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October 22, 2010

Technical Director, File Reference No. 1820-100
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

International Accounting Standards Board
30 Cannon Street
London EC4M 6XH
United Kingdom

Re: Exposure Draft - Revenue from Contracts with Customers

BlackRock, Inc. ("BlackRock") appreciates the opportunity to provide comments to the Financial Accounting Standards Board (the "FASB") and the International Accounting Standards Board ("IASB", collectively the "Boards") on the exposure draft, *Revenue from Contracts with Customers* (the "Proposed Standard"). BlackRock is a global investment manager, overseeing $3.45 trillion of assets under management ("AUM') at September 30, 2010. BlackRock and its advisory subsidiaries manage over 2,700 investment companies, including registered investment companies, hedge funds, private equity funds, exchange traded funds and common and collective trusts.

BlackRock commends the Boards in their joint efforts to standardize revenue recognition practices across all industries. As an investment manager, BlackRock is in the position to provide commentary on the Proposed Standard from the perspectives of both the preparer and the user (i.e., BlackRock research analysts) and, as such, our comments are formulated to take into account both perspectives.

From both a preparer and user perspective, BlackRock generally supports the Proposed Standard and the Boards' ultimate goal of providing users of financial statements with accounting information that is consistent for similar transactions and eliminates differences in revenue recognition policies under existing guidance. As noted below, we believe that the Proposed Standard results in some unintended consequences and recommend that it be enhanced by further clarifications with respect to management and service contracts, including those with a performance fee.

ASSET MANAGEMENT CONTRACTS

Most asset managers earn base management fees which generally are calculated on a percentage of the average daily, monthly or quarter-end client AUM. These fees are payable

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for past services performed, even if the manager is terminated, and are not subject to performance or other thresholds that might require forfeiture or repayment. Contract terms either may be ongoing with no specified end date or may have a stated term.

Asset managers also may receive the right to earn a performance fee or carried interest (collectively "Performance Fees") based on relative and/or absolute investment performance. Performance Fees generally are measured over a longer period of time (i.e., one year or greater), may be earned only if investment performance over the contractual measurement period exceeds contractual thresholds and may or may not be subject to forfeiture of any fees paid or earnings allocated prior to the completion of the performance measurement period, commonly referred to as a "clawback". Performance fees normally are paid in cash at the end of a performance measurement period while carried interest represents an allocation of limited partner equity to the manager (normally a general partner or managing member). Performance fees and carried interest economically are the same.

PERFORMANCE OBLIGATIONS IN ASSET MANAGEMENT CONTRACTS

The language in paragraphs 22-23 of the Proposed Standard implies that asset management contracts may be required to be treated as one performance obligation. That is, only a portion of the base management fees earned for past services would be recognized in the current period with the remaining amount recognized over the remaining service period. Under this interpretation, since the transaction price is not estimable until the measurement periods expire, revenue would be partially deferred even though the base management fee revenue is earned and legally owed. For example, if base management fees of $100 were earned based on AUM in the first quarter of a one-year advisory contract, the Proposed Standard could be interpreted to require recognition of only ¼ of this amount, or $25; a similar $100 earned in the second quarter would result in cumulative revenue of $200 x ½ or $100. As cumulative revenue is $100 and $25 was recognized in the first quarter, $75 of revenue would be recognized in the second quarter. We are not supportive of this approach for recognizing base management fees as it does not reflect the services provided or the amounts earned. In addition, this accounting would result in a mismatch of revenue and expense and would distort operating margins. We believe this is not the result the Boards intended regarding recognition of base management fees and, therefore, have suggested the clarifications noted below.

BlackRock believes that the appropriate accounting for asset management contracts is to record base management fee revenue as base fees are earned, generally on a daily, monthly or quarterly basis, once the following conditions are satisfied: (1) the fees are reasonably estimable (pursuant to paragraph 38), (2) the customer has an unconditional obligation to pay (pursuant to paragraph 30), (3) the fees are not contingent on providing future service, and (4) the fees are not subject to forfeiture. Similarly, we believe Performance Fees should be recognized only when the performance measurement period has been completed, when there no longer is a future service requirement and the fees are not subject to forfeiture or clawback.

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Specifically, we recommend the following modifications to the Proposed Standard (noted in bold type), which we believe will help alleviate the issues outlined above:

- *Add language after paragraph 23(b) on performance obligations:*

  (c) the contract for goods or services contains discreet measurement periods for which payments are owed by the customer for goods or services provided and the payments owed for such measurement periods meet all of the following criteria:

  i. **payment is not contingent upon providing future goods or services;**
  ii. **payment is legally owed by the customer;**
  iii. **payment is commensurate with the value of the goods or services provided; and**
  iv. **payment is not subject to forfeiture.**

  Assuming the above criteria are met, the inclusion of this language would permit an asset manager to evaluate a single management contract as multiple discreet performance obligations (e.g. daily, monthly or quarterly), each with its own separate transaction price.

