

SECURITIES AND EXCHANGE COMMISSION

[Release No. IA-2971 / 803-200]

BlackRock, Inc.; Notice of Application

January 4, 2010

Agency: Securities and Exchange Commission (“SEC” or “Commission”).

Action: Notice of application for an exemptive order under Section 206A of the Investment Advisers Act of 1940 (the “Advisers Act”).

Applicant: BlackRock, Inc. (“Applicant” or “BlackRock”).

Relevant Advisers Act Sections: Exemption requested under section 206A of the Advisers Act from subsections (a)(2)(iii)(A)(3) and (a)(2)(iii)(B) of Advisers Act rule 206(4)-3.

Summary of Application: Applicant requests that the Commission issue an order under section 206A of the Advisers Act exempting it and its investment advisory subsidiaries from Advisers Act rule 206(4)-3(a)(2)(iii)(A)(3), which requires any cash solicitor for an investment adviser to provide a prospective client with a separate solicitor’s disclosure document at the time of the solicitation, and from Advisers Act rule 206(4)-3(a)(2)(iii)(B), which requires an investment adviser to receive a prospective client’s written acknowledgement of receipt of the separate solicitor’s document prior to entering into any advisory contract with that client.

Filing Dates: The application was filed on April 27, 2009, and an amended and restated application was filed on October 30, 2009.

Hearing or Notification of Hearing: An order granting the application will be issued unless the Commission orders a hearing. Interested persons may request a hearing by writing to the Commission’s Secretary and serving Applicant with a copy of the request, personally or by mail. Hearing requests should be received by the SEC by 5:30 p.m. on February 10, 2010 and should

be accompanied by proof of service on Applicant, in the form of an affidavit or, for lawyers, a certificate of service. Hearing requests should state the nature of the writer's interest, the reason for the request, and the issues contested. Persons may request notification of a hearing by writing to the Commission's Secretary.

Addresses: Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, D.C. 20549-1090. Applicant, BlackRock, Inc., c/o Howard B. Surloff, 40 East 52<sup>nd</sup> Street, New York, New York 10022.

For Further Information Contact: Sarah G. ten Siethoff, Senior Counsel, or Daniel S. Kahl, Branch Chief, at (202) 551-6787 (Office of Investment Adviser Regulation, Division of Investment Management).

Supplementary Information: The following is a summary of the application. The complete application may be obtained for a fee at the SEC's Public Reference Branch, 100 F Street, NE, Washington, D.C. 20549-0102 (telephone (202) 551-5850)).

Applicant's Representations:

1. Applicant is a publicly traded holding company conducting investment management and ancillary businesses primarily through a variety of directly or indirectly wholly owned registered investment advisory subsidiaries (the "BlackRock Advisory Subsidiaries"). A substantial portion of the BlackRock Advisory Subsidiaries' business involves advising high net worth clients through a "wrap fee" program ("Private Investors") and advising institutional clients generally through traditional separate account arrangements ("Institutional Separate Accounts" or "ISA"). Broker-dealer subsidiaries controlled by Merrill Lynch & Co., Inc. ("Merrill Lynch") solicit clients for the Private Investors and ISA businesses.

2. On September 29, 2006, BlackRock acquired substantially all of Merrill Lynch's global investment management business (the "MLIM Business") from Merrill Lynch in exchange for issuing a substantial equity interest in itself to Merrill Lynch (the "Transaction"). That equity interest, as of January 1, 2009, represented a 48.2% economic interest in BlackRock and a 44.2% voting interest in BlackRock. A substantial portion of BlackRock's current Private Investors and ISA businesses, including the investment advisory clients serviced by these businesses, were acquired in the Transaction and formerly were important parts of the MLIM Business.

3. On December 26, 2008, BlackRock and Merrill Lynch entered into an Exchange Agreement pursuant to which Merrill Lynch and BlackRock agreed to exchange (i) 49,865,000 shares of BlackRock common stock held by Merrill Lynch for a like number of shares of BlackRock's Series B non-voting convertible participating preferred stock, and (ii) 12,604,918 shares of BlackRock's Series A non-voting convertible participating preferred stock held by Merrill Lynch for a like number of shares of Series B Preferred Stock (the "Exchange"), in effect reducing Merrill Lynch's voting interest in BlackRock to 4.6%, while its economic interest remains largely unchanged at 46.3% on a fully diluted basis.

