VIEWPOINT

FEBRUARY 2019

BLACKROCK®

BlackRock: Worldwide Leader in Asset and Risk Management

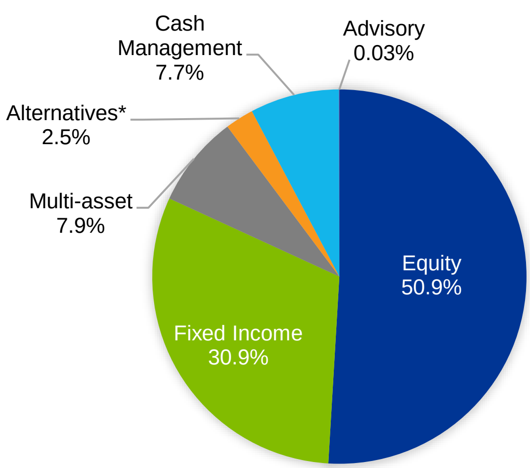
BlackRock is known as one of the largest asset managers globally, but our size says little about our structure, risk profile, history, culture, or how we function today. In this *ViewPoint*, we provide an overview of our organization and discuss the factors that differentiate the asset management industry more generally, and BlackRock specifically, from other financial institutions.

Overview

BlackRock was founded in New York in 1988 by eight partners, four of whom remain active in the firm today. BlackRock has grown from a start-up to a market leader by attracting clients and employees, and by acquiring several other asset management companies.

BlackRock at a Glance

- Established in 1988
- Public since 1999; NYSE: BLK
- Independent with no majority shareholder
- US $5.97 (€5.22) trillion assets under management (AUM)
- Approximately 14,900 employees
- Over 2,000 investment professionals
- Offices in over 30 countries and 25 primary investment centers globally



Source: BlackRock, data as of 31 December 2018.
Numbers may not add up to 100% due to rounding
*Includes commodity and currency mandates

Throughout this evolution, BlackRock has maintained its focus on managing assets on behalf of its clients, as well as providing risk management and advisory services. Clients include corporate, public and multi-employer pension plans, governments, insurance companies, official institutions, endowments, foundations, charities, corporations, banks, sovereign wealth funds, mutual funds, and individual savers around the world. Approximately two thirds of the assets BlackRock manages on behalf of clients relate to retirement.

BlackRock's mission is to create a better financial future for our clients, by building the most respected investment and risk manager in the world.

Global Expertise, Local Service

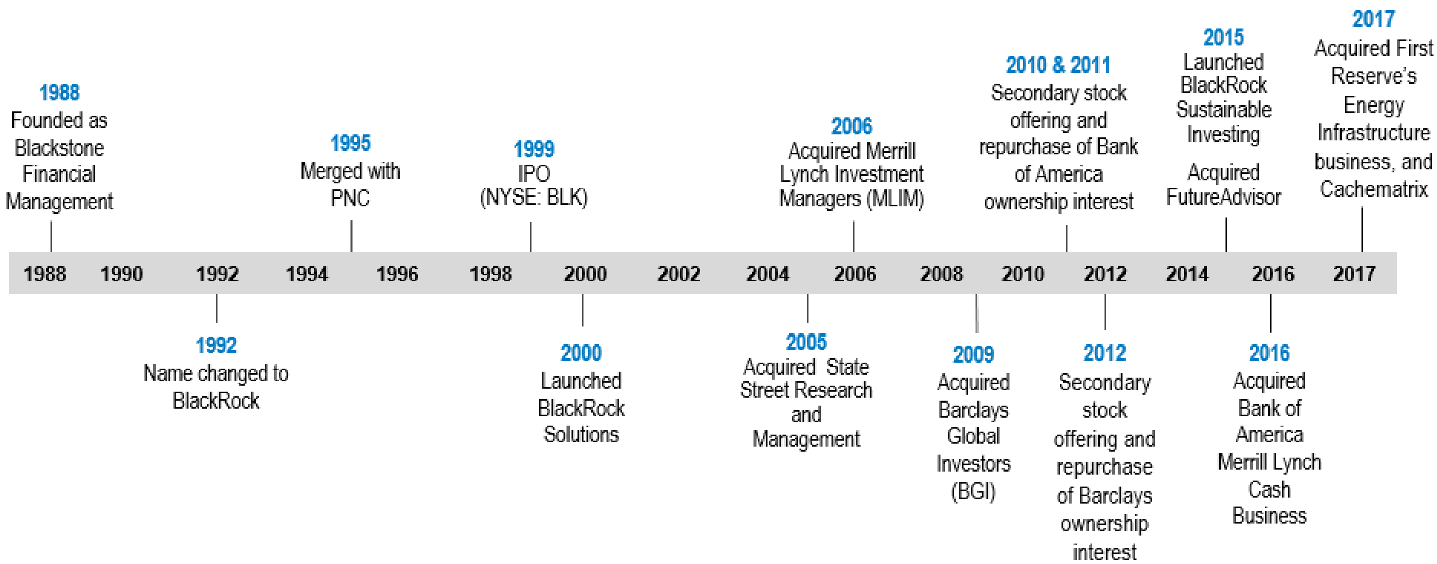
BlackRock is a global firm that combines the benefits of worldwide reach with local service and relationships. Investment centers in 25 cities (including New York, London, San Francisco, Tokyo, and Hong Kong) facilitate access to major capital markets. Likewise, account managers in over 70 cities across 34 countries in the Americas, Asia Pacific, Europe, the Middle East, and Africa deliver global expertise to our diverse client base.

