Release No. 4091 (May 20, 2015), 80 Fed. Reg. 33718 (June 12, 2015).

FORM N-PORT

The SEC is proposing a new monthly portfolio reporting form, Form N-PORT, which requires registered management investment companies and exchange-traded funds (ETFs) organized as unit investment trusts (UITs), other than money market funds and small business investment companies (SBIC), to electronically file more detailed, uniform, and structured reporting. Specifically, Form N-PORT requires the following information about the fund and the fund's portfolio investments: general information; assets and liabilities; certain portfolio-level metrics, including certain risk metrics; information about securities lending counterparties; information regarding monthly returns; flow information; certain information regarding each investment in the portfolio; miscellaneous securities; explanatory notes; and exhibits. The information on Form N-PORT will be made public every third month and available to the public 60 days after the end of the fiscal quarter. The SEC's objective is to analyze and understand the various risks in a particular fund, as well as risks across specific types of funds and the fund industry as a whole. Although generally supportive of Form N-PORT, State Street has a few comments as noted below.

I. General Information and Instructions

A. Support the use of Legal Entity Identifiers

The SEC is proposing that funds provide the legal entity identifier (LEI) number of the registrant and series. The LEI will help facilitate the linkage of data reported on Form N-PORT with data from other filings and sources.

State Street supports the SEC's proposal to require funds to use LEIs. As a global identifier, the LEI provides consistency in the identification of a specific client across both domestic and international filings. For example, if a fund changes its name, the LEI follows the name change and relevant data continues to be tracked. Additionally, the use of LEIs assist in the documentation of regulatory requirements such as anti-money laundering and know your customer. As these requirements become more robust, the LEI aids in tying key data elements together.

II. Portfolio Level Risk Metrics

The SEC is proposing that funds report quantitative measurements of certain risk metrics that would provide information beyond the narrative of disclosures about investment strategies and risks. Specifically, the SEC proposes: (1) portfolio level measures that will help investors better understand and monitor funds' exposures to changes in interest rates and credit spreads across the yield curve; and (2) risk measures at the investment level for options and convertible bonds.

A. 20% risk metric threshold is reasonable

The SEC is proposing that if the notional value of a fund's holdings of debt instruments or derivatives that provide exposure to debt instruments or interest rates is 20% or more of the fund's net asset value (NAV), the fund must report a portfolio level calculation of duration and spread duration across the applicable maturities in the fund's portfolio on Form N-PORT. The objective is to require funds to report metrics if they use debt and exposure to debt or interest rate changes as part of their investment strategy while providing a minimum threshold to exclude funds that use it for other purposes (e.g. cash management).

State Street supports using a 20% threshold for determining which funds must provide risk metrics. The 20% threshold is reasonable as it limits investor confusion which could be caused by month end anomalies. For example, occasionally at month end a fund is in a defensive position, meaning it is investing in securities that do not align with its objectives in order to protect the fund against excess losses, even though it is not typically a fixed income fund. A lower threshold percentage would trigger reporting this defensive position which could mislead investors. Another example is if there is a balanced or mixed strategy fund whose portfolio mix is constantly changing. A lower threshold could trigger reporting the fund some months while not during other months. This could lead to investor confusion.

We also recommend that the SEC provide clarity on the threshold calculation. For example, should futures be included or excluded from the threshold calculation? Most derivatives have sensitivity to interest rates or spreads, so these products may be excluded unless the guidelines are explicit. If the guidelines are not specific as to how to perform the calculation in order to avoid misinterpretation, the SEC should require these metrics on all funds. Without clarity, the SEC leaves the threshold calculation open to interpretation by fund managers.

B. Provide clarity to risk metric calculations

The SEC is proposing that a fund calculate its duration metrics-- the change in value of the fund's portfolio from 1 basis point change in interest rates (also known as DV01) for each applicable key rate along the risk-free interest rate curve. Additionally, the SEC proposes spread duration metrics (also known as SDV01) at the portfolio level and aggregated by non-investment grade and investment grade exposures.

State Street requests clarity regarding the proposed risk metric calculations. Specifically, we recommend: reporting at the fund level; standardization of risk metrics as long as the requirements are not too prescriptive; and the inclusion of standard stress tests. We recommend that if the SEC agrees to requiring reporting information at the fund level then managers should be able to supply backup detail at a position level if requested. Fund level reporting should be readily available as this is computed and reported internally on a regular basis. Depending on the lag time of these reports, managers may be reluctant to share position level detail because it may expose their strategy. Also, the value of providing position level information is only useful to the SEC to monitor concentration and systemic risk across the industry if the SEC can aggregate the reported information. We also recommend that the following measures be reported: credit spread (CS01); delta; duration (DV01); yield to maturity (YTM); option adjusted spread (OAS); exposure (based on clear requirements by product); delta-adjusted exposure; duration equivalents; foreign exchange (FX) sensitivity/risk; and Vega (the measurement of an option's sensitivity to changes in the volatility of the underlying asset in order to capture any optionality).

State Street also agrees that clarity regarding the underlying inputs and assumptions would provide standardization of the calculation of risk metrics; however, we believe that the SEC should not be too prescriptive. Managers should have discretion in managing portfolios based on proprietary knowledge as long as it is bound within certain guidelines and managers can validate and justify their approach. It is more important that the SEC set standards on what is expected to be reported by product such as notional versus delta adjusted or duration equivalent versus market value.