4. Prior to the Transaction, broker-dealer subsidiaries controlled by Merrill Lynch ("ML Broker-Dealers"), through their registered representatives, solicited clients for the investment adviser subsidiaries controlled by Merrill Lynch that conducted the Private Investors and ISA portions of the MLIM Business, in exchange for a cash fee and in reliance on subsection (a)(2)(ii) of rule 206(4)-3 under the Advisers Act (the "Control-Affiliate Solicitor Provision"). The Control-Affiliate Solicitor Provision allows "partner[s], officer[s], director[s] or employee[s] of a person which controls, is controlled by, or is under common control with [an] investment

adviser” to solicit clients for the investment adviser in exchange for a cash fee so long as the solicitor discloses the identity of his employer and the nature of the affiliation between his employer and the recommended adviser at the time of the solicitation or referral. The Control-Affiliate Solicitor Provision does not require solicitors and advisers to follow any other particularized requirements in making these required disclosures. The ML Broker-Dealers never used the independent solicitor disclosure procedures contained in subsection (a)(2)(iii) of rule 206(4)-3 under the Advisers Act (the “Independent Solicitor Provision”), which contains several specific requirements that an independent solicitor must follow, when referring clients to the MLIM Business because Merrill Lynch controlled both the MLIM Business and the ML Broker-Dealers.

5. Notwithstanding Merrill Lynch’s significant economic stake in BlackRock, due to the particular and unique facts and circumstances of the BlackRock-Merrill Lynch relationship, BlackRock has concluded that Merrill Lynch does not “control” it for purposes of the Advisers Act. In addition to the absence of voting power indicative of control, BlackRock and Merrill Lynch have entered into a stockholder agreement in connection with the Transaction (the “Stockholder Agreement”) that contractually denies Merrill Lynch the right to decide how to vote its BlackRock shares on any matter other than a very limited number of extraordinary proposals (primarily related to issues impacting Merrill Lynch’s ownership interest in BlackRock), prohibits Merrill Lynch from otherwise attempting to influence or control BlackRock, and imposes a number of other limitations governing the BlackRock voting securities Merrill Lynch beneficially owns. The Stockholder Agreement’s limitations on Merrill Lynch’s rights as a holder of BlackRock voting securities, and as an investor in BlackRock

generally, deny Merrill Lynch the power and ability to control BlackRock ordinarily associated with the ownership of such a large economic stake in a company.<sup>1</sup>

6. BlackRock represents that the Stockholder Agreement, as well as several other agreements entered into in connection with the Transaction, serve to create a long-standing close affiliation between BlackRock and Merrill Lynch for the purpose of achieving their mutual business and economic objectives, even though they do not result in Merrill Lynch “controlling” BlackRock within the meaning of the Advisers Act. The Stockholder Agreement, as well as these other agreements, are publicly available in BlackRock’s filings with the Commission.

7. The nature of the close, ongoing relationship between BlackRock and Merrill Lynch is publicly disclosed, discussed and summarized on BlackRock’s internet website, BlackRock’s Form ADV Part II, in BlackRock’s client documentation, in BlackRock’s periodic filings under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and in other generally available public information. BlackRock represents that this comprehensive disclosure serves to ensure that the exact nature and extent of the close affiliation between BlackRock and Merrill Lynch is readily apparent to the public and the market at large.

8. BlackRock represents that BlackRock and the BlackRock Advisory Subsidiaries will abide by the following solicitation procedures:

a. The referral agreement between BlackRock and Merrill Lynch (the “BLK-MER Referral Agreement”) requires that ML Broker-Dealers disclose to potential clients the relationship between Merrill Lynch and BlackRock at the time of a referral to a BlackRock

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<sup>1</sup> BlackRock has not asked the Commission to confirm, and the Commission is not confirming, BlackRock’s conclusion that Merrill Lynch does not control it within the meaning of the Advisers Act.

Advisory Subsidiary. ML Broker-Dealers will provide prominent written disclosure to potential clients regarding the relationship between Merrill Lynch and BlackRock at or prior to the time of a referral to a BlackRock Advisory Subsidiary. This prominent written disclosure will also address Merrill Lynch's resulting conflict of interest in recommending BlackRock.

b. When a ML Broker-Dealer solicits any prospective client for a BlackRock Advisory Subsidiary, the prospective client will receive the BlackRock Advisory Subsidiary's written disclosure statement required by Rule 204-3 promulgated under the Advisers Act (the "ADV Part II Disclosure Document"). The BlackRock Advisory Subsidiary's ADV Part II Disclosure Document will be delivered by the BlackRock Advisory Subsidiary (and not by the solicitor) not later than the time that a fully executed investment advisory contract is provided to the client, although not necessarily at the time of the solicitation itself. The BlackRock Advisory Subsidiary's ADV Part II Disclosure Document will contain detailed disclosures about the nature of the affiliation between Merrill Lynch and BlackRock and specifically draw potential clients' attention to the inherent bias a ML Broker-Dealer has to recommend a BlackRock Advisory Subsidiary. BlackRock will ensure that these additional disclosures conform, in all material respects, to the disclosures required by the Independent Solicitor Provision.

