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October 29, 2010

Elizabeth M. Murphy, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Re: Concept Release on the U.S. Proxy System (Release Nos. 34-62495; IA-3052; IC-29340; File No. S7-14-10)

Dear Ms. Murphy,

BlackRock welcomes the opportunity to comment on the Concept Release on the U.S. Proxy System (the "Release"). BlackRock is one of the world's pre-eminent asset management firms and a premier provider of global investment management, risk management and advisory services to institutional, intermediary and individual investors around the world. As of September 30, 2010, BlackRock's assets under management totaled approximately U.S. $3.45 trillion across equity, fixed income, cash management, alternative investments, multi-asset and advisory strategies. Through BlackRock Solutions, we offer risk management, strategic advisory and enterprise investment system services to a broad base of clients with portfolios totaling approximately U.S. $9 trillion.

BlackRock is committed to engaging with companies and voting proxies in the best long-term economic interests of its clients. Our Corporate Governance and Responsible Investment ("CGRI") team comprises 16 professionals within our Portfolio Management Group dedicated to proxy voting and company engagement in five offices around the globe. Additionally, approximately 40 senior investment professionals across our global offices oversee and guide the work of the CGRI team. BlackRock votes at approximately 14,000 shareholder meetings annually, across 75 countries, in accordance with our internally-developed proxy voting guidelines. Over 4,000 of these meetings are for U.S. issuers.

In this letter, we provide our views on those sections of the Release that we believe to be most pertinent to BlackRock and its clients. Our views are informed by two distinct perspectives: 1) our role as a fiduciary, providing investment management and advisory services to investors (including mutual funds and iShares exchange traded funds registered under the Investment Company Act of 1940 (the "1940 Act"))[1]; and 2) our role as a public company. The perspectives of investor and issuer find unity in BlackRock's goal to achieve what we believe to be investors' best long-term economic interests.

[1] We also act as securities lending agent for many of our clients.

**I. Accuracy, Transparency and Efficiency of the Voting Process** *(Response to Section III of the Release)*

In the United States, we are generally confident of the accuracy of the entitlement and vote tabulation processes supporting shareholders' voting at meetings held by publicly listed companies. This confidence stems from our understanding of the core operating model employed in the U.S., which is, at a high level, controlled via reconciliation between actual settled positions (e.g. net of loans, fails, etc.) as of record date at DTC versus custodial/bank/broker reported entitlements at Broadridge (reported based on DTC positions). This core structure where tabulators reconcile two centralized and tightly controlled sources of entitlement data provides a strong foundation. It is nonetheless possible that efficiency and transparency can be improved both upstream and downstream from this core process, particularly in the areas of entitlement calculation and vote tabulation.

**A. Over-Voting and Under-Voting**

We concur with the Securities and Exchange Commission (the "Commission") that there is a lack of empirical evidence on whether over-voting or under-voting is actually occurring. As a result, we recommend that the cause and extent to which this may be occurring be identified before any solutions are devised. That said, we believe that over-voting and under-voting are unlikely to be found in the context of institutional investors' votes.

Institutional investors utilize an "actual settled" basis for the entitlement data regarding their holdings. This number excludes shares on loan and failed trades. By utilizing this basis for entitlement determination, the market can have a high level of confidence that only the investors with the shares actually settled on their behalf, on the record date, will receive vote entitlements. We believe that this methodology has been effective in avoiding over-voting and under-voting by institutional investors.

By contrast to the approach of institutional investors, when conducting shareholder meetings we have noted that many broker-dealers appear to report both votable shares and shares on loan, even though the shares on loan are not votable. The borrowers of the securities may also report their position as votable, because they gained the voting rights with the transfer of the shares. This situation can create challenges, as issuers are essentially required to solicit the vote for each of these borrowed shares twice – once from the lender, and again from the borrower. If the Commission concludes that over-voting and under-voting are occurring as a result of entitlements incorporating securities on loan and failed trades, we would propose the development of a consistent entitlement methodology, which removes shares on loan and failed trades.

