July 20, 2010

**BlackRock Inc.**
**55 East 52nd Street**
**New York, New York 10055**

**VIA ELECTRONIC FILING**

Ms. Elizabeth M. Murphy
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

*Re: Amendments to Rules Relating to Clearly Erroneous Executions (File Nos. SR-BATS-2010-016, SR-BX-2010-040, SR-NASDAQ-2010-076, SR-NSX-2010-07, SR-NYSE-2010-47, SR-NYSEArca-2010-58, SR-NYSEAmex-2010-60, SR-ISE-2010-62, SR-EDGA-2010-03, SR-EDGX-2010-03, SR-CBOE-2010-056, SR-FINRA-2010-032)*

Dear Ms. Murphy:

This letter responds to the request of the Securities and Exchange Commission (the "Commission") for comments on proposed amendments to rules relating to clearly erroneous transactions in exchange-listed securities filed by the national securities exchanges and the Financial Industry Regulatory Authority (the "Exchanges") in response to the market events of May 6, 2010. BlackRock[1] commends the Commission and the Exchanges for seeking to amend rules that, in the opinion of BlackRock[2] and other commentators,[3] contribute to market volatility. Unfortunately, BlackRock believes the proposed amendments do not adequately address the most significant flaws in the current rules.

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[1] BlackRock is the world's largest investment manager, with over $3 trillion in assets under management for thousands of clients around the world. BlackRock is solely in the business of providing investment advice to clients, including institutions, individuals and regulated investment funds. A BlackRock subsidiary is the investment adviser to the iShares family of exchange-traded funds ("ETFs"), which, as of June 30, 2010, was the largest family of ETFs in the U.S., with over 200 ETFs and over $370 billion in aggregate assets invested in U.S. equity, international equity, and a variety of fixed-income asset classes.

[2] Letter from Letter from Ira P. Shapiro dated June 2, 2010 *Re: SRO Single Stock Circuit Breaker Proposals (File Nos. SR-BATS-2010-014, SR-BX-2010-037, SR-NASDAQ-2010-061, SR-NSX-2010-05, SR-NYSE-2010-39, SR-NYSEArca-2010-41, SR-NYSEAmex-2010-46, SR-ISE-2010-48, SR-EDGA-2010-01, SR-EDGX-2010-01, SR-CBOE-2010-047, SR-FINRA-2010-025)* (the "Initial Single Stock Circuit Breaker Proposals").

[3] *See, e.g.,* Letter from Peter Skopp (President, Molinete Trading) dated May 20, 2010 commenting on the Initial Single Stock Circuit Breaker Proposals ("In a market where large price movements are caused in part by a loss of liquidity, discouraging liquidity providers from actively participating in the markets due to uncertainty of future trading halt determinations and erroneous trade rulings exacerbates the problems caused by a lack of liquidity"); Letter from John McCarthy (General Counsel, Global Electronic Trading Company) dated June 9 commenting on the Initial Single Stock Circuit Breaker Proposals ("We believe that individual exchange measures [to halt trading and break trades] may have the unintended consequence of removing liquidity from the market when it is most needed").

In our view, there are two principal problems with current Exchange trade cancellation rules. First, the current rules are vague and provide the Exchanges with significant latitude regarding when, and at what levels, to invoke the rules. While the Exchanges may desire flexibility, the unpredictability of the Exchange's application of the trade error cancellation rules appears arbitrary to the investing public. In BlackRock's experience, investors in ETFs do not understand why, following market volatility, some trades at levels well below prevailing levels prior to the volatility are allowed to stand while others are broken. Second, BlackRock believes the rules themselves encourage liquidity providers to withdraw liquidity from the market in times of market stress. Liquidity providers often bid for stocks based on perceived sales of, or in anticipation of being able to hedge through selling short, other stocks.[4] Fearing possible trade cancellations in the sales, liquidity providers pull back from bidding for shares rather than risk being significantly exposed if sale transactions are in fact cancelled.

The proposed rule amendments seek to provide greater certainty regarding which trades will be cancelled following a multi-stock trading event by, among other things, eliminating the ability of Exchange officials to deviate from the numerical guidelines contained in the rule except under very limited circumstances. BlackRock supports this change, and commends Exchange officials for limiting their own flexibility in order to make the trade cancellation process more transparent and less arbitrary. BlackRock questions whether the proposed rules will actually achieve this goal, however, given that the proposed amended rules do not clearly establish a reference price on which application of the numerical guidelines should be based. As proposed, the Exchanges may use a reference price other than consolidated last sale, and may also determine the review period for trades subject to potential cancellation (rather than base this determination on the same period of time used to determine whether a multi-stock event has occurred). It is not clear to BlackRock that this will provide market participants with significantly greater certainty over trade cancellations than they have today.

More importantly, we note that the proposed rules do nothing to address the risk that liquidity providers will withdraw liquidity from the market in times of market stress for fear of trade cancellations. Both BlackRock[5] and other commenters[6] have noted that futures markets use a process of trade price adjustment, rather than trade cancellation, which allows market participants at least the certainty of knowing they will not be completely exposed on one side of a trade. BlackRock believes the withdrawal of liquidity from the market by liquidity providers fearful of the application of the trade cancellation rules was a major factor in the events of May 6, and urges the Commission and the Exchanges to give further thought to how these rules affect market participant behavior in a manner that may exacerbate volatility.

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[4] This is particularly true of trading in ETFs. BlackRock has been informed by a number of large liquidity providers that when the steep decrease in U.S. equity values neared 10% on May 6, 2010 -- a level specified as a "reference" in current exchange erroneous trade rules -- the liquidity providers steeply discounted or ceased their bids for ETFs. This is because the so-called "arbitrage mechanism" of ETFs requires liquidity providers to sell a basket of stocks equivalent to an ETF's underlying portfolio (or a correlated derivative) as a hedge when purchasing ETF shares.

[5] Letter from Ira P. Shapiro, *supra* note 2.

[6] *See, e.g.,* Letter from Daniel Mathisson (Managing Director, Credit Suisse Securities (USA) LLC) dated June 4, 2010 commenting on the Initial Single Stock Circuit Breaker Proposals.

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We thank the Commission for providing BlackRock the opportunity to comment on the circuit breaker proposals, and we are eager to assist the Commission in any way we can to ensure that the rule proposals will benefit investors generally and ETF investors particularly. In the event you have any questions about any of BlackRock's views, please feel free to contact the undersigned at (415) 670-2860, Noel Archard at (415) 670-4815, or Joanne Medero at (415) 670-2620.

Sincerely,

/s/ Ira P. Shapiro

Ira P. Shapiro
Managing Director

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

Robert W. Cook, Director
James Brigagliano, Deputy Director
Division of Trading and Markets

Andrew J. Donohue, Director
Elizabeth Osterman, Associate Director
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