Finally, we recommend standard stress tests including shallow and steep shocks on spreads, interest rates and volatility. The SEC seeks this information to better monitor trends in the fund industry. As discussed in the recent Financial Stability Oversight Council (FSOC) notice[3], the SEC needs to monitor the industry to ensure sufficient liquidity exists to meet redemption requests, which is a key function of the asset manager. While current practices and SEC guidance address these liquidity risks well, additional measures, such as stress tests, could provide greater confidence for investors, particularly in times of market stress.

III. Securities Lending

The SEC is proposing additional reporting for securities lending activities in the monthly Form N-PORT and the annual Form N-CEN (discussed in section "Form N-CEN and Rescission of Form N-SAR"). Specifically, the SEC proposes that funds report certain counterparty information and position level information on Form N-PORT. Additionally, the SEC is proposing that as part of the notes to the funds' financial statements, certain information about income from and fees paid in connection with securities lending activity and the monthly average of the value of portfolio securities on loan be disclosed.

A. Disclosure should be limited to the top five or top ten counterparties

The SEC proposes that funds report for each of their securities lending counterparties the full name and LEI of the counterparty, as well as the aggregate value of all securities on loan at the counterparty, rather than at the loan level. The SEC then requests comment as to whether this disclosure should be limited to the top five or top ten counterparties.

State Street believes that disclosures related to the reporting of the aggregate value of all securities on loan to each securities lending counterparty should be limited to the top five or top ten counterparties with the greatest exposure. Having to list counterparties beyond the top ten could prove to be unduly burdensome without significant additional benefit. Disclosing the top ten would be consistent with the approach used in N-CEN to report exposure to brokers through trading commissions and principal trades.

Additionally, with regards to securities lending, State Street agrees that the disclosure of securities loan information at the counterparty level, as opposed to at the loan or CUSIP level, is appropriate. We believe counterparty-level information should be limited to the top five or ten counterparties with the greatest exposure as either would provide the SEC and investors with the information necessary to understand the material exposure that a fund has to securities lending counterparties, without imposing unnecessary costs on funds and their shareholders. More detailed reporting, while generally available to each fund from its agent lender, would exponentially increase the amount of data sent and would not be expected to materially change the SEC's or investors' risk assessment of the reporting funds.

B. Counterparty exposures should not include unsettled trade information

The SEC has asked whether it should require funds to report securities lending counterparty exposures based on the amount of unsettled trades with each counterparty. As unsettled securities lending trades generally do not create exposure for lending funds, we do not believe it to be a meaningful measure of market risk.

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[3] Notice Seeking Comment on Asset Management Products and Activities, Docket No. FSOC-2014-0001 (Dec. 18, 2014), 79 Fed. Reg. 77488 (Dec. 24, 2014).

A. Recommend phase in approach for LEIs

As noted above, State Street is supportive of the use of LEIs. However, the SEC should be aware that although the financial industry is beginning to adopt LEIs, many corporate entities have not yet registered. Further, systems are not yet widely in place to track counterparty LEIs. We support providing the names of securities lending counterparties, and as and when possible, agent lenders will report LEIs of both borrowers and lending funds to facilitate downstream regulatory reporting. Accordingly, we respectfully request that disclosure of counterparty LEIs be either delayed until fully integrated into the global financial system or, alternatively, as available to the agent lenders and reporting funds.

Disclosing to the public, for each securities lending counterparty, the full name and LEI, and the aggregate value of all securities on loan to the counterparty may have unintended consequences on securities lending markets. Borrowers may be concerned about details of their exposures being made public to clients and competitors, and that concern may make borrowers less likely to borrow from registered funds and more likely to borrow from lenders who are not required to make similar disclosures. Therefore, this is one example for where we think phasing in the public disclosure of data may be prudent.

II. Flow Information

For each of the preceding three months, the SEC is proposing to require funds to separately report the total NAV of: (1) shares sold (including exchanges but excluding reinvestment of dividends and distributions); (2) shares sold in connection with reinvestments of dividends and distributions; and (3) shares redeemed or repurchased (including exchanges).

A. Flow information should be at the omnibus account level

The SEC requests comment as to what extent the usefulness of flow information would be affected by the fact that omnibus accounts typically net transactions prior to executing with the funds' transfer agents. State Street does not believe that the SEC should change the current process of netting transactions related to omnibus accounts. The collection of information flows varies significantly. The reporting of each class of fund is relatively easy for direct purchase and sales. However, as the SEC articulated, the industry is shifting towards the use of omnibus accounts which net several accounts and do not record each class of fund at the individual level. To provide this information at the individual level would require a change in process which would be time consuming and would not provide any additional relevant information.

III. Schedule of Portfolio Investments

The SEC proposes that funds be required to report certain information in the schedule of portfolio investments on an investment-by-investment basis about each investment held by the fund and its consolidated subsidiaries.

A. Use of certain identifiers should not be mandated

The SEC proposes that funds be required to report certain identifiers for their investments. It requests whether certain additional specific identifiers, such as the Financial Instrumental Global Identifier (FIGI) or other similar identifier, be included if available.