We have also noticed that banks and brokers sometimes appear to report votable shares twice; once at the beneficial owner level and again at an aggregated (omnibus-like) level at the address of a voting agent. This confusing reporting typically applies to Objecting Beneficial Owners ("OBOs") holdings, rather than Non-Objecting Beneficial Owners ("NOBOs") holdings. We note that this issue may be resolved if other issues relating to OBOs are addressed as discussed in detail under the heading “Communications with Shareholders,” below.

**B. Vote Confirmation**

BlackRock supports the concept of vote confirmation. Despite our comfort with the general entitlement and vote tabulation model, there are exceptions to the process, and wherever there are exceptions to a process, there is increased opportunity for errors. For example, issuers may choose not to process via Broadridge, and/or public companies may be dually listed on international exchanges that do not clear through DTC. Vote confirmation would provide comfort that all votes, even those processed outside of the dominant processes or clearing outside of the U.S., are captured correctly.

Furthermore, exceptions may result during the tabulation process between DTC and the tabulator, and the market does not currently have transparency into the resolution of those exceptions. Vote confirmation would provide additional confidence that these exceptions were rectified appropriately.

Proxy voting is perhaps the only corporate action where investors do not receive some form of confirmation that our elections have been processed as instructed. For other corporate actions, investors are usually able to confirm the event has occurred as instructed, for example, in the case of stock splits or dividends. Vote confirmation will help to bring investor confidence regarding voting into alignment with other types of corporate events.

Not all markets employ the same level of technology and automation in the voting process, and, as a global investor, it is in non-U.S. markets that we feel vote confirmation would add the most value. In light of the international scope of investment activities and the parallel international structures for proxy voting, we recommend that any vote confirmation mechanism proposed in the U.S. be developed in light of any international standards to facilitate ease of implementation globally. The International Standards Organization (“ISO”) has facilitated the development of a series of standardized messages that, if used end-to-end throughout the market by each participant, could result in a straight-through process with end-to-end confirmation. These types of global solutions that employ technology for automation and control are, in our opinion, the next frontier for the proxy voting process. We encourage the Commission to work with regulators in other markets to encourage the successful adoption of common global standards.

**C. Proxy Voting by Institutional Securities Lenders**

BlackRock acts as securities lending agent for a number of clients, such as pensions and mutual funds, for whom it also is authorized to vote proxies. When securities are on loan, in most cases we believe that the value of casting most votes is less than the value of the securities lending income, either because the votes will not have significant relative economic consequences or because the outcome of the vote would not be affected by BlackRock voting recalled securities. We believe this balance of economic interests towards not recalling a security on loan is true for most meetings. As a global investment manager, we act in non-U.S. markets that provide advance notice of agendas and record dates, but even in those markets, we rarely conclude that the economic significance of the vote is greater than the economic benefits to the client from securities lending. We believe that this economic balance should be given significant weight when considering possibly disruptive revisions of the existing record date system to facilitate securities lending recalls that are economically justified on rare occasions. We believe that other institutional securities lenders have similar policies which rely upon a determination of the best economic interest of the client to trigger a lending recall.

We have not seen evidence that the “empty voting” behavior described by the Commission in the Release exists in the U.S. on any meaningful scale. Furthermore, we believe that borrowing shares to inappropriately influence the outcome of a vote is inconsistent with Regulation T. However, if the Commission believes that empty voting exists and is having a negative effect on investors, then we note that the proposal requiring advance notice of a record date could actually make it more likely that such empty voting would occur in the context of securities lending.

We do not believe the Commission should propose a rule requiring issuers to provide advance notice of record date. The current post-notification of record date functions as a control, which impedes potential abusive borrowing of shares to influence a shareholder meeting. Our concern is that pre-notification of record date could weaken the existing control. We acknowledge that advance notice of record date would facilitate an investor’s ability to recall shares, but that same information could also be used to abuse the system and attempt to inappropriately influence shareholder meetings.

We believe that the existing U.S. model for record dates provides more protection from the risk of abusive borrowing than the economic benefits that an advance notice model might provide in the rare meetings that merit a recall of loaned securities.