The assets BlackRock manages on behalf of clients include cash, fixed income, equity, alternatives and multi-asset class mandates. In addition, the AUM reflects approximately US $1.7 (€1.5) billion in advisory mandates, including long-term portfolio liquidation assignments.

Independent Asset Manager

The firm has been listed on the New York Stock Exchange under the symbol "BLK" since 1999. In April 2011, BlackRock was added to the S&P 500 Index, reflecting both the valuation of the company and the broad ownership of its stock. BlackRock is an independently managed public company with no single majority stockholder. The PNC Financial Services Group, Inc. has a minority ownership stake in BlackRock with the remainder owned by institutional and individual investors, as well as BlackRock employees. Independent directors comprise the majority of the BlackRock board of directors.

Key Dates in BlackRock History



The Asset Management Business

Fiduciary to Clients

Asset managers, also known as investment managers, are hired by asset owners to invest assets on their behalf. As such, asset managers act as fiduciaries, which means acting in the best interests of the client and faithfully executing the investment mandate provided by the client. Asset managers invest within the guidelines specified by their clients for a given mandate, as set out in the investment management agreement (IMA) or established by the offering or constituent documents that establish the fund. Importantly, the investment results, whether positive or negative, belong to the client.

Client Assets held by Custodians

The assets under management (AUM) are owned by clients. They are generally held by third-party custodians selected by – and with contractual obligations to – these clients. The third-party custodian maintains the official books and records and facilitates trade settlement with counterparties. As such, asset managers do not have physical control or direct access to clients' assets. Likewise, the client, not the asset manager, is the counterparty to trades. Consequently, asset managers have small balance sheets relative to other types of financial institutions.

Stable Income and Alignment of Interests

Asset managers are generally paid fees for services on a set schedule applied to client AUM. As a result, the asset managers' interests are aligned with their clients'. This fee structure generates a more stable income stream than that of a transaction-oriented financial institution. Also, asset managers generally have little debt on their balance sheets and they do not rely on short-term funding markets.

ASSET MANAGERS DO:

- Act on behalf of clients
- Rely on a generally stable fee-based income stream
- Receive regulatory oversight at both the manager and portfolio levels

ASSET MANAGERS DO NOT:

- Invest with their own balance sheets by engaging in principal trades
- Employ balance sheet leverage
- Guarantee investor principal, nor do they offer a government guarantee or backing
- Provide liquidity for funds
- Have access to central bank liquidity

What Distinguishes Asset Managers Within the Financial Industry?

The Agency Model

Asset managers are characterized by a business model that is fundamentally different than other financial institutions, such as commercial banks, investment banks, insurance companies and government-sponsored entities. Asset managers differ from most other financial firms in that they act as agents managing other people's money. While asset managers do not use their balance sheets in the ordinary conduct of their business, other financial companies such as banks engage in activities involving significant levels of balance sheet risk.