State Street believes that the SEC should not mandate the use of certain identifiers for public and non-public funds. Specifically, we do not support including additional unique identifiers such as the FIGI. Funds have access to standard identifiers like a CUSIP or ISIN for their instruments. Currently, there are limited third party providers that can use the FIGI and it would give these providers an unfair competitive advantage in data mining compared to the rest of the industry. The current users of FIGI are Bloomberg, First Derivatives and FACTSET, while the CUSIP, ticker, ISIN and SEDOL (as applicable) can be found readily by shareholders.

Furthermore, there are instances when securities are not publically traded and do not have market identifiers. In general, if clients have one custodian/accounting agent, this would not be difficult to manage and would provide a consistent identifier across the entire trust. However, if the client has multiple custodians, the same security in one trust could have different identifiers, making it difficult to compare the one security across multiple funds. Additionally, there are no commonly used identifiers in the industry for swaps. The creation and use of a unique identifier by funds will not provide sufficient consistent information to the SEC with respect to these unique investments. As such, the SEC should allow non-public securities to use “not applicable” or “null” instead of a unique identifier.

B. An incremental burden of reporting valuation levels for each investment held by the fund is not anticipated

The SEC requests the industry comment on the incremental burden of reporting information for each investment held by a fund relative to the current burden of reporting the total value of each class of investment categorized in each level of the fair value hierarchy.

State Street does not anticipate an incremental burden of reporting for each investment held by the fund as systems should already have this information available at an individual security and fund level. However, the SEC should be aware of the Financial Accounting Standards Board’s (FASB) Accounting Standards Update 2015-07, which requires that fund of funds use a practical expedient as a valuation source and therefore certain fund of funds’ investments will no longer have a level associated with them.[4] State Street requests there be a “null” category so that the fund’s books and records will be consistently disclosed in N-PORT versus the shareholder reports.

C. Additional characteristics of debt securities should be disclosed

The SEC is proposing that funds be required to include additional information about each debt security held by the fund including: maturity date and coupon (reporting annualized rate and indicating whether fixed, floating, variable or none); whether the security is currently in default; whether interest payments are in arrears; whether any coupon payments have been legally deferred by the issuer; and whether any portion of the interest is paid in kind. Besides these attributes, the SEC asks if any additional or alternative characteristics of debt securities should have required disclosures to help understand the nature and risk of a fund’s debt security investments.

State Street recommends that the following characteristics be disclosed as part of any filing:

- Issuer
- Security Type (e.g. asset-backed securities (ABS), corporate bonds, mortgage-backed securities (MBS), bank loans, etc.)
- Security Structure
- Guarantor (if available) and attributes of the guarantor (e.g. ratings)
- Country
- Sector

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[4] FASB Accounting Standards Update 2015-07, *Fair Value Measurement (Topic 820): Disclosures for Investments in Certain Entities that Calculate Net Asset Value Per Share (or its Equivalent) (A Consensus of the Emerging Issues Task Force)*.

- Rating

These characteristics of debt securities assist potential users in understanding the nature and risks of a fund's debt security investments by providing greater transparency as to the underlying instrument and/or company backing the security and the terms of the agreement.

A. Convertible debt securities should be consistently reported across clients

The SEC is also proposing the following additional information for convertible debt securities: information to indicate whether the conversion is mandatory or contingent; the conversion ratio; information about the asset into which the debt is convertible; and the delta (ratio of the change in the value of the option to the change in the value of the asset into which the debt is convertible).

State Street believes there should be consistency in how clients report various analytics for all security types, including convertibles. The reporting delta should be consistent across clients, but the following attributes should be disclosed to define the approach such as:

- Volatility used (surface, historical, at-the-money (ATM));
- Actual volatility used in the calculation; and
- Attributes such as 'mandatory' convertible.

Also, we recommend that the SEC look at how exposures have been defined in Europe as part of the commitment approach – delta exposure, duration equivalents, notional, etc. These requirements by product are well defined and ensure a consistent approach is followed by all managers.

B. Certain derivative details should remain non-public

The SEC is proposing that Form N-PORT require additional information about each derivative contract in the fund's portfolio including: the category of derivative that most closely represents the investment; name and LEI of the counterparty (including its central counterparty); terms and conditions of each derivative investment; and certain other specific information regarding options, warrants, futures, forwards, and FX forwards and swaps.

State Street believes that obtaining monthly details of a non-public index, such as the current value, unrealized appreciation and unrealized depreciation, before the 30-day deadline, would be difficult as this information is proprietary for most fund groups. Service providers typically are not provided the components of the reference index unless clients have engaged that service provider to also price the swap. This information is, therefore, not typically housed in a system that aggregates data and communicates with the custody systems. If the SEC intends on receiving the information, State Street recommends including this information on Schedule D because as proposed, Schedule D information would not be publically disclosed.

C. Securities on Loan and Cash Collateral Reinvestment

Non-cash collateral received to secure loaned securities should not be presented individually as portfolio positions.

Mutual funds are generally limited, by way of historical no-action letters, to accepting only cash and government securities as collateral for their loans of securities and, per industry standard, beneficial owners lending via an agent are prohibited from re-hypothecating securities received versus securities loaned. As such, we recommend that non-cash collateral be presented in general terms (e.g., by security type and aggregate value) rather than individually as portfolio positions.

