BLACKROCK

FSPFAS157E

LETTER OF COMMENT NO. 366

April 1, 2009

Mr. Russell Golden
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Dear Mr. Golden:

BlackRock, Inc. ("BlackRock") appreciates the opportunity to comment on the Proposed FASB Staff Position No. 157-e, *Determining Whether a Market Is Not Active and a Transaction Is Not Distressed* (the "Proposed FSP"). As a global investment management firm, BlackRock is the manager of separate accounts and both registered and unregistered investment companies, with assets under management in excess of $1.3 trillion at December 31, 2008. In its role as investment manager, BlackRock is involved in the determination of fair value for substantially all of the securities it manages.

BlackRock supports the FASB's efforts to provide additional guidance on how to determine when a market is inactive and whether quoted prices in an inactive market are associated with a distressed transaction. Given the lack of availability of price quotations for many securities, and the increasing reluctance of many market makers to provide binding quotes, the Proposed FSP provides clarity that will enhance the valuation process.

The guidance provided by the Proposed FSP, as well as the guidance in proposed FSP 157-c, *Measuring Liabilities Under FASB Statement No. 157*, provide a clearer framework for the valuation of financial liabilities. When SFAS 159 was adopted, many companies did not elect the fair value option for financial liabilities because there was insufficient guidance to determine fair value[1] given that an observable market to transfer the liability did not always exist. Few investment companies adopted the fair value option for this reason. However, some open-end investment companies followed the historical practice of not fair valuing debt in order to ensure that the potentially higher net asset value ("NAV") paid to redeeming shareholders from fair valuing debt in a declining market would not result in insufficient assets to repay any obligations upon their ultimate due date. Historically, the market has accepted NAV calculated in this manner (i.e., debt at amortized cost) as a reasonable approximation of the fair value of an investment company. As financial markets have declined, investment companies that did not elect the fair value option for their financial liabilities now may have a near-zero or negative net asset value, even though the underlying assets are expected to continue to provide cash flows sufficient to repay debt. Similarly,

[1] SFAS 157 defines the fair value of a liability as the price that would be paid to transfer the liability in an orderly transaction between market participants at the measurement date.

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investors in such investment companies may have the anomalous outcome of a near-zero or zero carrying amount of their equity investment, despite expected future cash flows.

Given the additional guidance in the Proposed FSP, which supports valuation techniques other than reliance on quoted prices, we recommend that the final FSP provide a one-time election upon adoption of the Proposed FSP for (a) investment companies to elect to fair value outstanding debt and (b) equity investors in investment companies that hold debt to elect fair value treatment for their investment. While a one-time election to fair value the debt held by investment companies may result in a higher NAV, we believe that the resulting NAV will be more representative of the investment company's fair value. Similarly, an equity method investor adopting fair value for its investment in an investment company that holds financial liabilities will present a better indication of the fair value of the investor's investment.

The proposed guidance in FSP FAS 157-c seems to further encourage fair value measurement for a liability by eliminating the transfer notion when determining the fair value of a liability[1] in an inactive market and replacing it with the requirement to fair value the liability based on the amount of proceeds an entity would receive if it were to issue the liability at the measurement date. For those liabilities that trade in an active market, proposed FSP SFAS 157-c standardizes the approach for valuing a liability under SFAS 157 with the approach used for valuing an asset. Consistent with that proposed approach, our request for a one-time election to fair value financial liabilities of investment companies would link the fair value of the liability to the fair value of the associated asset.

We hope that the Board will consider our request as they further deliberate the Proposed FSP. Please do not hesitate to contact me at (212) 810-3501 with any questions you may have regarding our comments.

Sincerely,

Steven E. Buller
Managing Director