

**UNITED STATES OF AMERICA**  
**Before the**  
**SECURITIES AND EXCHANGE COMMISSION**

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 73116 / September 16, 2014**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-16120**

**In the Matter of**

**BLACKROCK  
INSTITUTIONAL TRUST  
COMPANY, N.A.**

**Respondent.**

**ORDER INSTITUTING CEASE-AND-  
DESIST PROCEEDINGS PURSUANT TO  
SECTION 21C OF THE SECURITIES  
EXCHANGE ACT OF 1934, MAKING  
FINDINGS, AND IMPOSING A CEASE-  
AND-DESIST ORDER AND CIVIL  
PENALTY**

**I.**

The Securities and Exchange Commission (“Commission”) deems it appropriate that cease-and-desist proceedings be, and hereby are, instituted pursuant to Section 21C of the Securities Exchange Act of 1934 (“Exchange Act”), against BlackRock Institutional Trust Company, N.A. (“BlackRock” or “Respondent”).

**II.**

In anticipation of the institution of these proceedings, Respondent has submitted an Offer of Settlement (the “Offer”) which the Commission has determined to accept. Solely for the purpose of these proceedings and any other proceedings brought by or on behalf of the Commission, or to which the Commission is a party, and without admitting or denying the findings herein, except as to the Commission’s jurisdiction over it and the subject matter of these proceedings, which are admitted, Respondent consents to the entry of this Order Instituting Cease-and-Desist Proceedings Pursuant to Section 21C of the Securities Exchange Act of 1934, Making Findings, and Imposing a Cease-and-Desist Order and Civil Penalty (“Order”), as set forth below.

### III.

On the basis of this Order and Respondent's Offer, the Commission finds<sup>1</sup> that:

#### Summary

1. These proceedings arise out of violations of Rule 105 of Regulation M of the Exchange Act by BlackRock, a San Francisco-based national banking association. Rule 105 prohibits selling short an equity security that is the subject of certain public offerings and purchasing the offered security from an underwriter or broker or dealer participating in the offering, if such short sale was effected during the restricted period as defined therein.

2. On three occasions, from April 2010 through March 2011, BlackRock bought offering shares from an underwriter or broker or dealer participating in a follow-on public offering after having sold short the same security during the restricted period. These violations collectively resulted in profits of \$1,122,400.

#### Respondent

3. BlackRock Institutional Trust Company, N.A. is a national banking association organized under the laws of the United States that operates as a limited purpose trust company. BlackRock has its principal office in San Francisco and has approximately \$1.1 trillion in assets under management as of March 31, 2014.

#### Legal Framework

4. Rule 105 makes it unlawful for a person to purchase equity securities in certain public offerings from an underwriter, broker, or dealer participating in the offering if that person sold short the security that is the subject of the offering during the restricted period defined in the rule, absent an exception. 17 C.F.R. § 242.105; see Short Selling in Connection with a Public Offering, Rel. No. 34-56206, 72 Fed. Reg. 45094 (Aug. 10, 2007) (effective Oct. 9, 2007). The Rule 105 restricted period is the shorter of the period: (1) beginning five business days before the pricing of the offered securities and ending with such pricing; or (2) beginning with the initial filing of a registration statement or notification on Form 1-A or Form 1-E and ending with the pricing. 17 C.F.R. § 242.105(a)(1) and (a)(2).

5. The Commission adopted Rule 105 "to foster secondary and follow-on offering prices that are determined by independent market dynamics and not by potentially manipulative activity." 72 Fed. Reg. 45094. Rule 105 is prophylactic and prohibits the conduct irrespective of the short seller's intent in effecting the short sale. Id.

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<sup>1</sup> The findings herein are made pursuant to Respondent's Offer of Settlement and are not binding on any other person or entity in this or any other proceeding.

## **BlackRock's Violations of Rule 105 of Regulation M**

6. On April 21, 2010, BlackRock sold short 3,377 shares of PVH Corp. ("PVH") during the restricted period at a price of \$64.73 per share. On April 22, 2010, PVH priced a follow-on offering of its common stock at \$66.50 per share. BlackRock received an allocation of 60,000 shares in that offering. Although the offering price was greater than the price at which BlackRock sold short during the restricted period, BlackRock improperly received a benefit of \$60,711 by purchasing 56,623 shares in the offering at a discount from PVH's market price. Thus, BlackRock's participation in the 2010 PVH offering resulted in total profits of \$60,711.