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II. Exhibits

A. Regulation S-X Compliant Portfolio Holdings Schedules should be filed using the current 60-day deadline

Under the SEC's proposal, funds would have 30 days versus the current 60 days after the end of their first and third fiscal quarters to file reports on Form N-PORT that would include portfolio holdings schedules prepared in accordance with Regulation S-X. The SEC believes this is reasonable given that there is a significant overlap of required information being reported and the schedules do not need to be audited or certified.

State Street believes the SEC should keep the current 60-day deadline for Regulation S-X compliant portfolio holdings schedules. Preparing the full GAAP schedule of investments requires a significant amount of time and resources. Remaining with the current 60-day deadline would help the industry as it is common for large fund groups to have overlapping first and third quarter reporting with annual and semi-annual reporting cycles. Additionally, due to competing priorities in the same window, shortening the timeframe to create a full S-X compliant holding report would create additional risk in an already tight production schedule to complete annual reports that are under audit, semiannual financial statements, holding reports and even the new N-PORT filing. The ability to amend the N-PORT to add the S-X compliant schedules no later than 60 days after the end of the reporting period would help manage deadlines and potential risks.

B. Certification of portfolio schedules is redundant

The SEC is requesting comment as to whether the portfolio schedules attached to Form N-PORT, which are similar to reports funds are currently providing on Form N-Q, should be certified, as is currently required by Form N-Q. The SEC is considering adjusting the certification required on the N-CSR to cover the 6-month period between filings. Therefore, this change of not requiring the N-PORT to include a certification would be beneficial to the N-CSR process. We believe that the current proposed process would be sufficient for covering the N-PORT. Additionally, in order to meet the 30-day window, it is important not to add additional administrative tasks to the monthly certification process.

III. Compliance Date

A. Extend the reporting window to 45 days

The SEC is requesting comment as to whether 30 days is sufficient for funds to gather and report information. Although manageable, State Street supports a 30-day filing deadline but does request an additional 15-day safe harbor for the first year as there are certain items to work through that have not been considered due to the current 60-day cycle. For a non-complex fund, it is reasonable to close the books within a few days and meet the proposed 30-day deadline. However, complex funds with heavy derivative usage require additional time to obtain the contracts for the fully executed over-the-counter (OTC) instrument for new buys of derivative instruments.

Additionally, fund groups, particularly those with heavy bond or derivative usage that have high volumes of as-of trades will take additional time to close the books at the end of the month. Also with the high volume of as-of trades, cancel/rebook activity will likely occur which will need to be reconciled from a Generally Accepted Accounting Principles (GAAP) perspective. In addition, if there is a request to disclose tax basis information, reporting within the 30-day window could be inaccurate or misleading because the determination of a wash sale transaction cannot be determined until day 30.

Furthermore, the review process for the fair value leveling required under FASB Accounting Standards Codification (ASC) 820[5] (formerly FAS 157) can be time consuming, taking anywhere from five to ten business days. Additionally, there are periods in which the funds reported in the N-PORT are under audit at day 30 and the audits are not substantially completed. As such, there is the possibility that audit-related changes would not be reflected in the N-PORT, resulting in a variance of information disclosed in the N-PORT versus the N-CSR. Another possible bottleneck in the review process is if risk and liquidity information is maintained by the portfolio managers, which is often the case. For example, for sub-advised funds, the portfolio managers are typically third parties. Therefore, retrieving information from the portfolio manager adds an additional step in an already constricted timeframe.

AMENDMENTS TO REGULATION S-X

The SEC is proposing amendments to Regulation S-X, which prescribes the form and content of financial statements required in registration statements and shareholder reports. Proposed amendments are related to enhanced derivative disclosures; amendments to Rules 12-12 through 12-12C; investments in and advances to affiliates; and the form and content of financial statements.

I. Enhanced Derivatives Disclosures

A. Open forward foreign currency contracts should be grouped by purchased or sold US dollars

12-13B does not specify the order in which open forward foreign currency contracts are listed or categorized. State Street recommends that they be grouped by purchased or sold US dollars since the funds are domiciled and the currency is marked to the US dollar within the financial statements.

B. Centrally cleared swaps should be grouped separately from over-the-counter swaps

Under rule 12-13C for open swap contracts, centrally cleared swaps are grouped only by each major category (e.g. credit default swaps, interest rate swaps or total return swaps). State Street recommends that they be grouped separately from OTC swaps in addition to the major categories as OTC swaps do not bear the same type of risks, particularly counterparty risk.

C. Provide clarity to the reporting of exchange-traded instruments

State Street requests clarification as to whether reporting the exchange or clearing member is required for exchange-traded instruments which is not commonly reported today. The proposal's language is unclear as to whether the disclosure of the counterparty is applicable to exchange-traded instruments. Additionally, the format of the schedule requires reporting of "counterparty" so it is unclear whether the column for exchange traded instruments should be reported. Therefore, State Street recommends that funds should be able to either leave the column for exchange-traded instruments as blank or "not applicable."

D. Provide clarity and examples for restrictions applicable to derivatives

State Street believes there should be clarification and examples of what is meant by restrictions applicable to derivatives. Specifically, it is unclear whether restrictions applicable to derivatives are meant more broadly. For example, it is unclear whether the lockup period for trading blocks would be included as a restriction applicable to derivatives. If the SEC's purpose is to have a narrow definition, then it is unclear whether the stricter definition includes limitations on the types of entities that would

[5] FASB ASC 820, *Fair Value Measurement.*

be able to buy an instrument such as 144a restrictions, which limits trading to qualified institutional buyers. Although State Street does not have a stance as to whether there should be a broad or narrow application of restrictions applicable to derivatives, clarity either way will assist the industry in consistent reporting.