c. If a BlackRock Advisory Subsidiary accepts a client referred by a ML Broker-Dealer, the prospective client will enter into a written investment management agreement with the BlackRock Advisory Subsidiary. Clients referred through the Private Investors channel will be provided with and will generally execute a form investment management agreement that will contain further disclosures about the nature of the relationship between Merrill Lynch and BlackRock in addition to those that will be provided in the BlackRock Advisory Subsidiary's ADV Part II Disclosure Document and at the time of the referral. Clients referred through the

ISA channel will often be provided with a form investment management agreement with similar disclosures, but many prefer to use their own form investment management agreement and consequently these disclosures may not appear in the investment management agreement. BlackRock Advisory Subsidiaries will not separately charge any client any explicit amount, in addition to the advisory fee, for the cost of obtaining that client's account, and no differential with respect to the amount or level of advisory fees charged by a BlackRock Advisory Subsidiary will be attributable to the solicitation arrangements with ML Broker-Dealers described in the Application.

d. BlackRock Advisory Subsidiaries and ML Broker-Dealers will engage in this solicitation arrangement pursuant to the BLK-MER Referral Agreement. BlackRock represents that the BLK-MER Referral Agreement complies with subsections (A)(1) and (A)(2) of the Independent Solicitor Provision.

#### Applicant's Legal Analysis

1. Section 206A of the Advisers Act grants the Commission the authority to “conditionally or unconditionally exempt any person or transaction . . . from any provision or provisions of [the Advisers Act] or of any rule or regulation thereunder, if and to the extent that such exemption is necessary or appropriate in the public interest and consistent with the protection of investors and the purposes fairly intended by the policy and provisions of [the Advisers Act].”

2. Section 206 of the Advisers Act is a general anti-fraud provision applicable to investment advisers. Rule 206(4)-3 (“the Cash Solicitation Rule”) was adopted under section 206(4) of the Advisers Act because the Commission determined that the nature of the conflict of interest mandated disclosure to clients of cash compensation arrangements between solicitors

and recommended investment advisers, which alerts clients to the personal incentive the solicitor has to recommend one particular adviser over another.

3. The Control-Affiliate Solicitor Provision (subsection (a)(2)(ii) of the Cash Solicitation Rule) applies to anyone who is “(A) a partner, officer, director or employee of [the] investment adviser, or (B) a partner, officer, director or employee of a person which controls, is controlled by, or is under common control with [the] investment adviser.” All investment advisers and solicitors must meet certain threshold requirements to rely on the Cash Solicitation Rule regardless of any affiliation between the investment adviser and the solicitor. However, where the Control-Affiliate Solicitor Provision applies, the Cash Solicitation Rule requires only that either (1) the solicitor’s status as a partner, officer, director or employee of the adviser be disclosed to the prospective client; or (2) the solicitor’s status as a partner, officer, director or employee of a company affiliated with the adviser, along with the nature of the affiliation between the solicitor’s employer and the investment adviser, be disclosed to the prospective client at the time of the solicitation or referral.

4. The Independent Solicitor Provision (subsection (a)(2)(iii) of the Cash Solicitation Rule) contains several specific requirements: (A) the written solicitation agreement between the adviser and solicitor must contain specific terms; (B) the solicitor must deliver to the prospective client, at the time of solicitation, the adviser’s ADV Part II Disclosure Document and a separate written disclosure document described in subsection (b) of the Cash Solicitation Rule (the “Independent Solicitor Disclosure Document” and the required delivery of both the adviser’s ADV Part II Disclosure Document and the Independent Solicitor Disclosure Document being the “Part II and Independent Solicitor Disclosure Document Delivery Requirement”); (C) the adviser must receive a signed and dated acknowledgement of the client’s receipt of the ADV Part II

Disclosure Document and the Independent Solicitor Disclosure Document prior to, or at the time of, entering into any written or oral investment advisory contract (the “Signed Acknowledgement Requirement”); and (D) the adviser must make a bona fide effort to ascertain whether the solicitor has complied with the terms of the written solicitation agreement and must have a reasonable basis for believing that the solicitor has so complied.

