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January 20, 2011

Attn: US Tri-Party Repo Task Force: Operational Arrangements Working Group

Re: 3 Way Trade Confirmation & Settlement Window Implementation Proposal

BlackRock, Inc. welcomes the opportunity to comment on the US Tri-Party Repo (TPR) Infrastructure Reform Task Force (the "Task Force") 3 Way Trade Confirmation & Settlement Window Implementation Proposal (the "Proposal") to address weaknesses within the TPR market. We support the goals of the Task Force and generally agree with the recommendations set forth by the Operational Arrangements Working Group (the "Working Group") in regards to trade confirmation and settlement processes for TPR.

BlackRock is one of the world's leading asset management firms. We manage over \$3.45 trillion on behalf of institutional and individual clients worldwide through a variety of equity, fixed income, cash management, alternative investment, real estate and advisory products. BlackRock is a major participant in the TPR market in the United States, with approximately \$69 billion of repo positions held in tri-party as of the beginning of 2011. These assets are held in nearly 100 portfolios with thousands of direct and indirect investors.

In connection with the Proposal BlackRock does have concerns and comments relating to the following:

- (i) confirmation of trades at the individual and block levels;
- (ii) standardization of netting processes;
- (iii) transparency and timely reporting to lenders; and
- (iv) protocols supporting funds with late closing times.

BlackRock's general concerns and comments are set forth below followed by our comments regarding specific questions posed by the Working Group.

General Concerns and Comments

I. Assumptions Regarding Sufficient Cash or Credit in Dealer Account

The Proposal states that a key assumption to successfully execute a full TPR settlement process includes sufficient cash (or credit) in a dealer's account(s) to support planned maturities.

BlackRock is concerned that the combination of the settlement window implementation proposal and the dealer community's still to-be-determined access to new credit sources

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could result in a TPR market that does not offer the same protections to various types of lenders during the settlement process.

BlackRock believes the task force should address the issue of making dealer protocols for matching trades down to the clearing banks more transparent to all TPR participants. Dealer handling of matched TPR trades could otherwise be influenced by the status of available credit in the new market structure. While BlackRock respects the dealers' confidentiality with respect to credit sources, part of the security that is built into the TPR market as it is structured now is that lenders do not know where the liquidity is concentrated.

We have serious concerns regarding the implementation risks associated with an unprecedented change to dealer credit sources and the significantly compressed settlement window being recommended. As a result, we are concerned that clients could be harmed due to delays and uncertainty surrounding TPR settlement and corresponding wire activity.

In summary, BlackRock believes the proposed TPR structural changes may force many lenders to prematurely match TPR trades and adopt tighter timeframes for their TPR processes. This has the potential to increase inefficiencies and create difficulties in the trade execution and confirmation process as noted later in our response. We believe more transparency, monitoring and protections need to be introduced at the matching level in order for lenders to be treated fairly.

II. Proposing a Carve Out Settlement Window for Late Day Funds

BlackRock strongly supports the efforts of the Task Force to allow for a carve-out period outside of the proposed TPR settlement period for money funds with late-day closing times. Such offerings from money market fund sponsors have been an important product for clients for over ten years.

BlackRock, like many other money fund sponsors, currently offers portfolios which close at 5:00 pm and 5:30 pm as stated in their legal prospectus. Shareholders typically choose these portfolios precisely for the flexibility provided within this investment class. Shareholders rely heavily on the extended trading hours provided in these portfolios as demonstrated by the fact that significant shareholder activity takes place between 3:00 pm and 5:30 pm. We believe it is important that money market funds with "late" closing times be able to facilitate these customers' needs, which in turn allows the advisors of these money funds to intermediate credit to the market.

BlackRock believes it is critical that proposed changes to the TPR settlement window provide an exception for money market funds with late closing times.

