

BLACKROCK

January 6, 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 to Statement 167 for Certain Investment Funds”

Dear Mr. Golden:

BlackRock, Inc. (“BlackRock”) appreciates the opportunity to comment on the Proposed Accounting Standards Update on Consolidations (Topic 810), *Amendments to Statement No. 167 for Certain Investment Funds* (the “Deferral”). As previously discussed with the FASB staff and certain board members, we believe that the adoption of Statement of Financial Accounting Standards No. 167, *Amendments to FASB Interpretation No. 46(R)* (“SFAS No. 167”), would significantly reduce the transparency of financial statements for asset managers. Specifically, we, along with others in the industry, as well as analysts and rating agencies following the industry, have commented that consolidation of managed investment products (“funds”):

- would distort an asset manager’s financial statements by inflating the balance sheet with assets that the asset manager cannot use for its own corporate purposes and liabilities that the asset manager has no obligation to pay,
- would distort its results of operations by recording the investment income and expenses of the consolidated funds even though these amounts are generally offset by an allocation to non-controlling interest holders; and by eliminating in consolidation the advisory fee income received for services rendered to the consolidated funds, and
- would distort the statement of cash flows by increasing or decreasing cash flows from operations to reflect all of the investment activity of the consolidated funds, as well as distort cash flows from financing activities related to fund shareholder purchases and sales of fund shares.

We commend the Board for acknowledging the concerns of BlackRock and other asset managers and for issuing the Deferral to allow these concerns to be further deliberated by the FASB and IASB as they jointly work towards achieving a converged consolidation standard.

Scope of the Deferral / Fees as Variable Interests

With regards to the population of entities that qualify for the Deferral, we provide the following comments for the Board’s consideration:

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- We continue to believe that collateralized debt/loan obligations (“CDOs/CLOs”) in which an asset manager’s involvement is limited to that of a hired service provider should be included in the population of entities that qualify for the Deferral. Unlike other financial institutions that may transfer assets to, and obtain financing from, a variable interest entity (“VIE”), provide liquidity guarantees to a VIE, or hold substantive interests in a VIE, asset managers of CDOs/CLOs generally serve in a fiduciary capacity on behalf of third party investors for which they may receive a management and/or a potential performance-based fee. BlackRock’s involvement as a collateral manager to a CDO/CLO is identical to its involvement as a general partner / managing member of a hedge fund that qualifies as a VIE. Such hedge funds qualify for deferral of the effective date of SFAS 167. As a result, we encourage the Board to treat CDO/CLOs similarly and include all VIEs with attributes of an investment company and where the asset manager’s economic involvement is limited to receiving a management and/or a potential performance-based fee within the scope of the Deferral.
- We believe that the population of entities that qualify for the Deferral remains unclear particularly as it relates to funds launched in connection with recent government sponsored initiatives including the Term Asset-Backed Securities Loan Facility (“TALF”). The TALF was designed by the U.S. Treasury to increase credit availability and support economic activity by facilitating the issuance of asset-backed securities (“ABS”) at reasonable interest rate spreads. Under TALF, the New York Federal Reserve provides non-recourse funding to eligible borrowers (including BlackRock managed funds) to purchase eligible ABS. The attractive financing rates provided by the Federal Reserve Bank of New York to eligible borrowers provide an opportunity for equity investors to receive attractive returns on their investment. Similar to hedge funds, BlackRock managed funds that are financed through TALF qualify as, or have attributes similar to, investment companies; that is, they pool funds from multiple investors and hold multiple assets. The funds are structured as general partnerships in which a BlackRock subsidiary is the general partner and BlackRock’s economic involvement is limited to receiving a management and/or a potential performance-based fee. As a result, we believe that entities funded through TALF should be treated similarly to hedge funds and included in the scope of the Deferral to the extent that the manager’s sole economic involvement is limited to that of a hired service provider. We encourage the Board to provide clarification on this point in the final Deferral.

In addition, BlackRock is supportive of the change to paragraph B22 in the Deferral, which places more emphasis on a qualitative assessment when determining fees that constitute a variable interest.

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Disclosures

We request that the Board provide clarification with regard to the proposed disclosure requirements of 810-10-65-2 (2) which states:

“ Public and nonpublic entities shall provide disclosures required by the pending content in paragraphs 810-10-50-1 through 50-19 for all variable interests in variable interest entities, including those variable interests in variable interest entities that qualify for the deferral.”

It is our understanding that the foregoing paragraph requires companies to disclose all of their variable interest entities (“VIEs”) regardless of whether the entities qualify for deferral from consolidation. We assume, however, that for purposes of making the voting rights entity/VIE determination, the provisions of paragraph 5b-1 in FIN 46(R), rather than SFAS No. 167, continue to apply for entities subject to the Deferral. That is, companies will not be required to treat entities that are subject to the Deferral in which kick-out rights are held by multiple investors as variable interest entities that must be disclosed. We suggest the language contained in the final Deferral be modified to clarify that point. Additionally, we assume that for those entities that qualify as VIEs under FIN 46(R) and are subject to the Deferral, that companies must continue to follow the disclosure provisions in FIN 46(R) and FSP FIN 46(R)-8 (that is, disclose (1) those VIEs where BlackRock is the sponsor and holds a variable interest, and (2) those VIEs where BlackRock has a significant variable interest) rather than the disclosures in SFAS No. 167 (that is, VIEs in which BlackRock has a variable interest). We encourage the Board to clarify the language regarding the application of the disclosure requirements under the Deferral.

Convergence

As we have previously discussed with the FASB staff and certain board members, we continue to believe BlackRock’s financial statements would be misleading to the extent BlackRock is required to consolidate any of its managed funds and CDOs/CLOs for which:

- it is an agent and therefore is required by law or contractual agreement to act in a fiduciary capacity and in the best interest of its clients,
- it has no, or an insignificant direct investment in the assets managed and therefore little or no downside risk of loss, and
- its economic involvement is limited to receiving a management and/or a potential performance-based fee that represents market-based compensation for services.

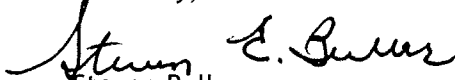
Based on a review of the IASB’s recent staff paper addressing Agency relationships, we understand that the IASB staff is supportive of certain of the above views. We are hopeful that continued deliberations by both Boards will culminate in a standard that: (1) results in financial statements that portray the fundamental operating results of the business of an asset manager and (2) provides the most useful information to analysts of, and investors in, an asset manager. We believe that consolidation of managed funds by an asset manager defeats these objectives.

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We look forward to the continued deliberations by the FASB and IASB on a converged consolidation standard and are available to address any questions/concerns you may have during that process. Please do not hesitate to contact me at (212) 810-3501 with any questions you may have regarding our comments.

Sincerely,



Steven Buller
Managing Director