- *Revise paragraph 33(a) on the output method of recognizing continuous transfer of goods or services:*

  We believe that the phrase “relative to the total goods or services to be transferred” used in paragraph 33(a) within the context of utilizing an output method for recognizing a continuous transfer of goods or services is operable when there is a defined or estimable amount of total goods or services to be contractually provided (e.g., as may be the case for a manufacturing company that can estimate the number of products it will produce on an annual basis). However, in the case of an asset management contract, the total transaction price for an annual service period generally is not known or estimable. Therefore, we recommend replacing the phrase “relative to the total goods or services to be transferred” with **“relative to the performance obligation”**. We believe if the revisions to our proposed paragraph 23(c) suggested above also are made, the discreet measurement period in an asset management contract would be considered the overall performance obligation under paragraph 33(a).

- *Add language after paragraph 52 on allocating transaction price to performance obligations:*

  In certain situations, the transaction price may not be determinable until the goods are delivered or the service is performed, such as when the amount is highly susceptible to external factors. In such circumstances, revenue should be recorded based on the contractual requirements for that discreet performance

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period (a performance obligation in accordance with paragraph 23(c)) to the extent such amounts are payable for goods or services already provided, are not contingent upon providing future goods or services, are legally owed by the customer, the payment is commensurate with the value of the goods or services provided and the payment is not subject to forfeiture.

- *Clarify paragraph 39(a) on volatility in financial markets*

  We also recommend adding the following footnote to paragraph 39(a):

  Contract revenue dependent on financial market values creates a rebuttable presumption that a transaction price is not estimable. This presumption may be overcome if the consideration amount is not contingent upon providing future goods or services, is legally owed by the customer, is not subject to forfeiture and is commensurate with the value of goods and services provided.

- *Add language after paragraph 47 on recognition of carried interest*

  As noted above, performance fees and carried interest economically are the same and therefore we believe they should be accounted for similarly. We are concerned that the language in paragraphs 46 and 47 (which requires that an entity measure noncash consideration at fair value) may imply that is not the case and that carried interest should be recorded by a general partner or managing member prior to the time it is no longer subject to clawback.

  We suggest that the following paragraph be added after paragraph 47 to provide consistent treatment and to ensure revenue is not recognized while there is a future service requirement related to that revenue:

  Allocations of carried interest should be recorded by a general partner or managing member in a manner similar to performance fees, as there is a future service requirement and the transaction price is not determinable until it no longer is subject to clawback.

- *Revise IG76 – Example 18*

  IG 76 *Example 18 – Management fees based on an index*, provides an example where a known fixed fee would be recognized separately from a performance fee, which is unknown until the end of the contract period. While we understand and agree with the concepts outlined in the example, it would be helpful to enhance the example to a) add another scenario where the management fees are not fixed but are determined and payable based upon AUM on a daily, monthly or quarterly basis, b) indicate that management fees for past services that are not subject to forfeiture represent performance obligations that should be measured over each discreet performance period based on that discreet period's transaction price (i.e., daily, monthly or

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quarterly under the output method of continuous service as noted above) and c) state that base management fees and Performance Fees should be recognized only when they are no longer uncertain (i.e., no longer subject to forfeiture or clawback).

We believe that the inclusion of the above modifications will clarify for asset management contracts that revenue should be recognized when it is estimable and no longer subject to forfeiture.

ONEROUS PERFORMANCE OBLIGATIONS

The guidance in paragraphs 54-56 requires recognition of a liability and a corresponding expense if a performance obligation is onerous. An onerous performance obligation is defined in the Proposed Standard as one where the present value of the probability-weighted costs exceeds the transaction price allocated to that performance obligation. A literal reading of this guidance would require that when the transaction price (i.e., base management and Performance Fees) is not estimable (in accordance with paragraphs 38-39 and further illustrated by Example 18), an onerous performance obligation exists and the probability-weighted costs related to that performance obligation should be accrued as a liability. We recommend that the Proposed Standard be clarified to state that the measurement of an onerous performance obligation should include fees expected to be received but which are precluded from recognition because they are not estimable or are subject to a clawback.

DISCLOSURES

We recognize the need in certain industries for comprehensive revenue disclosures. However, we believe that providing the comprehensive disclosures required by the Proposed Standard would be largely extraneous for asset managers, particularly the reconciliations of contract assets and liabilities. The substantial majority of asset manager revenues stem from relatively straight-forward base management fees, which generally are paid daily, monthly or quarterly in cash, and thus are not subject to long payment periods, and which have minimal credit risk. To the extent asset managers receive interim payments on Performance Fees where such fees are not recognized until the end of the forfeiture/clawback period, such payments are recorded as deferred revenue. As a result, reconciliations of contract assets and liabilities generally would not be meaningful to investors. BlackRock analysts have agreed that this would not be useful information for certain other industries as well. We recommend that the Proposed Standard recognize that such disclosures are not necessary for certain preparers where they are not material or meaningful to users of the financial statements.

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We appreciate the opportunity to express our views on the Proposed Standard and hope that the Boards will consider our comments in their deliberations. Please do not hesitate to contact me at (212) 810-3501 with any questions you may have regarding our comments.

Sincerely,

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Managing Director

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