E. Identifying illiquid investments is subjective

The proposed requirements in rules 12-13 through 12-13D that require a fund identify investments that are considered to be illiquid are very subjective. State Street believes the SEC should provide guidance as to what assumptions would be appropriate in determining if an investment is illiquid. By providing more specificity to the parameters of calculation of illiquidity, there would be more comparability among fund groups and risk of not being able to meet unexpected and high levels of shareholder redemptions.

F. Proposed disclosures based on cost for tax purposes are not meaningful

The proposed disclosures based on cost for federal income tax purposes under proposed rule 12-12A and rules 12-13 through 12-13D do not provide meaningful information for investors. State Street believes this additional information may not be as beneficial as intended since a large percentage of the derivative activity does not have cash activity, and therefore, does not have a tax basis. The market differential would be the appreciation or depreciation. Additionally, a large group of futures, forwards and options are 1256 contracts, which are mark-to-market and realized at that time, thus resulting in no appreciation or depreciation. For a fund with significant derivative activity, a full income tax provision is needed each time a S-X compliant schedule is produced (at the end of every 3 months) compared to the current annual process. This would be quite time consuming and costly with minimum shareholder benefit.

II. Amendments to Rule 12-12 through 12-12C

A. Providing the reference rate and spread is more useful than the current rate

The proposed amendments to rule 12-12 (investments in securities of unaffiliated issuers) require disclosure of a description of the reference rate and spread (e.g., USD LIBOR 3-month + 2%) for variable rate securities. State Street agrees with the SEC that providing the reference rate and spread is more useful than the current rate for variable rate instruments because a reader of the information can determine what the current rate is versus what the historical rate was.

B. Funds should not be categorized by type of investment, the related industry or the related country or geographic region

Instruction 2 to proposed rule 12-12 (and the corresponding instructions to rules 12-12A, 12-12B, and 12-14) would require funds to categorize the schedule by type of investment, the related industry, and the related country, or geographic region. State Street does not recommend requiring categorization by type of investment, industry and country or geographic region as it could significantly lengthen the schedule of investments for many funds. Instead, we suggest that funds report the percentage of securities by country or geographic region as a separate schedule after the schedule of investments which is currently the common practice.

C. Providing the net income from securities lending activity and fees paid to a securities lending agent and cash collateral manager will provide clearer, more concise information

A proposed new subsection (m) to rule 6-03 would require funds to make certain disclosures in connection with a fund's securities lending activities and cash collateral management. We generally support the disclosure of securities lending income and compensation of securities lending agents and cash collateral managers, and that securities lending agents make such information readily available to their clients.

We suggest that borrower rebates, which are primarily a function of prevailing short-term interest rates, be excluded. Also, given the variety of fee arrangements in the marketplace, we suggest that actual net income to the lending fund and fees paid to a securities lending agent and collateral manager may provide a clearer, more concise view of each party's compensation than contractual terms regarding revenue sharing and/or fees for service.

III. Form and Content of Financial Statements

A. Correct the perceived discrepancy in the proposed rule's language

State Street believes there is a perceived discrepancy in some of the changes made to the schedule of investments in the proposed amendments to Article 6 of Regulation S-X as far as categorizing and totaling categories. We request clarification if the "or" that is underlined in the proposed rule's text below, should also be an "and" like the prior statement as noted in red below.

This is in Schedule I – III-
"Categorize investments by (i) type of investment (ii) the related industry, of the investment; ***and*** (iii) the related country, or geographic region of the investment."

This is in Schedule I – III-
"The subtotals for each category of investments, subdivided by type of investment and industry, country, ~~***or***~~ **and** geographic region, shall be shown together with their percentage value compared to net assets (§§210.6-04.19 or 210.6-05.4)."

B. Presenting schedules in the same location allows comparison

The SEC proposes that all schedules be presented in the same location. State Street agrees with this recommendation as it would be beneficial for comparability of funds by shareholders. Additionally, by creating a consistent placement and defined items for inclusion, it adds efficiency to the creation of financial statements when prepared for multiple fund groups and families. This will allow financial reporting service providers to standardize an information flow and process for the creation of fund financial statements. It also allows for greater efficiencies and lower risk, as there is a standardized process thus lessening one off manual processes and controls.

C. Provide clarity on management fees paid

State Street requests clarification on reporting management fees paid from a pooled vehicle in which cash collateral is invested. Specifically, should the fund report the management fee as a percentage of average net assets on the pooled vehicle as of the most recent annual financial statement or as a percentage of average net assets from the last shareholder's report? State Street believes that the average net assets from the last shareholder's report may be a more accurate reflection of the management fees paid for pooled vehicles of collateral because fees are not charged in advance. Therefore, looking forward would not reflect the fees currently charged.

D. Provide meaningful information in disclosures

State Street agrees that disclosures provide investors with meaningful information that may not be included elsewhere. As such, we agree with the SEC that gains/losses from foreign currency transactions and translation with gains/losses from the settlement of forward foreign currency contracts should be disclosed because currently standard practice for those amounts is typically combined.