5. The Independent Solicitor Disclosure Document must contain the following information: (i) the names of the solicitor and investment adviser; (ii) the nature of the relationship, including any affiliation, between the solicitor and the investment adviser; (iii) a statement that the solicitor will be compensated for his solicitation services by the investment adviser; (iv) the terms of such compensation arrangement, including a description of the compensation paid or to be paid to the solicitor; and (v) the amount, if any, for the cost of obtaining his account the client will be charged in addition to the advisory fee, and the differential, if any, among clients with respect to the amount or level of advisory fees charged by the investment adviser if such differential is attributable to the existence of any arrangement pursuant to which the investment adviser has agreed to compensate the solicitor for soliciting clients for, or referring clients to, the investment adviser.

6. BlackRock asserts that, as articulated in the adopting release for the Cash Solicitation Rule, the key policy rationale underlying the limited disclosure regime of the Control-Affiliate Solicitor Provision is that “[a]s long as a client is aware that the recommended adviser is the solicitor’s employer or a close affiliate of the solicitor’s employer, there appears to be little need to require the imposition of additional disclosure and recordkeeping requirements.” BlackRock further asserts that the Control-Affiliate Solicitor Provision reflects the argument advanced by commenters considering the Cash Solicitation Rule that “there is little basis for

assuming that potential clients will be any less aware of the inherent bias when an employee recommends an adviser who is a person associated with his employer than when he recommends the advisory services of his own employer.” Thus, BlackRock submits, one rationale for expanding the scope of the Control-Affiliate Solicitor Provision to include persons part of an organization that is closely affiliated with the recommended adviser is that it should be readily apparent to the public that the close affiliation between the solicitor and adviser creates an inherent bias to recommend the affiliated adviser.

7. Pursuant to the Exchange, Merrill Lynch beneficially owns approximately a 46.3% economic interest in BlackRock on a fully diluted basis; however, its ownership of BlackRock’s outstanding voting securities is reduced to approximately 4.9%. Although BlackRock asserts that this relationship is not a “control” relationship as defined under the Advisers Act, the disclosure of Merrill Lynch’s ownership of such a large block of BlackRock’s capital stock, combined with the economic stake represented thereby, is sufficient to provide the same alert to the investing public and potential clients as to a ML Broker-Dealer’s “inherent bias” in recommending a BlackRock Advisory Subsidiary and is, in effect, a “close affiliation” for the purposes of satisfying the concerns underlying the Cash Solicitation Rule and the rationale for the less onerous disclosure elements of the Control-Affiliate Solicitor Provision.

8. The unique affiliation relationship between BlackRock and Merrill Lynch is consistently discussed, summarized and disclosed on BlackRock’s internet website, BlackRock’s Form ADV Part II, in BlackRock’s client documentation, in BlackRock’s filings under the Exchange Act, in registration statements for BlackRock’s funds registered under the Investment Company Act of 1940 and in other generally available public information. BlackRock submits that these multiple avenues of disclosure serve to ensure that the exact nature and extent of the

close affiliation between BlackRock and Merrill Lynch is readily apparent to the public and market at large. In addition, ML Broker-Dealers would provide prominent written disclosure to potential clients regarding the relationship between Merrill Lynch and BlackRock at or prior to the time of a referral to a BlackRock Advisory Subsidiary. This prominent written disclosure would also address Merrill Lynch's resulting conflict of interest in recommending BlackRock.

9. BlackRock seeks only exemptions from subsections (a)(2)(iii)(A)(3) and (a)(2)(iii)(B) of the Cash Solicitation Rule—the Part II and Independent Solicitor Disclosure Document Delivery Requirement and the Signed Acknowledgement Requirement. BlackRock submits that the BLK-MER Referral Agreement contains terms that satisfy subsections (a)(2)(iii)(A)(1)-(2) of the Cash Solicitation Rule. BlackRock proposes to adhere to subsection (a)(2)(iii)(C) of the Cash Solicitation Rule, which requires that the recommended investment adviser make a bona fide effort to ascertain whether the solicitor has complied with the referral agreement, and have a reasonable basis for so believing. BlackRock has represented that BlackRock Advisory Subsidiaries' ADV Part II Disclosure Documents would contain, in all material respects, the disclosures required by the Independent Solicitor Disclosure Document. Subsection (b)(5) of the Cash Solicitation Rule requires that the Independent Solicitor Disclosure Document disclose the terms of the compensation arrangement between the solicitor and the recommended adviser. BlackRock Advisory Subsidiaries' ADV Part II Disclosure Documents would disclose in general terms the fact that ML Broker-Dealers are compensated by the BlackRock Advisory Subsidiaries for their solicitation activities, but the details regarding the amount of compensation and the methods by which such amounts are determined would not be disclosed. BlackRock argues that this information would not be informative in this context because particularized disclosure as to the solicitation fee paid to ML Broker-Dealers would not

help draw a potential client's focus to the significant economic benefit that ML Broker-Dealers derive due to Merrill Lynch's approximately 46.3% economic interest in BlackRock.

