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DIVISION OF TRADING & MARKETS

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

OMB APPROVAL	
OMB Number:	3235-0123
Expires:	April 30, 2013
Estimated average burden hours per response.....	12.00
SEC FILE NUMBER	
8-67827 ✓	

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 1/1/12 AND ENDING 12/31/12  
MM/DDYY MM/DDYY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: BlackRock Capital Markets, LLC

OFFICIAL USE ONLY  
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

55 East 52<sup>nd</sup> Street

(No. and Street)

New York

New York

10055

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Saurabh Pathak 212-810-8182

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Deloitte & Touche LLP

(Name - if individual, state last, first, middle name)

Two World Financial Center

New York

New York

10281-1414

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY	
FEB 27 2013	

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

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9/27/13

**BLACKROCK CAPITAL MARKETS, LLC**  
**(SEC. I.D. No. 8-67827)**

**STATEMENT OF FINANCIAL CONDITION**  
**AS OF DECEMBER 31, 2012**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**  
**AND**  
**SUPPLEMENTAL REPORT ON INTERNAL CONTROL**

\*\*\*\*\*

**Filed pursuant to Rule 17a-5(e)(3) under the Securities Exchange  
Act of 1934 as a Public Document.**

# BlackRock Capital Markets, LLC

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**This report contains (check all applicable boxes):**

- Independent Auditors' Report.
- (a) Facing Page.
- (b) Statement of Financial Condition.
- (c) Statement of Income.
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Member's Equity.
- (f) Statement of Changes in Liabilities Subordinated to Claims of General Creditors (not applicable).
- Notes to Statement of Financial Condition.
- (g) Computation of Net Capital for Brokers and Dealers Pursuant to Rule 15c3-1 under the Securities Exchange Act of 1934.
- (h) Computation for Determination of Reserve Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934.
- (i) Information Relating to the Possession or Control Requirements for Brokers and Dealers Pursuant to Rule 15c3-3 under the Securities Exchange Act of 1934 (not applicable).
- (j) A Reconciliation, including appropriate explanations, of the Computation of Net Capital under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A Rule 15c3-3 (not required).
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation (not applicable).
- (l) An Oath or Affirmation.
- (m) A Copy of the SIPC Supplemental Report filed concurrently herewith as a separate document.
- (n) A Report describing any material inadequacies found to exist or found to have existed since the date of the previous audit (Supplemental Report of Independent Auditors on Internal Control).

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**



BlackRock Capital Markets, LLC  
Statement of Financial Condition

As of December 31, 2012

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New York, NY 10281-1414  
USA

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors and Member of  
BlackRock Capital Markets, LLC  
New York, New York

We have audited the accompanying statement of financial condition of BlackRock Capital Markets, LLC (the "Company") as of December 31, 2012, and the related notes ("the financial statement") that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934.

### Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of BlackRock Capital Markets, LLC as of December 31, 2012, in accordance with accounting principles generally accepted in the United States of America.

*Deloitte + Touche LLP*

February 25, 2013

BlackRock Capital Markets, LLC  
Statement of Financial Condition  
December 31, 2012  
(Dollar amounts in thousands)

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<b>Assets</b>	
Cash	\$ 25,106
Deposit with clearing organization	500
Due from related party	269
Other assets	<u>60</u>
<b>Total assets</b>	<b><u>\$ 25,935</u></b>
<b>Liabilities</b>	
Due to related parties	\$ 186
Accounts payable and accrued liabilities	<u>61</u>
<b>Total liabilities</b>	<b><u>247</u></b>
<b>Member's equity</b>	<b><u>25,688</u></b>
<b>Total liabilities and member's equity</b>	<b><u>\$ 25,935</u></b>

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See accompanying notes to statement of financial condition.

BlackRock Capital Markets, LLC  
Notes to Statement of Financial Condition  
December 31, 2012

**1. Organization**

BlackRock Capital Markets, LLC (the "Company"), a Delaware limited liability company, is a wholly owned subsidiary of BlackRock, Inc. ("BLK"). The Company is a registered broker-dealer under the Securities Exchange Act of 1934 (the "Act") and is a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. During 2012, the Company began operating an alternative trading system ("ATS") registered pursuant to Regulation ATS under the Act. Currently, the ATS matches institutional client orders for fixed income securities.