Also, we agree with the proposed rule to eliminate Regulation S-X's requirements for specific disclosure of written options activity under rule 6-07.7(c) as the disclosure is not particularly meaningful to investors. It is the only derivative type where this type of activity is reported. Additionally, the volume disclosures required under FASB ASC 815[6] are intended to provide information about the level of activity on written options and other derivatives.

State Street does not agree with the SEC's proposed disclosure under rule 6-07.1 for non-cash dividends and payment in-kind interest on the statement of operations. We do not believe that the distinction between cash and non-cash or payment in-kind is particularly meaningful to investors unless the amounts are material. As non-cash payments are not typical in most registered funds perhaps, the SEC can consider adding a benchmark which if met, the amounts would be aggregated between non-cash or payments in-kind. A recommended benchmark would be 10% which is similar to the break out of receivables as noted under S-X 6-04.5 (b).

<u>OPTION FOR WEBSITE TRANSMISSION OF SHAREHOLDER REPORTS</u>

The SEC is proposing a new Rule 30e-3 which would permit a fund to transmit reports to shareholders by means of a website if it satisfies certain requirements related to: availability of shareholder reports and other information; prior shareholder consent; notice to shareholders; and shareholders' ability to request paper copies.

State Street strongly supports the SEC's proposal to move towards the transmission of shareholder reports on the website. The suggestions below will aid in making the process more efficient and convince more clients to rely on Rule 30e-3.

I. Remove unnecessary hurdles to relying on Rule 30e-3

State Street believes that proposed Rule 30e-3 has a few requirements that may limit the number of clients that choose to rely on the rule. First, the written consent requirement, while important, may be too onerous for some clients that do not have a robust infrastructure to adequately track written consents at the fund level. Tracking consents by fund level for a shareholder base that potentially changes daily and for fund complexes with exchange privileges may prove too burdensome to be worth the potential savings. We believe that if proposed Rule 30e-3 allowed written consent to be secured from shareholders during the initial shareholder application process and cover all series, most clients would rely on Rule 30e-3. Second, the requirement to mail a postcard providing notice of an upcoming shareholder report may also dissuade some clients from relying on Rule 30e-3. This extra mailing is similar to the notice and access model available for proxies and we have not seen clients fully adopt notice and access because of the administrative burden and costs associated with the additional mailings. We suggest that proposed Rule 30e-3 allow for the notice of an upcoming shareholder report being posted be included on shareholder monthly statements. Additionally, we suggest that a fund's prospectus include a chart listing the approximate posting dates of shareholder reports along with the website address. If the final Rule 30e-3 allowed for: (1) one-time written consent to cover all series upon the completion of the shareholder initial application and (2) notice of upcoming shareholder

[6] FASB ASC 815, *Derivatives and Hedging.*

postings to be included in monthly statements and the prospectus, instead of separately mailed postcards, then we would expect most clients to rely on Rule 30e-3.

Additionally, if proposed Rule 30e-3 was modified as described above, State Street believes that most clients would send electronic shareholders reports to all shareholders and would also send electronic shareholder reports to the intermediaries. We do believe that clients should be able to continue to rely on prior electronic transmission guidance for certain shareholders to provide the most flexibility and retain the possibility of reducing the print and mail costs, which will benefit all shareholders.

II. Prospectuses should be electronically delivered

State Street has observed that many clients have moved to the electronic delivery of prospectuses and is not aware of any systematic issues or shareholder complaints arising from the use of electronic prospectuses. We agree that this is an efficient and cost effective method of distribution with minimal potential harm to investors.

III. With adequate safeguards, adoption of Rule 30e-3 would not exclude certain shareholders

With any rule that relies on technology to bring efficiency, there is always a risk that a certain segment of the shareholder base would not use the technology. However, with each passing year, more and more investors are using the internet and electronic materials. We believe that there are adequate safeguards in Rule 30e-3 which would allow shareholders who desire a hardcopy to still receive one.

IV. A clear link to shareholder reports should exist

State Street does not believe that the actual website location should matter. However, we do suggest that to the extent that a fund maintains a website, a clear link to the shareholder reports should be provided in the prospectus and client website to eliminate any shareholder confusion.

V. A safe harbor is important

The SEC's proposed rule includes a safe harbor for instances in which the materials required to be made accessible are not available temporarily. State Street agrees that a safe harbor is important, however, we would recommend that the period of time to cure not be mandated as the nature and extent of any technology failures are difficult to estimate.

VI. Tracking website visitors may lead to increased costs

The SEC requests comments as to whether the website on which materials are made accessible include safeguards to protect visitors' anonymity. State Street does not have an opinion as to the anonymity of website visitors; however, satisfying this requirement will lead to increased fund costs to design and reprogram such sites to the extent a client's site already tracks visitors.

VII. Notice should be sent via email

The SEC anticipates that shareholders will be mailed paper notices versus notice being sent by email. State Street believes that notice should be sent via email. There are increased administrative efforts and costs related to sending paper notices which would dissuade client reliance on Rule 30e-3.

VIII. Denying or revoking consent should be simplified

We believe shareholders that desire to deny or revoke consent to electronic transmissions should be able to communicate this information to the funds via telephone, US mail, facsimile or email.