III. The Elimination of "Early Pay" or "Trim Repo"

Finally, BlackRock believes that eliminating "early pay" or "trim repo" (i.e., repurchase agreements where funds are returned to the lender early in the morning on the date the transaction is scheduled to mature) without an adjustment to the process that satisfies early day demand for liquidity, places an undue burden on money funds and their investors with no

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corresponding increase in safety or protection for those funds and investors. Specifically, the elimination of early pay repo has the potential to restrict funds' abilities to meet intraday redemptions by investors in a timely fashion. Such investors would in turn incur the burden of daylight overdraft costs.

In addition to the general concerns noted above BlackRock has the following comments regarding the questions below posed by the Working Group in connection with the Proposal.

Comments to Specific Questions

Question: *What additional considerations are important as we execute the 3-way confirm process? Of specific interest, how various lender segments will confirm trades?*

BlackRock suggests that the Task Force establish an industry protocol for matching and settling trades in the event a lender's TPR vendor has technical problems facilitating the matching process.

In addition, from an operational perspective BlackRock suggests that there be a unique identifier generated to distinguish each individual repurchase transaction that both the lender and dealer will use to identify the trade or current position (for open repurchase positions) at the portfolio level. This transaction identifier should be included in each message related to the trade, e.g. SWIFT.

With the focus on transparency in the market, BlackRock believes there should be added focus placed on block trade matching. While not formally required as part of the 3 Way Trade Confirmation Process, our internal analysis of best practices suggests block confirmation would be beneficial.

Specifically in connection with open repurchase trades it was proposed in the Proposal that if such trades were closed prior to 10:00am notification from either lender or dealer would be sufficient, but post 10:00am a match would be required. BlackRock seeks additional clarity from the Task Force regarding what is needed to communicate the close of an open repurchase trade.

Question: *The document currently envisions a window from 7:00 am – 3:30 pm to perform three-way confirmations. Task Force discussions have highlighted the potential benefits of earlier confirmations (e.g. by 10:00 am), especially during stressful market conditions. Is it feasible to expect that the bulk of confirmations, including allocations, can be performed by 10:00 am, or if not, by some other time prior to 3:30 pm? Would it be more feasible to set a target for confirmations without allocation details by 10:00 am? Please indicate views on the relative benefit and costs of these alternatives?*

In our view, the goal of the 3-way trade confirmation process is to allow lender TPR orders to interact in a non-intermediated way with the clearing banks in order to make the market more stable while allowing lenders maximum flexibility when needed.

We believe the 3-Way Trade Confirmation Process Proposal that lenders perform the bulk of the confirmations by 10:00 am (at the account allocation level) fails to achieve these goals.

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From a liquidity provisioning perspective, BlackRock views each day's aggregate TPR investment on a holistic, firm-wide level.

Based on our extensive experience, although TPR block trades are executed based on expected final allocations, intra-day cash flows are inevitable (relating to our shareholder's normal cash flow needs) and thus final allocations are likely to be different from those at 10:00 am confirmations at the account level.

While the Task Force should be applauded for advancing the benefits of greater intra-day transparency for TPR market participants, BlackRock is not convinced the inefficient and time consuming process of manually affirming hundreds of TPR trades at the account level only to adjust the final allocations (high probability) at the settlement window is consistent with the goals of the Task Force to increase operational efficiencies.

In summary, BlackRock supports confirmation of most trades at the block level by 10:00am, with allocations to be provided by 3:30pm (excluding those TPRs executed for the benefit of funds with late closing times). As stated above, such a process is expected to minimize trade revisions, thereby increasing operational efficiencies while lowering the risk of failed trades.

Question: *What changes will need to be made in order to enable cash lenders to wire cash into clearing banks by 3:30pm?*

BlackRock recommends a uniform procedure for netting across custodians and clearing agents to facilitate settlement and eliminate ambiguity. This will standardize a uniform and consistent settlement procedure across all parties.

We thank the Working Group for the opportunity to comment on this important initiative. If you have any questions or require additional information, please do not hesitate to contact us.

Sincerely,

/s/ Richard Hoerner

Richard Hoerner
Managing Director
BlackRock, Inc.