**2. Significant Accounting Policies**

**Basis of Presentation**

This statement of financial condition has been prepared in accordance with accounting principles generally accepted in the United States ("GAAP").

The preparation of the statement of financial condition in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial condition. Actual results could differ from those estimates.

**Fair Value Measurements**

The provisions of Accounting Standards Codification ("ASC") 820-10, *Fair Value Measurements and Disclosures* establish a hierarchy that prioritizes inputs to valuation techniques used to measure fair value and require companies to disclose the fair value of their financial instruments according to the fair value hierarchy (i.e., Level 1, 2 and 3 inputs, as defined). The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

Assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 Inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities at the reporting date.
- Level 2 Inputs: Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market.
- Level 3 Inputs: Unobservable inputs for the valuation of the asset or liability, which may include non-binding broker quotes.

BlackRock Capital Markets, LLC  
Notes to Statement of Financial Condition  
December 31, 2012

**2. Significant Accounting Policies (continued)**

**Fair Value Measurements (continued)**

The Company's financial assets measured at fair value consist of an investment in a third party money market fund which is included in deposit with clearing organization on the statement of financial condition. At December 31, 2012, the Company's investment in the third party money market fund was classified as Level 1. The carrying value of the money market fund approximates its fair value, which was obtained through the use of a third party pricing vendor.

**Income Taxes**

The Company is a disregarded entity for U.S. tax purposes and generally is not subject to income taxes. BLK is individually liable for income taxes, if any, on the Company's net taxable income. Accordingly, no income tax provision has been recorded.

ASC 740-10, *Income Taxes* ("ASC 740-10") provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. Income tax positions must meet a more-likely-than-not recognition threshold at the effective date to be recognized. This interpretation also provides guidance on measurement, derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company has not recorded any liabilities on its statement of financial condition pursuant to ASC 740-10 at December 31, 2012.

**3. Related Party Transactions**

The Company provides certain broker-dealer services to a wholly owned subsidiary of BLK for a fee. At December 31, 2012, the fee due from a wholly owned subsidiary of BLK is \$269 thousand and is included in due from related party.

Certain wholly owned subsidiaries of BLK provide general and administrative services to the Company. Charges for such services are based on actual usage or on defined formulas, which, in management's view, result in reasonable allocations. At December 31, 2012, the fee due to the wholly owned subsidiaries of BLK is \$186 thousand and is included in due to related parties.

Outstanding amounts related to the above transactions are recorded net in due from and due to related parties where the legal right and intent to offset exists.

BlackRock Capital Markets, LLC  
Notes to Statement of Financial Condition  
December 31, 2012

**4. Indemnifications, Commitments and Contingencies**

In the normal course of business, the Company may enter into contracts and agreements that contain a variety of representations, warranties and general indemnifications. The Company's maximum exposure under these arrangements cannot be quantified, as this could involve future claims that may be made against the Company that have not yet occurred. Management believes that the likelihood of any material liability arising under these arrangements is remote. No liability has been recorded on the statement of financial condition.

In the normal course of business, the Company may be named as a defendant in various lawsuits and may be involved in certain regulatory investigations and proceedings. Some of these matters may involve claims of substantial amounts. It is the opinion of management, after consultation with legal counsel, that there are no matters pending against the Company that would have a material effect on the statement of financial condition of the Company at December 31, 2012.

**5. Deposit with Clearing Organization**

At December 31, 2012, the Company maintained a deposit with its clearing broker in the amount of \$500 thousand, which is invested in a third party money market fund.

**6. Net Capital Requirements**

The Company calculates its net capital using the alternative method under Rule 15c3-1 of the Act, which requires the Company to maintain minimum net capital of the greater of \$250 thousand or 2% of aggregate debits, as defined. At December 31, 2012, the Company had net capital of approximately \$25.3 million which was \$25.1 million in excess of its required net capital of \$250 thousand.

**7. Subsequent Events**

The Company reviewed subsequent events occurring through the date that the statement of financial condition was issued, and determined that no additional subsequent events occurred that would require accrual or additional disclosures.



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February 25, 2013

The Board of Directors and Member of  
BlackRock Capital Markets, LLC  
New York, New York

In planning and performing our audit of the financial statements of BlackRock Capital Markets, LLC (the "Company") as of and for the year ended December 31, 2012 (on which we issued our report dated February 25, 2013 and such report expressed an unmodified opinion on those financial statements), in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate debits and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.