Furthermore, a shareholder that revokes consent can be asked to reconsider but we do not believe Rule 30e-3 should prescribe any particular waiting period. If such a waiting period was mandated, we believe it would produce an administrative burden on the fund to track.

IX. No waiting period should exist after initial consent is granted

In our opinion, the initial consent should be applied uniformly at the fund complex level once, upon the completion of the shareholder application. We do not believe there is any harm to investors in allowing the fund to rely immediately upon the initial consent and we do not agree that a 60-day waiting period is necessary for the protection of shareholders.

X. The written notice requirement is unnecessary

State Street believes that the requirement to send a written notice each time it transmits a shareholder report is an unnecessary expense and will likely be ignored by shareholders. This extra mailing is similar to the notice and access model available for proxies and we have not seen clients fully adopt that model because of the administrative burden and costs associated with the additional mailings. We suggest that Rule 30e-3 allow for the notice of the posting of upcoming shareholder reports be included on shareholder monthly statements. Additionally, we suggest that a fund's prospectus include a chart listing the approximate posting dates of shareholder reports along with the fund's website address.

To the extent the final rule contains a notice requirement, we do not have any comments regarding the disclosure of the notice. We do, however, reiterate that this notice requirement should not be required to be sent separately; rather, it should be included in materials already provided to shareholders, such as monthly statements and the prospectus.

<u>FORM N-CEN AND RESCISSION OF FORM N-SAR</u>

The SEC is proposing to rescind the current Form N-SAR and replace it with an annual Form N-CEN. The purpose of the new Form N-CEN is to gather similar census information as Form N-SAR, but be able to better analyze and aggregate this information.

I. General

State Street has a few general notes and recommendations for Form N-CEN. First, we believe that one report covering multiple series is sufficient as many questions apply to the registrant. Second, reporting annually is sufficient as much of the information requested is either static or changes infrequently. Third, we believe that requiring reports be filed 60 days after the end of the fund's fiscal year is appropriate as the general collection of data is similar to the N-SAR which is also 60 days. Fourth, we agree that the fiscal year-end is appropriate as it is consistent with other obligations for annual financial statement reporting to investors.

Finally, we do not believe that a fund should be required to file an amendment to its Form N-CEN report or file a current report within a certain time period if previously reported information changes. Since the report is of a specific date, we believe that any subsequent changes should be reported in the next filing. For example, there should not be an obligation to file amendments if there is a new sub-advisor for a fund, as such changes are often done through an N1-A update. One exception, however, should be for material errors discovered after the filing. Similar to current practice, if an error is discovered after the filing, it is appropriate to amend a filing for the correction of that error.

II. Information Required on Form N-CEN

A. Definition of legal proceedings

State Street believes that “legal proceedings” should be defined as “any legal proceeding filed (but not yet resolved) in a court of law or legal tribunal for the acquiring of a right or an enforcement of a remedy. We believe that a bright-line test will ensure that the SEC receives consistent responses.

B. Clarification on the calculation requiring a Section 19(a) notification

The SEC is requesting comment as to whether Items 23 and 24 of proposed Form N-CEN should request information regarding NAV errors and/or dividend and distribution payments that require a written statement pursuant to section 19(a) or rule 19a-1.

The request for fund families to disclose whether they have had any Rule 19a-1 notifications in the past year does not assist in providing comparability of fund complexes as there is not a consistent method in the calculation to determine if a Rule 19a-1 notification is required. There are three different approaches to the calculation: tax basis, book basis and a hybrid between the two. The tax basis is the most accurate but the most difficult approach. The book basis is the easiest to perform due to being the true value at that time but it does not take into account some key tax components like positional changes, foreign currency exposure and bond bifurcation. The hybrid version is trying to get closer to the tax impact shareholders will likely see on their Form 1099s. The hybrid version takes the book basis and adjusts for some key known tax impacts like, but not limited to, FX realized gains and losses, derivative activity or bond bifurcation. Based on the diversity, if the question stays as proposed, it would be beneficial to receive additional clarification related to the calculation.

III. Securities Lending

The SEC is proposing that on Form N-CEN, each management company be required to report annually information about the fees associated with securities lending activity, information about the management company’s relationship with certain securities-lending-related service providers and information about counterparties defaulting on their obligations to the management company.

We support the disclosure of information concerning securities lending activity as proposed for Form N-CEN, including reporting on information on securities lending service providers, indemnity rights and types of payments made.

With regards to reporting on borrower defaults, we respectfully propose that the SEC narrow its definition of borrower default for the purposes of reporting on Form N-CEN. As currently described, the SEC requests disclosure of any failure of a borrower “to return loaned securities or return them on time in connection with a security on loan during that period.” Instead, we suggest that reportable events be limited to defaults due to events of insolvency or upon an agent lender otherwise formally declaring a default by the borrower pursuant to the relevant borrower agreement.

With regards to fees, we generally support the disclosure of securities lending income and compensation of securities lending agents and cash collateral managers. As noted previously, if rates are requested, we recommend that funds report a calculated revenue split based upon a fund’s net lending income and fees paid to its agent during the reporting period.

IV. Service Providers

Proposed Form N-CEN would require collection of certain identifying information on the management company’s service providers, including its advisors and sub-advisers, transfer agents, custodians (including sub-custodians), shareholder servicing agents, third party administrators and affiliated broker-dealers. This additional information includes: whether the service provider was hired or fired during the period; types of custody; information on pricing services; and certain fee information.

