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September 7, 2010

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

Re: Proposed Accounting Standards Update "Amendments for Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS"

Dear Mr. Golden:

BlackRock, Inc. ("BlackRock") appreciates the opportunity to comment on the Proposed Accounting Standards Update on Fair Value Measurements and Disclosures (Topic 820), *Amendments for Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS* (the "Proposed ASU"). As a global asset manager overseeing $3.15 trillion of assets under management at June 30, 2010, BlackRock is both a preparer and user of financial statements and also provides investment accounting services for other companies. In connection with our approximately 2,700 registered and non-registered investment companies for which we prepare financial statements, we track over 100,000 unique positions, of which approximately 10,000 positions are classified as Level 3 as of June 30, 2010.

While we are supportive of the Financial Accounting Standards Board's ("FASB" or the "Board") overall objective of providing more transparent information to users of financial statements, we are concerned that the proposed uncertainty analysis ("sensitivity analysis") disclosures, including disclosures of reasonably possible alternative inputs for Level 3 fair value measurements and the effect of the correlation of unobservable inputs on the recorded fair values set forth in the Proposed ASU will not best achieve that goal. We believe that the proposed disclosures will create confusion for corporate and investment company investors and will result in increased costs that ultimately will be borne by those investors. Most importantly, we believe that we would not be able to comply with the Proposed ASU, as approximately 80% of our Level 3 inputs are provided by market makers who are unwilling to provide adequate transparency for us to develop the required disclosures due to the proprietary nature of the models used to produce the quotes provided. We are concerned that requesting this additional information may result in market makers deciding to no longer provide market quotations altogether, further impacting the ability of the industry to obtain quotes that are indicative of fair value. Additionally, for many of the remaining Level 3 investments, it would be virtually impossible to develop the information, as noted below. We therefore recommend that such disclosures be excluded from the final standard.

The remainder of this letter describes in more detail our observations, including those of the analysts in our organization, where applicable.

Sensitivity analysis for Level 3 fair value measurements and alternative recommendations

The Proposed ASU requires companies to disclose information about measurement uncertainty in the form of a sensitivity analysis for recurring fair value measurements categorized in Level 3 of the fair value hierarchy[1]. While we commend the Board for removing the requirement to provide a sensitivity analysis for instruments measured at fair value on a non-recurring basis (as was originally proposed in the exposure draft ASU 2010-6, *Fair Value Measurements and Disclosures (Topic 820): Improving Disclosures about Fair Value Measurements*), we do not believe that broader changes to the proposed disclosure requirements are necessary. Consistent with our comment letter to the FASB dated July 2, 2009 regarding BlackRock's participation in the field study on the proposed codification update designed to improve fair value disclosures, and for the reasons noted below, we continue to strongly believe that the proposed sensitivity analysis will not add value to financial reporting.

- *Reasonably possible alternative Level 3 inputs would be subjective and undermine the usefulness and integrity of the financial statements.* Level 3 investments are categorized as such because a significant portion of their fair value is attributable to unobservable (i.e., judgmental) inputs. We believe that users of financial statements are fully aware of this fact and consider such uncertainty/estimation in their analyses. Adding another layer of uncertainty to these unobservable inputs does not result in additional clarity. To require inclusion of a sensitivity analysis that quantifies all reasonably possible inputs that could significantly impact valuation would be problematic due to the following:
    - The reasonably possible alternative Level 3 inputs would be subjective for many asset classes and the range of possible outcomes could be broad given the plethora of possible assumptions, resulting in even more uncertainty. For example, valuation of complex structured products may be extremely sensitive to underlying asset pricing assumptions. The wide spectrum of outcomes based on reasonably possible alternative inputs adds questionable value and may be prone to significant misstatement.
    - Level 3 valuations are highly dependent upon facts and circumstances prevailing at the valuation date. Such circumstances may change quickly (as evidenced by the recent credit crisis) and what may have been reasonably possible at the reporting date may no longer be considered reasonably possible at the date an investment is sold or the date that financial statements are filed. Such disclosure could provide investors with a false sense of an instrument's reasonably possible maximum exposure to loss or, in certain cases, may provide misleading information. For example:
        - An investor in an open-end investment company subscribes to or redeems from the investment company at the current day's net asset value per share ("NAV"). A semi-annual sensitivity analysis distributed 60 days after the end

[1] Such disclosure is required unless specifically excluded by another Codification topic (e.g., investments in unquoted equity instruments are specifically excluded from the scope of the Proposed ASU under the accounting for financial instruments project).

of the reporting period is unlikely to have any effect on an investor's decision to purchase or redeem shares. Alternatively, we believe such disclosures may lead investors to question the reliability of the investment company's NAV.

- Many investment companies, such as real estate and private equity funds, may hold a meaningful number of Level 3 investments. Preparation of the Level 3 sensitivity analysis, including correlation of unobservable inputs, would be time consuming and difficult to systematize for these funds. In addition, an investment in a private equity fund generally is locked up for the duration of the fund (which may extend for many years). As a result, disclosing a sensitivity analysis related to reasonably possible alternative inputs that could significantly impact valuation is unlikely to provide any meaningful information to investors upon which they can act.

