



**Hearing Before the Senate Committee on Banking, Housing, and Urban Affairs
“Annual Oversight of Wall Street Firms”
December 6, 2023**

**Testimony of Ronald P. O’Hanley
Chairman and Chief Executive Officer, State Street Corporation**

Chairman Brown, Ranking Member Scott, and members of the Committee, thank you for inviting me to testify today.

I am proud to serve as State Street’s CEO since 2019, and Chairman since 2020, a position I assumed after a long career in the asset management industry.

To start, I need to be clear on what State Street is not. We are not a consumer bank, a commercial bank, a mortgage bank, or an investment bank. We do not serve individual customers directly, and we have no retail branches.

What we are is highly focused on two lines of business: investment servicing and investment management.

Our investment servicing business, which includes custody and related services, enables our clients to invest and execute investment transactions daily in markets across the globe in a safe and efficient manner. Our Global Markets division is a leading provider of liquidity, financing, and research solutions for the same institutional investor client base.

Our investment management division, State Street Global Advisors, is a pioneer in indexing and quantitative investing, creator of many of the industry’s first ETFs, and the world’s fourth largest asset manager. Our investment solutions span the entire risk-return spectrum, and cover all major asset classes across geographies, investment styles, and vehicles. Our low-cost, diversified investment products are the building blocks of savings and investment across the world, including for 32 million defined contribution pension participants in the United States.



Both business lines have the same corporate purpose: to create better outcomes for the world's institutional investors and the people they serve.

Our direct clients are institutions across the globe --- pension funds, mutual funds, central banks, sovereign wealth funds, endowments, foundations, and insurance companies: holders of assets for the benefit of individuals, such as retirees, savers, or students.

I would like to focus a bit today on my very strong view of the value and importance of custody banks.

Quite simply, strong, effective custody, combined with innovation in the asset management industry, is the backbone of our democratized capital market, providing investors access in a secure and cost-effective manner to the investment products they need to meet retirement and other financial goals.

The safekeeping custody banks provide ensures investor assets are held and accounted for where and how they should be. This has not always been the case.

From the collapse of investment trusts in the 1930s, to the failure of the Studebaker pension fund in 1963, to the misappropriation of the Mirror Group pension prior to Robert Maxwell's death in 1991, to the Madoff scandal uncovered in the late aughts --- investors are put at risk when there is no proper custody of assets. In contrast, proper custody regulation --- the Investment Company Act of 1940, ERISA, and the UK Pension Act of 1995 and its successors, for example --- coupled with the enormous investments in technology by today's custody banks has produced a modern-time near perfect track record of safekeeping assets.

The recent events around FTX, which did not use bank custodians, demonstrate that more remains to be done to protect investors' assets and the financial system. In the emerging digital finance space, a comprehensive, effective regulatory framework is not yet in place, and the consequences are clear.



State Street is subject to the highest levels of regulation and supervision. We are well-capitalized --- both stressed and unstressed. Our balance sheet is conservatively positioned to deliver liquidity when our clients need it. We are subject to extensive resolution and recovery plans. We are a proven source of stability for capital markets and our customers in times of stress.

Despite the challenges of COVID, and the banking stress earlier this year --- the eight GSIB banks before you have done their jobs exceedingly well --- partnering with regulators during COVID and the SVB/First Republic crises, and providing stability to our financial system. I am proud of State Street's strong performance over these stressful periods.

Going forward, I do have some concerns.

The geopolitical environment is complex and unpredictable. The U.S. and global economic recovery is uncertain as we all navigate higher interest rates and debt levels.

And the financial services regulatory environment in the U.S. is in flux, in many cases with unclear goals.

From a State Street perspective, I am most concerned with the U.S. banking regulators' capital proposal, which I fear could negatively impact the U.S. economy by limiting bank credit extension and impairing the ability of U.S. banks like State Street to continue to provide high quality custody and asset management services.

I am also concerned by the SEC's proposed "safekeeping" rule, which, with no clear rationale, challenges some of the foundational elements of custody banking and in effect destroys the low-cost, near perfect service now provided to investors.