*Impact of increased securities lending recalls*

If the availability of record date and agenda information did lead to an increased rate of institutional securities lenders recalling securities on loan, equity markets could experience increased liquidity strains as multiple lenders recalled shares from borrowers simultaneously. Such changes could generally undermine the market for securities lending, a system which facilitates numerous strategies deeply engrained in U.S. markets. We respectfully submit that this should be researched prior to the development of any new regulations.

**D. Revisions to Form N-PX**

The Release inquires whether additional data points should be added to the disclosure requirements of Form N-PX. [2] We do not believe that funds registered under the 1940 Act should be required to include additional information, such as the number of shares voted, in the Form N-PX filing. We question the value that could be derived from public disclosure of the number of shares voted. Without the presentation of comparative data points, such as shares voted as a percentage of shares outstanding, we believe that the presentation of a share amount as a standalone number is not useful to investors, and the compilation of such comparative data points would represent a disproportionately excessive burden on funds relative to the minimal value it might provide investors. This additional expense would also have the effect of disadvantaging 1940 Act registered funds when compared to other investment vehicles that do not have similar disclosure requirements.

We would expect such a requirement to result in significant additional cost and effort for fund managers with little to no corresponding public benefit. To illustrate, the existing Form N-PX filing process is estimated by the Commission to cost filers approximately 9.6 hours per investment company to complete.[3] Based on our experience of preparing Form N-PX and anecdotal evidence from other fund managers, we believe that the estimate of 9.6 hours grossly understates the time and expense required to adhere to even the existing Form N-PX requirements. The primary drivers of time and expense are the collection and collation of the data and the requisite quality assurance checks that are employed prior to the data being made public. We would expect these costs to increase dramatically with the addition of new data points, particularly if funds were required to disclose such dynamic data points as shares held, shares on loan and issuer shares outstanding, which might help to make the shares voted information meaningful. We respectfully encourage the Commission to research the expense associated with such additional data points prior to implementing any new disclosure requirements and to consider that expense in the context of anticipated benefits of increased disclosure.

**E. Proxy Distribution Fees**

*Creating incentives to reduce costs for issuers*

The current fee structure does not provide incentives for banks, brokers, or proxy service providers to invest in improving the efficiency of the proxy voting process used by investors. For example, proxy service providers have not made the infrastructure investment needed to allow for the consolidation or householding of accounts that have opted for electronic delivery of regulatory documents, although this capability exists for investors who receive regulatory documents via paper. In a retail environment, this can result in a situation where the cost of electronic delivery is actually higher than delivering a single paper document, as a fee must be paid for each electronic mailing. This is not only more expensive for issuers, but more importantly, it is also significantly more burdensome for investors who had selected electronic delivery with the expectation of greater ease

[2] See Release, p. 49.
[3] See Form N-PX “Estimated average burden hours per response”.

of communication. For example, if a mutual fund complex ("Fund Complex") were holding an election for its board of trustees, an investor who holds 12 different Fund Complex funds and receives paper mailings would receive one envelope containing information for all of their holdings, and the Fund Complex would pay a fee for one delivery; an identical investor who opted for electronic delivery would receive 12 separate substantially similar emails, and the Fund Complex would pay a fee for 12 deliveries. In our experience, there is a high probability that an investor who elects electronic delivery, and votes in response to an electronic communication for one fund, views his or her participation in the governance process for all funds as complete, and the receipt of additional communications is viewed as "spam". We believe the fee structure should be re-examined with the goal of incentivizing proxy service providers to provide the best possible service for issuers and investors at the lowest possible cost.

*The fee structure should reflect reasonable expenses*

We believe that the current fee structure may not accurately reflect reasonable expenses incurred in providing proxy distribution services. For example, when an issuer first reaches out to its beneficial owners, a mailing list must be generated, and we recognize that the creation of that list involves an initial amount of resources and expense. However, further communication with beneficial owners is disproportionately expensive, because each subsequent mailing to the same population is charged as a re-processing of the entire list, even though the name and address data have previously been queried, transmitted, and processed by the service provider. In addition we note that, when engaging in a direct mail campaign, issuers are able to take advantage of postage discounts (achieved through sorting and handling procedures). By contrast, in the context of a proxy, the service provider typically retains approximately 50% of the postage discounts, rather than passing them through to the issuer, thus significantly raising the cost of communication above the actual cost. We would suggest that issuers would be encouraged to communicate more frequently with beneficial owners if the cost of such communications were lower. We believe that allowing greater competition for the mailing portion of the communication process could significantly lower the cost of communications. The current fees charged to issuers may reflect some historical costs, which are no longer being incurred by participants in the system, and we encourage the Commission to study this possibility.