- BlackRock's internal analysts have indicated that the proposed quantitative sensitivity disclosures may result in disclosure overload without providing them with additional useful information necessary to draw their own conclusions and would not enhance their ability to compare valuations among entities holding similar instruments. Instead, the BlackRock analysts we surveyed expressed a preference for qualitative disclosure of macro assumptions used to value Level 3 positions (e.g., prepayments, default rates, home appreciation/depreciation rates), which would allow them to compare their own assumptions against those of the reporting entity. See Exhibits A and B for examples of such disclosures.

- *A sensitivity analysis would result in systems modifications, increased costs and may not be possible.* The proposed Level 3 sensitivity analysis disclosures would require BlackRock to generate information that currently is not used by the Company. Given the number of investment funds that we sponsor, it would be necessary to automate the sensitivity analysis calculation for each applicable investment for which we can obtain sufficient information. In addition, each type of investment would require a different model, resulting in significant costs in development and maintenance of all of the models. As noted above, a substantial majority of our Level 3 investments are so classified because they are derived from non-binding broker quotes, from whom the information to perform such an analysis is not available. For a significant portion of the remaining Level 3 securities, the Company performs approximately 30 million Monte Carlo simulations each day to determine fair value. It would be virtually impossible to run the required number of additional simulations on even a subset of these investments each month in order to provide the required disclosures. We recognize that the Proposed ASU states that in order to calculate the degree of correlation between unobservable inputs, an entity need not perform a statistical analysis such as a regression analysis using two independent variables to determine the r-squared. However, neither the correlation nor the fair value can be calculated without such a statistical analysis. Any such modifications to generate the required information would require significant systems enhancements and result in significant costs to generate, store and report the alternative fair values based on reasonably possible alternative inputs that, as noted above, would be of limited value to investors.

- *Sensitivity analyses of reasonably possible alternative Level 3 inputs are not required for investments in unquoted equity instruments.* Paragraph 109 of the proposed ASU, *Accounting for Financial Instruments and Revisions to the Accounting for Derivative Instruments and*

Hedging Activities (Topics 825 and 815) (the "Financial Instruments Proposal"), states that "for all financial instruments measured at fair value and classified as Level 3 in the fair value hierarchy, *except investments in unquoted equity instruments* [emphasis added], an entity shall comply with the measurement uncertainty disclosure in Topic 820 on fair value measurement." As addressed in the paragraph below, we consider the definition of unquoted equity instruments to include investments in certain hedge funds, private equity funds and other alternative investments (collectively "Alternative Investments") and therefore presume that the sensitivity analysis disclosures would not be required. However, the sensitivity analysis (Example 10) within the Proposed ASU includes line items for "hedge fund investments," "private equity investments," and "venture capital investments." We request clarification that our understanding of the definition of unquoted equity instruments is accurate and suggest that the clarification be made by removing references to "hedge fund investments", "private equity investments," and "venture capital investments" from the example within the Proposed ASU.

As noted in our comment letter on the Financial Instruments Proposal, we believe it is appropriate to include Alternative Investments in the definition of unquoted equity instruments (thereby removing the need to provide sensitivity analysis disclosures for such instruments) as providing such disclosures would conflict with the conclusions reached in Accounting Standards Update No. 2009-12, Fair Value Measurements and Disclosures (Topic 820), *Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)* ("ASU 2009-12"), which permits the use of NAV as a practical expedient for fair value for certain investees that do not have readily determinable fair values. By allowing the practical expedient in ASU 2009-12, the FASB acknowledged the complexities, practical difficulties and subjective assumptions involved in adjusting NAVs for fair value estimation.

In addition to revising the Proposed ASU example as indicated above, we recommend that the definition of unquoted equity instruments be provided, and the related exception be specifically included, in the Proposed ASU rather than in the Financial Instruments Proposal, as the Proposed ASU likely will be effective before the Financial Instruments Proposal.

Alternative disclosures for Board consideration

The Proposed ASU implies that increased quantitative disclosures regarding fair value measurements provides the most transparent information to financial statement users. We disagree with this assumption. We believe that overly detailed disclosures obfuscate their usefulness. Instead of focusing on information that management believes is most relevant, the proposed sensitivity analysis disclosures are likely to lead to investor confusion. As a result, we recommend the following alternative disclosures for the Board's consideration:

- We believe that the measurement uncertainty inherent in Level 3 positions is best explained by robust qualitative disclosures of a company's valuation process/inputs and related internal controls, including a qualitative analysis of reasonably possible alternative inputs and the subsequent validation of fair value estimates through actual exit prices. We believe that this information will allow users of financial statements to understand why management believes reported Level 3 valuations are representative of fair value. See the qualitative data provided in Exhibits A and B (Corporate and

BlackRock sponsored investment company examples, respectively), which we believe would provide better insight into the factors underlying fair value determinations.