For example, investment banks act as principal in trading, market-making and prime brokerage; finance companies access the capital markets for funds and re-lend these monies; and insurance companies provide long-term financing for real estate and other hard assets as part of their asset-liability management.

Another critical difference between a commercial bank and an asset manager is the absence of reliance on government guarantees or support. Banks accept deposits that, in the US, are then insured by the Federal Deposit Insurance Corporation and, in the EU, are obliged to participate in national deposit guarantee schemes. Asset managers, meanwhile, clearly disclose to clients that investment performance is not guaranteed by the manager, the government, or any other party.

These distinctions were critically important in shielding asset management companies from much of the turmoil that occurred during the Global Financial Crisis of 2008. Notably, no asset manager was among the 700 US financial institutions that received a direct investment under the Troubled Asset Relief Program Capital Purchase Program.[1]

Asset Management Products

Investment strategies can be offered in a variety of structures, which can be broken down into two main categories – collective investment vehicles (CIVs) and separate accounts.

Collective Investment Vehicles

CIVs play an important role in many clients' portfolios. Some clients prefer these investment vehicles for the diversification they provide. Examples of CIVs include mutual funds, Undertakings for Collective Investment in Transferable Securities (UCITS), exchange-traded funds (ETFs), collective trust funds, hedge funds, and alternative investment funds (AIFs).

CIVs are typically subject to a robust set of regulatory requirements that can differ by the type of client able to invest in the fund (e.g., individual or institutional) and the jurisdiction(s) in which the fund is offered. Examples of regulatory regimes that CIVs are subject to include the Investment Company Act of 1940 in the US or the UCITS V Directive in the European Union (EU). CIVs are separate legal entities from the asset manager. They are typically overseen by a board of directors or equivalent (such as trustees).

Separate Accounts

Separate accounts are individual portfolios managed for a single client – they can be thought of as a 'fund for one'. Since the client is the legal owner of the assets in the separate account, these portfolios are subject to the regulation that the client is subject to. Asset managers hired to manage separate accounts in the EU, Iceland, Lichtenstein, and Norway are likely to comply with MiFID II, and with the Investment Advisers Act of 1940 for separate accounts managed in the US.

BlackRock's Largest Locations

Rank*	City	Country
Americas (over 7,700 employees)**		
1	New York, NY	United States
2	San Francisco, CA	United States
3	Wilmington, DE	United States
4	Princeton, NJ	United States
5	Seattle, WA	United States
6	Boston, MA	United States
7	Mexico City	Mexico
8	Los Angeles, CA	United States
9	Toronto	Canada
10	Philadelphia, PA	United States
Europe (over 4,100 employees)		
1	London	United Kingdom
2	Edinburgh	United Kingdom
3	Budapest	Hungary
4	Zurich	Switzerland
5	Frankfurt	Germany
6	Dublin	Ireland
7	Milan	Italy
8	Amsterdam	Netherlands
9	Paris	France
10	Munich	Germany
Asia Pacific (over 3,000 employees)		
1	Gurgaon	India
2	Hong Kong	China
3	Singapore	Singapore
4	Tokyo	Japan
5	Mumbai	India
6	Sydney	Australia
7	Taipei	Taiwan
8	Shanghai	China
9	Bangalore	India
10	Seoul	South Korea

1 US Government Accountability Office; Office of Special Inspector General for the Troubled Asset Relief Program; US Department of Treasury.

*Rank by number of employees. Data as of 31 December 2018.

**Includes United States, Canada, Central America, and South America

Regulation of Asset Managers and Asset Management

Asset managers are subject to comprehensive regulation that includes regular examinations and reporting requiring them to establish and maintain extensive risk management and compliance policies and procedures.

In the US

The Securities and Exchange Commission is the primary regulator of asset managers that are registered as investment advisors. Asset managers that operate trust banks are overseen by the Office of the Comptroller of the Currency if federally chartered, and by state banking authorities if state chartered.