*Risks of introducing greater competition to the U.S. proxy distribution process*

The existing centralization and consolidation of proxy processing between Broadridge and DTC creates efficiencies for institutional investors and is well-controlled. The Broadridge/DTC regime ensures that investors receive materials in a timely manner and provides a central clearinghouse for the reconciliation of expected vote entitlements versus actual received entitlements. We believe that decentralizing this system could have a negative impact on our ability to process votes as efficiently as we do today and inefficiencies would be felt throughout the processing chain.

If the U.S. had a model where every issuer picked their own agent, and our votes had to be transmitted to multiple entities over time, this would require a significant investment in systems and controls and would require on-going maintenance of "delivery instructions" for every issuer.

Although competition for the physical and/or electronic delivery of proxy materials could help to alleviate some of the problems with the proxy distribution fee structure, we are concerned that the existing, complex system could be compromised if other functions, such as the maintenance of beneficial ownership data, were to be decentralized.

**II. Communication with Shareholders** *(Response to Section IV of the Release)*

We believe the "Annual NOBO" system, as proposed at page 71 of the Release, would enable issuers to identify beneficial owners for the purposes of proxy solicitation, while minimizing the possibility of proprietary trading data being released.

Institutional and retail investors both have a legitimate privacy interest in their identity and holdings. Requiring full disclosure of such information by institutional investors, whose positions in a security may have market-moving influence, represents an unacceptable market risk. Retail investors, in their role as consumers, have been provided by Congress with the opportunity to opt out of unwelcome telephone solicitations in recognition of consumers' privacy concerns. However, unlike the unsolicited telephone offers that consumers are protected from, issuers seek only to contact individuals or organizations that have an investment.

Although the current OBO/NOBO system provides OBOs with certain privacy benefits, we do not believe that it has been entirely successful for U.S. investors as a whole. In our view, the current OBO/NOBO system can create an intrusive and confusing experience for investors. Without alternate means of communication with investors, issuers are forced to use physical mailings aggressively to attain quorum at shareholder meetings. With the inevitable lags involved due to mailing times, especially overseas, this can result in investors continuing to receive solicitation materials long after they have already voted. Based on the current model of proxy solicitation, we believe that those retail investors who choose NOBO status sometimes feel that they are subject to an aggressive and unwelcome barrage of telephone calls. In our experience, investors and their brokers have been confused by these multiple solicitations and expressed frustration with what they see as an intrusive interaction.

There are certain risks associated with implementing an Annual NOBO system. In a contested meeting, all soliciting parties, not only the issuer with whom the investor has a relationship, would have to be provided access to holdings and identity information; regulations permitting an Annual NOBO system would need to impose restrictions on the use of beneficial ownership data by such third parties to prevent abuse. Similarly, the beneficial owner information should be disclosed only to the level of the entity holding the vote authority. Many investment managers hold delegated vote authority over the assets in their clients' accounts; it would not be appropriate to require disclosure of the client's identity when the client has delegated vote authority to their investment manager.

We note that even as an OBO, BlackRock is required to disclose its positions via Form 13-F and 1940 Act filing requirements. BlackRock is easily identified as an equity shareholder by issuers and their solicitors, and we imagine the same can be said for other institutional shareholders, who in aggregate represent tens of millions of American investors,[4] holding approximately half the market

[4] See Investment Company Institute Research Fundamentals, September 2010, Vol. 19, No. 7 (available at http://www.ici.org/pdf/fm-v19n7.pdf).

capitalization of U.S. equities.[5] Existing disclosure requirements have a delay that minimizes the risks of abusive trading based on the disclosure of institutional investor's positions. It is vital that any reform of the NOBO/OBO system incorporate relevant privacy provisions and constraints on use of the data in order to protect fund investors from the risk that competitor funds might monitor one another's trading activity to the detriment of investors.

