



STATE STREET.

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December 6, 2011

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington D.C. 20006-2803

Via email: comments@pcaobus.org

Re: Invitation to Comment: *Concept release on Auditor Independence and Audit Firm Rotation, PCAOB Rulemaking Docket Matter No. 37*

Dear Board Members:

State Street Corporation (“State Street”) appreciates the opportunity to comment on the PCAOB’s *Concept Release on Auditor Independence and Audit Firm Rotation* (the concept release). With \$21.51 trillion of assets under custody and administration and \$1.88 trillion of assets under management as of September 30, 2011, State Street is the world’s leading provider of financial services to institutional investors.

We understand the PCAOB’s concerns about enhancing auditor independence, objectivity and professional skepticism and agree that these qualities are critical to the audit profession. However, we have significant concerns regarding the concept release and the proposed approach of mandatory audit firm rotation.

We do not support the concept of mandatory audit firm rotation and retendering and we believe the proposals are unwarranted as independence, objectivity and professional skepticism are well supported by the requirements under existing standards. Under existing standards, the lead audit engagement partner is required to rotate every five years and the engagement quality review partner is required to rotate every seven years. PCAOB standards require auditors to vary the scope, nature and timing of audit procedures. In addition, all CPAs are required to be compliant with the AICPA code of conduct, which includes the responsibility to maintain independence and objectivity in rendering professional services. We believe that the PCAOB’s review of audit firms also achieves the purpose of ensuring auditor independence, objectivity and skepticism.

We believe that our audit committee is best suited to independently appoint and oversee our auditors. The selection and oversight of our auditors should be determined by our audit committee and not the PCAOB. Our audit committee has the responsibility to ensure the independence of our auditors. Our audit committee is actively engaged in reviewing the audit plan, discussions with the auditors concerning significant findings from the audit, such as significant difficulties, qualitative aspects of the accounting practices, uncorrected misstatements, disagreements with management, material corrected misstatements, and other significant issues raised during the audit. Our audit committee also pre-approves all non-audit services provided by our external auditors in order to ensure independence. We believe that mandatory audit firm rotation and retendering would hinder our audit committee’s oversight role in the financial reporting process and be inconsistent with the principles of corporate governance.

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We do not believe the proposal would achieve its purpose as there is no evidence that links audit firm tenure and audit failures. Given the nature of our business and industry, onboarding new audit firms will involve considerable cost, time and effort and there are only a few public accounting firms that have the expertise to service large multinational public companies. The choice of audit firms would be further restricted due to non-audit services currently being provided by big four audit firms. We believe that mandatory audit firm rotation would diminish audit quality and also reduce the efficiency of the audit due to the learning curve involved, especially in the case of large complex multinational organizations. Mandatory audit firm rotation and retendering would create distractions for our management and board that would exceed any perceived benefits and unnecessarily increase costs, which will ultimately be borne by our company's shareholders.

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

Sincerely,

A handwritten signature in cursive script, appearing to read "James J. Malerba".

James J. Malerba
Executive Vice President and Corporate Controller