

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

**SECURITIES EXCHANGE ACT OF 1934**  
**Release No. 79804 / January 17, 2017**

**ADMINISTRATIVE PROCEEDING**  
**File No. 3-17786**

**In the Matter of**

**BlackRock, Inc.,**

**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**

**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, Inc. (“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 (“Order”), as set forth below.

**III.**

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

**Respondent**

1. BlackRock, Inc. is a Delaware corporation headquartered in New York, New York. BlackRock’s common stock is registered with the Commission pursuant to Section 12(b) of the

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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.

Exchange Act and trades on the New York Stock Exchange. BlackRock files periodic reports, including reports on Forms 10-K and 10-Q, with the Commission pursuant to Section 13(a) of the Exchange Act and related rules thereunder. As of December 31, 2015, BlackRock and its subsidiaries had approximately 13,000 employees.

## Facts

### **A. Statutory and Regulatory Framework Protecting Whistleblowers**

2. The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”), enacted on July 21, 2010, amended the Exchange Act by adding Section 21F, “Whistleblower Incentives and Protection.” The purpose of these provisions was to encourage whistleblowers to report possible securities law violations by providing, among other things, financial incentives and various confidentiality guarantees.

3. Congress explicitly noted the critical importance of providing financial incentives to promote whistleblowing to the SEC as it determined that “a critical component of the Whistleblower Program is the minimum payout that any individual could look towards in determining whether to take the enormous risk of blowing the whistle in calling attention to fraud.” See “The Restoring American Financial Stability Act of 2010” report from the Committee on Banking, Housing, and Urban Affairs (April 30, 2010).

4. To fulfill this Congressional purpose, the Commission adopted Rule 21F-17, which provides in relevant part:

- (a) No person may take any action to impede an individual from communicating directly with the Commission staff about a possible securities law violation, including enforcing, or threatening to enforce, a confidentiality agreement . . . with respect to such communications.

Rule 21F-17 became effective on August 12, 2011.

### **B. BlackRock’s Separation Agreements**

5. Historically, BlackRock has entered into voluntary separation agreements with many employees who leave the company. A separation agreement is a contract between an employer and a former employee documenting the rights and responsibilities of both parties incidental to the employee’s departure.

6. On October 14, 2011 – after the Commission adopted Rule 21F-17 – BlackRock revised its form separation agreement to include language requiring a departing employee to waive recovery of incentives for reporting misconduct available under, among other things, the Dodd-Frank Act in exchange for receiving monetary separation payments and other voluntarily provided consideration from BlackRock. That agreement did not, however, prohibit former employees from communicating directly with the Commission or any other governmental agency regarding potential violations of law.

7. Specifically, Paragraph 5 of BlackRock's separation agreement in use from October 14, 2011 through March 31, 2016 stated in relevant part:

To the fullest extent permitted by applicable law, you hereby release and forever discharge, BlackRock, as defined above, from all claims for, and you waive any right to recovery of, incentives for reporting of misconduct, including, without limitation, under the Dodd-Frank Wall Street Reform and Consumer Protection Act and the Sarbanes-Oxley Act of 2002, relating to conduct occurring prior to the date of this Agreement.

8. One thousand sixty seven (1067) departing employees signed agreements that contained the above language.

9. On March 31, 2016, before being contacted by the Commission staff in this matter, BlackRock voluntarily revised its separation agreement as part of a regular periodic review and update of its agreements. The revised agreement does not require a separating employee to waive his or her right to recovery of incentives available under the Dodd-Frank Act.

10. Though the Commission is unaware of any instances in which (i) a former employee of BlackRock who executed the above-noted agreement did not communicate directly with Commission staff about potential securities law violations or (ii) BlackRock took action to enforce those provisions or otherwise prevent such communications, BlackRock – from October 2011 through March 2016 – directly targeted the SEC's whistleblower program by removing the critically important financial incentives that are intended to encourage persons to communicate directly with the Commission staff about possible securities law violations. Such restrictions on accepting financial awards for providing information regarding possible securities law violations to the Commission undermine the purpose of Section 21F and Rule 21F-17(a), which is to "encourag[e] individuals to report to the Commission," [Adopting Release at p. 201], and violate Rule 21F-17(a) by impeding individuals from communicating directly with the Commission staff about possible securities law violations.

### **Remedial Actions**

11. In determining to accept BlackRock's Offer, the Commission considered its voluntary decision to revise its separation agreements before being contacted by the Commission staff and the remedial actions described in paragraphs 12 and 13 below.

12. BlackRock now provides all employees with mandatory yearly trainings that include a summary of and link to a document entitled, "Global Policy for Reporting Illegal or Unethical Conduct" ("Policy"). The Policy summarizes several of the rights the employee possesses under the Commission's Whistleblower Program, including an employee's rights to: (i) report potential violations of law to the Commission or other federal or state agencies or self-regulatory authorities without permission from or notice to his or her employer, (ii) report possible violations anonymously and to provide disclosures that are protected or required under whistleblower laws, and (iii) cooperate voluntarily with or respond to any inquiry from the Commission or other federal or state agencies or self-regulatory organizations. The Policy also states that employees have the right not to be retaliated against for reporting possible securities

law violations. BlackRock has agreed to notify the Chief(s) of the Asset Management Unit of the Division of Enforcement, with a copy to the Chief of the Office of the Whistleblower, at least sixty (60) days in advance of discontinuing these mandatory yearly trainings.

13. BlackRock has updated its Code of Business Conduct and Ethics as well as other relevant agreements, policies, and procedures to ensure that employees understand that there is no restriction on their rights under Rule 21F-17.

#### **Violation**

14. Through its conduct described above, BlackRock violated Rule 21F-17 under the Exchange Act.

#### **Undertaking**

15. BlackRock has agreed that, within 60 days from the date the Commission enters this Order, it will make reasonable efforts to contact BlackRock former employees who signed separation agreements from October 14, 2011 through March 31, 2016, and provide them with an Internet link to the order<sup>2</sup> and a statement that BlackRock does not prohibit former employees from seeking and obtaining a whistleblower award from the Securities and Exchange Commission pursuant to Section 21F of the Exchange Act. In determining whether to accept the Offer, the Commission has considered this undertaking.

16. BlackRock has agreed to certify, in writing, compliance with the undertaking set forth above. The certification shall identify the undertaking, provide written evidence of compliance in the form of a narrative, and be supported by exhibits sufficient to demonstrate compliance. The Commission staff may make reasonable requests for further evidence of compliance, and BlackRock agrees to provide such evidence. The certification and supporting material shall be submitted to Anthony S. Kelly, Co-Chief, Asset Management Unit, with a copy to the Office of the Chief Counsel of the Enforcement Division, no later than sixty (60) days from the date of the completion of the undertakings.

#### **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 21F-17 under the Exchange Act;

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<sup>2</sup> BlackRock further agrees to provide a paper copy of the Order to any former employee who requests it.

B. Respondent BlackRock shall, within ten (10) days of the entry of this Order, pay a civil money penalty in the amount of \$340,000 to the Securities and Exchange Commission for transfer to the general fund of the United States Treasury in accordance with Exchange Act Section 21F(g)(3). If timely payment is not made, additional interest shall accrue pursuant to 31 U.S.C. § 3717. Payment 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;
- (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 Anthony S. Kelly, Co-Chief, Asset Management Unit, Division of Enforcement, Securities and Exchange Commission, 100 F Street, N.E., Washington, D.C. 20549-5012.

By the Commission.

Brent J. Fields  
Secretary