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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: *PCAOB Rulemaking Docket Matter No. 34: Proposed Auditing Standards on the Auditor's Report and the Auditor's Responsibilities Regarding Other Information and Related Amendments*

Dear Board Members:

State Street Corporation ("State Street") appreciates the opportunity to comment on the Public Company Oversight Board's (PCAOB or Board) *Proposed Auditing Standards on The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion; the Auditor's Responsibilities Regarding Other Information in Certain Documents Containing Audited Financial Statements and the Related Auditor's Report; and Related Amendments to PCAOB Standards (the Proposed Standards).* With $27.48 trillion in assets under custody and administration, and $2.38 trillion in assets under management as of March 31, 2014, State Street is a leading financial services provider serving some of the world's most sophisticated institutions. As a "Systemically Important Financial Institution" and a "Global Systemically Important Bank" as designated by the Financial Stability Board and the Basel Committee on Banking Supervision, State Street plays a key role in the global financial market infrastructure.

While we support the efforts to improve audit quality and auditor communication to enhance stakeholder confidence, we have a number of comments regarding the Proposed Standards that we believe should be addressed in order to achieve the proper balance of ensuring that additional information in the form of auditor communications is both reliable and relevant to the users of financial statements.

We are primarily concerned that the Board's proposal to add critical audit matters (CAMs) to the audit report may result in a perceived weakness in financial statement reporting process, including management's competence or effectiveness of the control environment. Requiring auditors to provide information on the company's financial reporting process may force independent auditors to consistently hold (or "assume") the most conservative view on matters of accounting judgment, resulting in more CAMs being included in the auditor's report. As this exercise of caution will vary between auditing firms, comparability will likely be adversely affected and will weaken the report's main message.

State Street believes that auditors should not be the original source of disclosure specifically related to management judgments and estimates, or accounting policies and practices, including areas of significant judgment. Providing information to investors with respect to our accounting policies and their application is the responsibility of State Street's management, not the independent auditor. Sophisticated stakeholders are aware that information that would be disclosed as CAMs by the auditor is already included in disclosures made by management. The auditor's role is to evaluate whether the financial statements taken as a whole are presented fairly in accordance with generally accepted accounting principles (GAAP). Requiring the auditors to disclose this information would unnecessarily convolute the financial statements, as they would need to sort through information provided by both management and the independent auditors. The auditor's responsibility to communicate such matters should be limited to situations in which the financial statements are not in conformity with GAAP in all material respects.

The Proposed Standards require the independent auditors to summarize to investors the same level of detail and context that is provided to a company's Board of Directors, the independent elected body representing stakeholders. In the absence of appropriate context and two-way communication, we believe that such information would be potentially misleading, incomplete, and would not enhance the overall understanding of the readers of the auditor's report and financial statements. Additionally, we note that requiring supplemental reporting such as the proposed CAMs likely will lengthen the time to complete the audit, as there may not be sufficient time for the auditor to complete the audit of the financial statements and provide assurance in additional areas and therefore adversely influence filing timelines for large accelerated filers.

We do not object to the concept of requiring auditors to provide assurance on certain information outside the financial statements, provided that the scope of such assurance is clearly defined. However, we are unclear on the incremental benefits to investors from the elevated level of assurance proposed to be provided by auditors over management's discussion and analysis (MD&A), including the critical accounting estimates currently discussed in MD&A, given the likely significant increase in audit procedures and audit-related costs that will ultimately be borne by our company's shareholders.

State Street believes that the current auditor's report ("pass/fail model") clearly communicates the nature of the audit and whether the financial statements are presented fairly, in all material respects, in accordance with GAAP. The concept of clarification of the standard auditor's report would further lengthen the auditor's report unnecessarily and create redundancies with management disclosures without achieving the objective of enhancing communication between auditors and the users of audit reports, thereby compromising the report's effectiveness. With respect to the proposed approach related to the required and expanded use of emphasis paragraphs, we note that existing standards allow auditors to add areas of emphasis at their discretion, based on circumstances. We believe that mandating the requirement for an emphasis paragraph would result in standardized language over time and would therefore not achieve the proposed objective.

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

Sincerely,

Michael W. Bell
Executive Vice President and Chief Financial Officer