Many asset managers are also subject to regulation by the Department of Labor under the Employee Retirement Income Security Act for work on behalf of certain pension plans and by the Commodity Futures Trading Commission if they invest client funds in commodities or certain derivatives instruments. The Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank), enacted in July 2010, introduced a host of new rules that provide for enhanced reporting, oversight and transparency for financial instruments and financial institutions, including asset managers.

In Europe

The vast majority of the legislation that underpins the regulatory environment for asset managers and their activities in the EU is agreed upon at the pan-European level. Common European rules create the legislative conditions for the Single Market in goods, services and people in the EU. Once agreed at the pan-EU level, legislation is subsequently implemented at the national level by Member States, i.e. the countries that are part of the EU. EU-based asset managers are subject to, among other pieces of regulation, the UCITS Directive (which allows mainstream CIVs to be sold cross-border), the AIFM Directive (ruling alternative investment managers and their funds); and MiFID II (on investment management services and transaction reporting, among many other things).

The supervision of asset managers and their services in Europe continues to be carried out by national authorities, such as the Financial Conduct Authority in the UK, the Federal Financial Supervisory Authority in Germany, the Autorité des Marchés Financiers in France and the Authority for the Financial Markets in the Netherlands.

In Asia-Pacific

National authorities in the Asia-Pacific region regulate asset managers and asset management products. Regulatory agencies in the region include the Japan Financial Services Agency, the Hong Kong Securities and Futures Commission, the Australian Securities and Investments Commission, the Monetary Authority of Singapore, the China Securities Regulatory Commission, the Korean Financial Services Commission, the Taiwan Financial Supervisory Commission, and the Securities and Exchange Board of India.

What Differentiates BlackRock?

Stand-alone Investment Management Company

BlackRock was founded as a stand-alone investment management company focused on providing asset and risk management services to clients. The firm brings together expertise across capital market sectors as well as asset allocation, portfolio management, financial modeling, and risk management disciplines.

Culture

At BlackRock, we understand culture as our shared understanding of who we are, what we stand for and how we conduct ourselves.

BlackRock's culture has been a key part of its success since it was established in 1988. BlackRock's culture is defined through the BlackRock Principles, which guide employees on how best to achieve the firm's mission to create a better financial future for its clients. Its unifying focus on One BlackRock has been fundamental to the firm's constant innovation, thirst for technological solutions and focus on risk management, combined with an unwavering fiduciary responsibility to clients and a commitment to client service.

The BlackRock Principles

- We are a Fiduciary
- We are passionate about Performance
- We are One BlackRock
- We are Innovators

We operate our business with a fiduciary responsibility, which means to act in the best interest of our clients. Their trust and confidence in us is our most valuable asset, and we seek to earn it every day.

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We are passionate about our work and intensely focused on performing at the highest levels. We take emotional ownership of every aspect of the work we do. We prize strong subject matter expertise and an insatiable appetite to learn. The firm's unifying focus on One BlackRock means we challenge ourselves – and each other – to collectively raise our game. The best solutions result from the ideas and contributions of a diverse team of partners.

Continuous innovation helps us bring the best of BlackRock to our clients. This requires that we are respectfully anti-bureaucratic, and that we challenge the status quo.

State-of-the-art Proprietary Risk Analysis Technology

An integral part of BlackRock's identity is the core belief that rigorous risk management is critical to the delivery of high-quality asset management services.

The firm's leaders identified a growing gap between the sell-side and the buy-side, and had a vision for a tool that asset managers needed to prudently manage risk.

Having determined in 1988 that no existing system adequately fulfilled this need, BlackRock designed and built a proprietary state-of-the-art system, which evolved into the technology platform known as BlackRock Solutions® (see overleaf).

Today, portfolio managers throughout BlackRock have access to proprietary technology which enables them to make better informed decisions. These tools can analyze individual securities, aggregate a portfolio of securities, and compare that portfolio and its risk characteristics to an index or another relevant benchmark.

GLOBAL PUBLIC POLICY GROUP

In the last decade in particular, policy and regulation have shaped the landscape in which asset owners and their asset managers operate. BlackRock believes engaging on financial regulatory reform is important for our end-clients, the end-investors, who provide capital to the real economy.