10. BlackRock submits that the purpose of the detailed requirements of the Independent Solicitor Provision is to ensure that the fact of a solicitor's bias in favor of a recommended adviser is presented in a clear and unmistakable manner that ensures that potential clients become aware of this bias. BlackRock argues that the inherent bias on a ML Broker-Dealer's part to recommend a BlackRock Advisory Subsidiary is clearly disclosed and unmistakable as a result of the close affiliation between Merrill Lynch (the solicitor's parent entity) and BlackRock (the recommended adviser's parent entity) such that, within the policy framework of the Cash Solicitation Rule, these additional disclosures need not be expressly made in a separate Independent Solicitor Disclosure Document.

11. BlackRock asserts that the Commission granting the order requested by its application would be appropriate in the public interest because (i) it would preserve for current and future Merrill Lynch brokerage clients the significant investment experience and resources of BlackRock currently available to such clients, while at the same time ensuring that such clients will continue to receive the protections intended by the Cash Solicitation Rule, (ii) requiring strict compliance with the Independent Solicitor Provision would create risks that client investment options might be reduced as a result of ML Broker-Dealers being discouraged from recommending BlackRock Advisory Subsidiaries, (iii) clients might find a change in procedure and documentation confusing and burdensome, and (iv) additional costs associated with such strict compliance might ultimately result in greater expenses for clients.

#### Applicant's Conditions

1. The Applicant will rely on the Order only for so long as the Cash Solicitation Rule in effect as of the date of the Order is operative. If the Commission, subsequent to the date of the Order, adopts a new rule governing the payment of cash fees by registered investment advisers to persons soliciting clients on their behalf (a “New Cash Solicitation Rule”), the Applicant agrees to rely on the Order only until the compliance date for such New Cash Solicitation Rule.

2. The Applicant will rely on the Order only for so long as Merrill Lynch beneficially owns 25% or more of the Applicant’s outstanding capital stock. If Merrill Lynch ever ceases to beneficially own at least 25% of the Applicant’s outstanding capital stock, the Applicant represents that it will not rely on the relief granted by the Order.

3. The Applicant will require that the BlackRock Advisory Subsidiaries and the ML Broker-Dealers provide clear disclosure of the Applicant’s relationship with Merrill Lynch to potential clients referred to BlackRock Advisory Subsidiaries by ML Broker-Dealers in exchange for a cash fee. This disclosure will be provided by ML Broker-Dealers’ disclosure to potential clients of the relationship between Merrill Lynch and BlackRock at the time of a referral to a BlackRock Advisory Subsidiary pursuant to the BLK-MER Referral Agreement, and via delivery of (i) a BlackRock Advisory Subsidiary’s ADV Part II Disclosure Document; and (ii) a form investment management agreement provided to each client referred to a BlackRock Advisory Subsidiary through the Private Investors channel and often provided to clients referred through the ISA channel. The Applicant will require that all such disclosures be substantially similar to the disclosures described in the Application and be provided pursuant to procedures substantially similar to those described in the Application. Additionally, the ML Broker-Dealers will provide prominent written disclosure to potential clients regarding the relationship between

Merrill Lynch and BlackRock at or prior to the time of a referral to a BlackRock Advisory Subsidiary. This prominent written disclosure will also address Merrill Lynch's resulting conflict of interest in recommending BlackRock.

4. The Applicant will require the BlackRock Advisory Subsidiaries to comply with subsection (a)(2)(iii)(C) of the Cash Solicitation Rule. Further, the Applicant represents that it will require the BlackRock Advisory Subsidiaries to continue to comply with subsection (A)(2) of the Independent Solicitor Provision. To comply with subsection (a)(2)(iii)(C) of the Cash Solicitation Rule, the Applicant agrees to require the BlackRock Advisory Subsidiaries to make a bona fide effort to ascertain whether ML Broker-Dealers have complied with the terms of the BLK-MER Referral Agreement, any amendment thereof, or any subsequently executed referral agreement with ML Broker-Dealers, and have a reasonable basis for believing that ML Broker-Dealers have so complied.

For the Commission, by the Division of Investment Management, under delegated authority.

Florence E. Harmon  
Deputy Secretary