I am hopeful these proposals can be adjusted, for if not they create risk of negative economic, market, and individual outcomes going forward.



I look forward to our dialogue today.



Appendix -- Additional Data Requested by the Committee

State Street size, capital, and related data

Total assets: \$268 billion

Capital and leverage ratios (Q3 2023)

- CET1 capital ratio: 12.2%
- Tier 1 risk-based capital ratio: 14.0%
- Total risk-based capital ratio: 15.3%
- Tier 1 leverage ratio: 5.8%

Net Income, Dividends and Capital Distributions:

- 2022 Net Income: \$2.8 billion
- Year to date 2023, State Street returned a total of \$3.928 billion of capital, including \$3.3 billion in share repurchase and \$628 million on common stock dividends.

Consumer and Small Business

State Street does not provide housing, mortgage, consumer, or small business banking services.

Our engagement with our community does include support for small businesses owners. For example, State Street is a lead sponsor and founding member of Small Business Strong, a non-profit that provides online resources and personalized consulting services to Massachusetts small businesses (particularly women and minority owned) free of charge. Since its creation, Small Business Strong has helped nearly 2,000 Massachusetts small businesses.

While we do not provide mortgages, we do make significant investments in affordable housing. For example, over the past two years, State Street has committed \$280M in new capital for affordable housing projects (and over \$1.4B since the financial crisis).

Consumer Data Privacy

State Street's Global Privacy notice can be found here: [Global Privacy Notice | State Street](#)

Size and Scope of Custody and Asset Management Activities

State Street is one of the world's largest custodial banks and asset managers, holding assets and providing investment servicing and investment management services to institutional investors, including pension funds, mutual funds, insurance companies,



foundations, endowment and investment managers, mutual funds, and other collective investment pools.

As of September 30, 2023, the bank held \$40.2 trillion in assets under custody and administration. Our asset management arm, State Street Global Advisors, held \$3.69 trillion in assets under management. State Street operates in 28 countries, serving more than 100 geographic markets.

Community Reinvestment

State Street has received “outstanding” Community Reinvestment Act ratings each year, dating back to 2003.

As a custody bank and asset manager, we do not provide the consumer and commercial lending that is often the focus of CRA activity. Instead, as a wholesale bank, State Street meets the needs of low- and moderate-income populations in four main ways:

1. Our State Street Foundation and corporate sponsorships of education and workforce development nonprofits, as well as employee-driven matching grants to non-profits;
2. Affordable housing investing;
3. Mortgage-backed securities investing (low- to moderate-income borrowers) and small business (SBICs) investing; and
4. Community development services, including State Street executives serving on non-profit boards.

Risk Excellence and Compliance with Laws and Regulations

State Street is committed to risk excellence and compliance with all laws and regulations.

Our commitment to risk excellence is articulated to employees in our Standard of Conduct, which can be found here: <https://investors.statestreet.com/corporate-governance/standards-of-conduct/default.aspx>

In response to the Committees’ letter, since 2021, no public enforcement actions have been initiated against State Street.

Diversity, Equity, and Inclusion

State Street is committed to developing an environment that offers equal opportunities to individuals with distinctive backgrounds and unique perspectives. Our inclusive and diverse culture defines who we are.

Our overall approach to diversity, equity, and inclusion can be found here:



<https://www.statestreet.com/us/en/individual/about/our-people/global-inclusion-diversity-equity>

An assessment of our progress towards meeting our diversity goals can be found here:

<https://www.statestreet.com/in/en/asset-manager/about/our-people/global-inclusion-diversity-equity/diversity-goals>

Workforce Data

U.S. workforce (YE 2022): 12,114

Global workforce (YE 2022): 42,000

Minimum wage paid to full time employees in the U.S.: \$20/hour or \$41,600/year.

CEO/median compensation YE 2022: 374/1

(see https://investors.statestreet.com/files/doc_financials/2023/ar/Final-2023-Proxy-Statement.pdf for further details)