We believe that it is possible to balance the investors' need for privacy with the reasonable needs of issuers to contact their owners on a limited basis. A well-structured Annual NOBO system could provide issuers with sufficient information to quickly and cost-effectively engage in targeted communication with their investors. Communications could be tailored, for example, to address an international investor's native language, and be timed to avoid re-contacting investors who have already voted. We believe that this system would also help issuers to contact individuals who were holding borrowed shares, to ensure that they had sufficient information to make their voting decision. An Annual NOBO system that only permitted the release of beneficial owners' identifying information in tightly limited circumstances could deliver all of these benefits, without unduly compromising investors' privacy interests.

## B. Data-Tagging Proxy-Related Materials

We support required tagging of proxy statements with XBRL. Benefits include: achieving consistency in agenda coding across various proxy service providers; improving investors' ability to analyze proxies and the data they provide; and increased accuracy of processing votes. We recommend XBRL tagging of basic information in the proxy statement, including candidate names, proposals, and management recommendations. Requiring issuers to utilize XBRL in the proxy statement, will enable automation of a key initial step in the proxy voting process – the creation of electronic ballots by proxy service providers. Automating this step would eliminate discrepancies in ballot coding that currently represent an obstacle for straight through processing and end-to-end confirmation.

We also believe that creating a unique identifier for directors and officers (such as a Central Index Key) would be valuable in identifying activities and relationships between directors and officers across multiple companies, which in turn could benefit investors' ability to make a thoughtful and informed vote decisions. For example, the disclosures regarding related party transactions could be linked directly to the director or executive. Investors would then be able to use a single XBRL query to quickly aggregate such information across all companies where that director or executive serves and identify any patterns that might be a source of concern. This could have the further benefit of making these sorts of comparisons much more accessible to retail investors who may not have the resources to manually gather this data and identify these patterns.

[5] See Federal Reserve Statistical Release "Flow of Funds Accounts of the United States" dated March 11, 2010 (available at http://www.federalreserve.gov/releases/z1/20100311/z1.pdf).

**III. Relationship between Voting Power and Economic Interest** *(Response to Section V of the Release)*

**A. Proxy Advisory Firms**

*The Role of Proxy Advisory Firms in Voting Decisions*

The Release raises questions regarding the role of proxy advisory firms, in particular, ISS, and their influence on proxy voting decisions.[6] We believe that the influence of proxy advisory firms in general, and ISS in particular, have been overstated. In our view, the assertion that the use of proxy research represents a disconnect between voting power and economic interest is an affront to investors who utilize proxy research to spot potential issues for review and to enhance the quality of their voting processes. For most U.S. voting decisions, BlackRock reviews analysis from three research providers. Like most large institutional investors, we reach an independent conclusion on the proxies that we review; we do not blindly follow any proxy advisory firm's advice.

We believe that the research that proxy advisory firms provide is intended to identify issues for investors. Their research may sometimes encourage behaviors that would be otherwise acceptable to a wide range of investors. As a result, we believe a statistical analysis would likely show a correlation between advisory firms' recommendations and institutional investors' votes in some instances. We believe that it would be a mistake to conclude that such correlation is the result of undue power on the part of proxy advisory firms. We see no evidence to suggest that investors are not acting of their own free will in making voting decisions, even for those investors who may voluntarily adopt the guidelines of a proxy advisory firm.

*Accuracy and Transparency in Formulating Voting Recommendations*

Issuers sometimes raise concerns about inaccurate or incomplete data appearing in a proxy advisory firm's report. In our experience we have sometimes found this to be an issue, though the quality of proxy research, in our view, has generally improved over time. This is also an issue on which investors regularly engage and provide feedback to the proxy advisory firms. We believe that substantial additional regulation of proxy advisory firms would likely impose costs that will ultimately be borne by investors. We encourage the Commission to allow investors, and the market for proxy research, to impose discipline on providers. In our view, improvements in the quality of proxy research over the past several years suggest that the discipline of the market is working.