A. Reporting of all entities is unduly burdensome

State Street believes that the reporting of all entities including depositories, futures merchants and clearing organizations would prove burdensome for funds, particularly as more instruments move toward central clearing. We believe that the form should require identification of the primary custodian only as this is a primary service provider of the fund, whereas any sub-custodians, depositories or clearing organizations that provide custodial services will be a function of the specific instruments that the fund invests in during the period.

B. Provide a definition of pricing service

As it relates to the term pricing service, it would be beneficial to include a definition or more narrow description of pricing service in the instructions to the N-CEN. The new requirement is that management companies provide identifying information on persons that provided pricing services during the reporting period. We recommend narrowing the scope of the definition to pricing vendors and agents. There are other sources used for pricing such as brokers and various market makers that are constantly changing throughout the year and within the reporting period.

V. Closed-End Management Companies and SBIC

The SEC's new form N-CEN proposes that management fees for closed-end funds be disclosed. The SEC requests comments on whether the information requested be forward or backward looking. State Street believes that the management fee information should be backward looking and consistent with the annual financial statements of regulated investment companies (RIC).

VI. ETFs and Exchange-Traded Managed Funds

State Street agrees that authorized participants have an important role to play in the orderly distribution and trading of ETF shares and are significant to the ETF marketplace, and we support the efforts of the SEC to collect information intended to allow it to understand and better assess the size, capacity, and concentration of the authorized participant framework and also inform the public about certain characteristics of the ETF primary markets. However, we submit that the most appropriate source of information regarding authorized participants would be the authorized participants themselves. We believe that it would be appropriate for an ETF to list the authorized participants with whom it has contracted, but that the additional information proposed to be reported in Part E (including the SEC file number, central registration depository (CRD) number, LEI number and the dollar value of the ETF shares purchased and redeemed from during the reporting period) would be more appropriately requested from the authorized participants themselves. As "a broker-dealer that is also a member of a clearing agency registered with the Commission [SEC]," each authorized participant is within the regulatory sphere of the SEC. We believe that, particularly with respect to the identifying information, the authorized participants have more ready access to the information proposed to be required by the SEC.

We also note the potential that certain authorized participants may have reason to seek to avoid having certain information regarding their trading activities made publicly available. We are aware that certain authorized participants have expressed a view that, should the information requirements be adopted as proposed, they would seek to terminate their agreements with ETFs. It is our understanding that these authorized participants have indicated that they would rather conduct their ETF-related transactions through a “clearing AP” – as opposed to directly with the ETF –than have certain information, which could potentially thwart proprietary trading strategies, be made available to the public.

COMPLIANCE DATES

The SEC is proposing that funds that together with other investment companies in the same group of related investment companies with net assets of $1 billion or more, have compliance dates of generally eighteen months for Form N-PORT and Form N-CEN, but only eight months for proposed amendments to Regulation S-X.

I. An eight month compliance period is inadequate

State Street believes that the eight-month compliance period for proposed amendments to Regulation S-X is inadequate. We believe that the compliance period for amendments to Regulation S-X should be 18 months to align with the compliance period for N-PORT for large filers. Many of the changes to disclosures for derivatives are aligned with the information required within Form N-PORT and will require significant enhancements to systems.

FORM ADV

State Street is supportive of the SEC’s proposal to collect more specific information about advisors’ separately managed accounts in Form ADV but have a few comments related to securities lending.

I. Advisors may not necessarily be aware of securities lending activity

The SEC requests comment as to whether advisors should be required to report information about the use of securities lending and repurchase agreements in separately managed accounts. The SEC should note that advisors may not be aware or directly involved in the securities lending activity in separately managed accounts. For example, pension funds and endowments often have separately managed accounts with a number of different managers. As such, collecting information at the manager level would require that the SEC consolidate the data in order to get a complete picture of the beneficial owner’s risk related to securities finance.

II. Monitor loan balances with specific borrowers

The SEC also asks whether specific information should be collected regarding separately managed accounts. In order to meet the SEC’s objective to properly monitor systemic risk associated with securities lending activities, it may be useful to monitor loan balances with specific borrowers. If this information is collected at the manager level, then it would be critical to also gather information about the beneficial owner’s LEI. LEIs would help facilitate consolidation of the information across managers.

DATA SECURITY

Although the SEC did not have specific questions related to data security, State Street would like to stress its utmost importance. The SEC will be collecting a substantial amount of propriety fund data which if not secured properly, can be hacked and illegally accessed by those looking to do harm. This can result in major financial losses to shareholders and the overall capital markets. State Street requests that the SEC ensure that it has the proper cybersecurity measures and controls in place to maintain the security of data.

STATE STREET

CONCLUSION
State Street appreciates the opportunity to provide comments on the SEC's proposals to modernize reporting and amend Form ADV. To summarize, we are generally supportive of the SEC's proposals but believe that the comments noted above will provide necessary clarity and avoid any unintended consequences or unnecessary costs that would be borne by funds and their shareholders.

Please feel free to contact me should you wish to discuss State Street's submission in further detail.

Sincerely,

Stefan M. Gavell
Executive Vice President and
Head of Regulatory, Industry and Government Affairs
State Street Corporation