- Many investments held by alternative investment companies (excluding private equity, real estate and similar entities) are valued using Level 1 and Level 2 inputs. Should the Board continue to believe that quantitative sensitivity analysis disclosures provide useful information to financial statement users, we believe it would be appropriate to provide a significance threshold for which certain Level 3 sensitivity analysis using other reasonably possible alternative inputs would not be required. For example, when Level 1 and Level 2 inputs are used to fair value over 80% of an entity's assets, particularly when the Level 3 position relates to assets of consolidated variable interest entities for which the entity holds no investment, such disclosures are not meaningful. We believe this approach is consistent with the tone set by the Securities and Exchange Commission, which has emphasized the need to provide concise information to registered investment company investors. We believe such an approach should be applied to non-registered investment companies and corporate entities as well.

Other issues

- *Scope exception for Level 3 separate account assets*[2]. If a Level 3 sensitivity analysis is required in the final ASU, we request an explicit scope-out for Level 3 separate account assets. BlackRock's separate account assets are part of its wholly-owned life insurance subsidiaries, representing segregated funds held for purposes of funding individual and group pension contracts. Any changes in the fair value of Level 3 assets in such accounts accrue directly to the contract owners and are not reported as revenue or income in BlackRock's statement of income, and as a result, such information is unlikely to be relevant to analysts or other users of financial statements. Furthermore, a contract holder will not be able to view specific sensitivity to his or her separate account holdings, and as a result, a sensitivity analysis would not be beneficial to a contract holder. For these reasons, if a Level 3 sensitivity analysis is required in the final ASU, we ask the Board to clarify that separate account assets with the features noted above be excluded.
- *Disclosure of any transfers between Level 1 and Level 2 and reasons for the transfers.* The Proposed ASU requires a company to disclose *any* transfers between Level 1 and Level 2 and the reasons for such transfers. Current guidance requires disclosures of only significant transfers between Level 1 and Level 2. We fail to see the benefit provided to financial statement users by disclosing insignificant transfers. BlackRock's internal analysts agree with this view. As a result, we encourage the Board to exclude this requirement from the final standard.
- *Audit scope and fees would increase significantly.* Many Level 3 valuations are based on broker quotes, for which there is not full transparency into the inputs they use, and may be developed by the broker using complex models. These inputs and complex models are not available to companies, but would be needed to produce the proposed sensitivity disclosures.

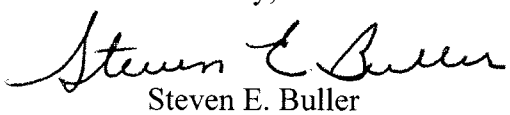
[2] Separate account assets are recorded on BlackRock's balance sheet in accordance with Accounting Standards Codification ("ASC") 944-80, *Financial Services-Separate Accounts.* Their assets are not subject to general claims of the creditors of BlackRock.

Many companies, including investment companies, incur substantial audit fees related to audit procedures to determine the reasonableness of disclosed fair values. These costs would increase substantially for companies that hold a significant number of Level 3 securities, as auditors would need to expand their scope to include additional inputs, validate the models and review the multiple outputs (given the range of possible outcomes and the plethora of possible assumptions). Despite the significant cost and effort, we do not believe that the disclosures would provide meaningful benefits to financial statement users.

* * * *

Thank you again for considering our views. We look forward to the continued deliberations by the FASB and IASB on the above mentioned issues and to the issuance of a single converged standard on fair value measurements. Should you have any questions regarding our comments, I can be contacted at (212) 810-3501.

Sincerely,



Steven E. Buller
Managing Director

Exhibit A

BlackRock Corporate Example – Significant Unobservable Reasonably Possible Alternative Inputs that Could Significantly Change Fair Valuation

	Significant Unobservable Inputs ($ in millions)	Primary Inputs Used
Investments:		
Available-for-sale:		
Fixed income securities	$3	Non-binding broker quotes
CDOs	5	Prepayment rates (x-y%), Default rates (a-b%), NAVs
	8	
Other Investments:		
Consolidated sponsored private equity funds	25	Valuations from GPs, Market indices and Industry multiples
Equity method	20	Capital account
Total Level 3 Investments	$53	

Note: Amounts are for illustrative purposes only.

Example B

BlackRock Sponsored Investment Company Example – Significant Unobservable Reasonably Possible Alternative Inputs that Could Significantly Change Fair Valuation

	Significant Unobservable Inputs ($ in millions)	Primary Inputs Used
Investments:		
Common stocks	$15	ADRs, Index, Value of comparable stock region/sector
Corporate bonds	80	Market/Issuer yield and spreads
Floating Rate Loan Interests	40	Valuation of comparable floating rate loan interests, Valuation of comparable sector
Preferred stocks	30	Market/Issuer spreads, Common stock underlyings
Total Level 3 Investments	$165	

Note: Amounts are for illustrative purposes only.