We believe that comparing proxy advisory firms to Nationally Recognized Statistical Rating Organizations[7] ("NRSROs" also known as credit rating agencies) accords greater significance to the marketplace than proxy advisory firms actually represent. Unlike NRSROs, whose evaluations of an issuer are required for certain securities offerings and whose ratings are closely tied to changes in security valuations, we believe that proxy advisory firms are less influential. In addition, investors have greater flexibility in acting on the judgments of a proxy recommendation than they typically do when considering a credit rating.

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[6] See p. 105-126 of the Release.
[7] See Release, p. 121.

**B. Dual Record Dates**

As addressed in greater detail above, the establishment of a dual record date system whereby the notice record date significantly precedes the voting record date could encourage the type of intentional "empty voting" that the Commission finds concerning. Further, as stated earlier, we believe that advance notice of record date and/or a dual record date system could result in potential abuse through the borrowing of shares to inappropriately influence the outcome of a vote. Additionally, based on the experiences of our U.K. and Australian based affiliates, who have the experience of working in markets with a record date significantly closer to the meeting date, it is our understanding that the short processing time creates problems for custodians to accurately process and report vote entitlements. As a result, there is an increased rate of vote rejection based on unintended over-voting in those markets. We do not believe that a dual record date system would benefit U.S. investors.

**C. Empty Voting and Potential Regulatory Responses**

We believe that parties who hold voting rights in a company that are decoupled from an economic interest in the success of a company represent a potential risk of harmful empty voting. However, we believe that there are already relevant structural and legal controls in place in the U.S. to constrain such activities. Although the Release cites to an example in which an investment adviser was able to achieve a significant voting position "without making a significant financial outlay,"[8] it is our expectation that most transactions of this type would have significant transaction costs and produce a large financial exposure. Before the Commission acts to respond to any of the various situations in which harmful empty voting could be occurring, we respectfully request a finding that such situations are, in fact, occurring in the U.S. markets, outside of extremely rare and already unlawful instances.

The Release raises the possibility of developing new disclosure requirements to provide investors with greater transparency into decoupling of economic and voting interests. We believe that disclosure of such decoupling can be helpful to investors in some circumstances. For example, investors may factor in their diminished voting power when valuing the price of an investment in a company with a dual class voting structure.[9] However, in light of the significant resources that must be devoted to compliance with disclosure requirements, we believe that it is important that disclosure requirements be tied to an actual problem that can be solved through increased transparency. Unlike disclosure of a dual class voting structure, a requirement for reporting by investors of their constantly changing net economic interests would likely be complicated and expensive, and it is not clear how such reporting would address the risk of harmful empty voting by investors with only short-term positions in a security.

Another source of possible empty voting identified in the Release is securities lending. As discussed in greater detail under the heading "Proxy Voting by Institutional Securities Lenders," above, we believe that the current U.S. record date model and Regulation T combine to make harmful empty voting unlikely in the securities lending context in the U.S.

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[8] See In the Matter of Perry Corp., Release No. 34-60351, July 21, 2009, available at http://www.sec.gov/litigation/admin/2009/34-60351.pdf.
[9] See Release, page 138, Footnote 310.

**IV. Conclusion**

The issues and ideas presented in the Release reflect the possibility of major revisions to the current U.S. proxy system. We welcome the Commission's efforts in the Release and support several of the concepts, such as improving the vote confirmation process and improving the current OBO/NOBO system. We are concerned that certain other ideas for change may lead to unintended consequences, for example, those relating to the record date system, securities lending practices and proxy advisory firms. Thank you for considering BlackRock's views on these important issues.

Sincerely,

/s/ Abe M. Friedman

Abe M. Friedman

cc: The Honorable Mary L. Schapiro, Chairman
The Honorable Luis A. Aguilar, Commissioner
The Honorable Kathleen L. Casey, Commissioner
The Honorable Troy A. Paredes, Commissioner
The Honorable Elisse B. Walter, Commissioner