BlackRock's Global Public Policy Group regularly and actively engages in discussions with policymakers on a wide range of financial regulatory topics. We support the creation of a regulatory regime that increases transparency, protects investors and facilitates responsible growth of capital markets, while preserving consumer choice and assessing benefits versus implementation costs. Our views on policy issues, discussed at the global, regional or national level (in the form of responses to public consultations and white papers called *ViewPoints*) are available on the Public Policy website.

BLACKROCK INVESTMENT STEWARDSHIP

BlackRock Investment Stewardship contributes to the mission of creating a better financial future for our clients by monitoring and engaging with companies around the globe to encourage them to adopt business practices consistent with sustainable long-term value creation.

The BlackRock Investment Stewardship team, made up of over 40 professionals, has a local presence. We work in offices across the Americas, Europe, and the Asia-Pacific region in order to gain investment insight at the local level, collectively voting approximately 17,000 meetings annually. The team is responsible for:

- Protecting and enhancing the value of clients' assets through engagement with companies, including proxy voting, in clients' best long-term economic interests
- Encouraging business and management practices that in our experience support sustainable financial performance over the long term
- Providing insight on environmental, social and governance considerations to BlackRock's investment strategies, whether indexed or actively managed
- Engaging clients to build understanding of our work and how it aligns with the firm's mission
- Participating in market-level dialogue to understand and contribute to the development of policies and practices that support long-term investing and value creation

The team's engagement priorities, guidelines, voting and engagement reports, and commentaries are publicly available on the Investment Stewardship website.

BLACKROCK INVESTMENT INSTITUTE

The BlackRock Investment Institute (BII) helps BlackRock's portfolio managers become even better investors and produces thought-provoking investment-related content for clients and policymakers. The BII team comprises over 30 investment professionals spread around the globe. We work closely with investment, economic, policy and political experts across BlackRock to ensure our insights capture the best of BlackRock's thinking.

The BII team is responsible for:

- Providing connectivity between BlackRock's portfolio managers to help them debate and tackle key investment issues
- Originating economic and markets research, including developing proprietary BlackRock tools that aim to gauge where key macro indicators are heading
- Developing investment and asset allocation views for clients across regions and asset classes that reflect the thinking of BlackRock's leading portfolio managers
- Creating client publications and data visuals that highlight BlackRock's best investment thinking, and showcase our thought leadership in investing, risk management, portfolio construction and trading solutions

The BII's various reports, bulletins and papers are publicly available on the BlackRock Investment Institute website.

FINANCIAL MARKETS ADVISORY GROUP

The Financial Markets Advisory Group (FMA) advises clients in managing their capital markets exposure and businesses. FMA focuses on enterprise risk management, regulatory reporting support, complex financial modeling, balance sheet and financial strategy development, and specialized asset management and transaction support services. The FMA team uses customized analytical and modeling techniques, as well as BlackRock Solutions® suite of data management, financial modeling and risk management tools in executing these advisory engagements.

BLACKROCK SOLUTIONS®

Risk-informed investment management requires the right tools to assess security- and portfolio-level risks, to rebalance portfolios to meet portfolio manager objectives, and to process transactions efficiently. As a result, BlackRock developed an integrated suite of investment management tools designed to be used by BlackRock's investment professionals. Starting in 2000, BlackRock began offering those risk analytics and trade processing tools, as well as advisory services, to external clients under the BlackRock Solutions® brand.

Risk Analysis and Investment Processing Tools

The Aladdin® Institutional Business delivers our risk analysis and investment processing tools, known as Aladdin®, to institutional clients including asset managers, insurers, banks, pensions, and official institutions. Aladdin® allows client organizations to combine risk analytics, order management, and trade processing on a single platform. This can help eliminate redundant data input across multiple systems, enhance data integrity through shared and transparent information, and increase operating efficiencies and controls.

Whilst proprietary technology platforms may help manage risk, risk cannot be eliminated.

RELATED CONTENT

A complete library of *ViewPoint* public policy papers, comment letters, and responses to consultations prepared by BlackRock is available at www.blackrock.com/publicpolicy.