7. On August 2, 2010, BlackRock sold short 15,011 shares of MetLife, Inc. ("MET") during the restricted period at a price of \$42.73 per share. On August 2, 2010, MET priced a follow-on offering of its common stock at \$42 per share. BlackRock received an allocation of 1,218,451 shares in that offering. The difference between BlackRock's proceeds received from the restricted period short sales of MET shares and the price paid for 15,011 shares received in the offering was \$10,933. Respondent also improperly received a benefit of \$297,972 by purchasing the remaining 1,203,440 shares at a discount from MET's market price. Thus, BlackRock's participation in the 2010 MET offering resulted in total profits of \$308,904.

8. On March 1, 2011, BlackRock sold short 10,715 shares of EOG Resources, Inc. ("EOG") during the restricted period at a price of \$109.05 per share. On March 1, 2011, EOG priced a follow-on offering of its common stock at \$105.50 per share. BlackRock received an allocation of 650,000 shares in that offering. The difference between BlackRock's proceeds received from the restricted period short sales of EOG shares and the price paid for 10,715 shares received in the offering was \$38,064. Respondent also improperly received a benefit of \$714,721 by purchasing the remaining 639,285 shares at a discount from EOG's market price. Thus, BlackRock's participation in the 2011 EOG offering resulted in total profits of \$752,785.

9. In total, BlackRock's violations of Rule 105 resulted in profits of \$1,122,400.

### **Violations**

10. As a result of the conduct described above, BlackRock violated Rule 105 of Regulation M under the Exchange Act.

### **BlackRock's Remedial Efforts & Cooperation**

11. In determining to accept the Offer, the Commission considered remedial acts promptly undertaken by Respondent and cooperation afforded to Commission staff.

## **IV.**

In view of the foregoing, the Commission deems it appropriate to impose the sanctions agreed to in Respondent BlackRock's Offer.

Accordingly, it is hereby ORDERED that:

A. Pursuant to Section 21C of the Exchange Act, Respondent BlackRock cease and desist from committing or causing any violations and any future violations of Rule 105 of Regulation M of the Exchange Act;

B. BlackRock shall within fourteen (14) days of the entry of this Order, pay disgorgement of \$1,122,400, prejudgment interest of \$22,471.13, and a civil money penalty in the amount of \$530,479 (for a total of \$1,675,350.13) to the United States Treasury. If timely payment is not made on the disgorgement amount, additional interest shall accrue pursuant to SEC Rule of Practice 600. If timely payment is not made on the civil money penalty, additional interest shall accrue pursuant to 31 U.S.C. 3717. Payments must be made in one of the following ways:

- (1) Respondent may transmit payment electronically to the Commission, which will provide detailed ACH transfer/Fedwire instructions upon request;<sup>2</sup>
- (2) Respondent may make direct payment from a bank account via Pay.gov through the SEC website at <http://www.sec.gov/about/offices/ofm.htm>; or
- (3) Respondent may pay by certified check, bank cashier's check, or United States postal money order, made payable to the Securities and Exchange Commission and hand-delivered or mailed to:

Enterprise Services Center  
Accounts Receivable Branch  
HQ Bldg., Room 181, AMZ-341  
6500 South MacArthur Boulevard  
Oklahoma City, OK 73169

Payments by check or money order must be accompanied by a cover letter identifying BlackRock as a Respondent in these proceedings, and the file number of these proceedings; a copy of the cover letter and check or money order must be sent to Gerald W. Hodgkins, Associate Director, Division of Enforcement, Securities and Exchange Commission, 100 F Street, N.E., Washington, DC 20549.

By the Commission.

Jill M. Peterson  
Assistant Secretary

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<sup>2</sup> The minimum threshold for transmission of payment electronically is \$1,000,000. For amounts below the threshold, respondents must make payments pursuant to options (2) or (3) above.