

BLACKROCK

April 25, 2010

Elizabeth M. Murphy, Secretary
Securities and Exchange Commission
100 F Street
Washington, D.C. 20549-1090

RE: Release No. IC-29592; File No. S7-7-11

Dear Ms. Murphy:

This letter responds to the request of the Securities and Exchange Commission (the “Commission”) for comments on proposed rules that would eliminate references to credit ratings in certain rules and forms under the Investment Company Act of 1940 (the “1940 Act”).¹ These proposals are in response to Section 939A of the Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank Act”),² which requires the Commission to remove references to NRSRO credit ratings as an assessment of the credit-worthiness of a security or money market instrument and to substitute other standards of credit-worthiness that the Commission determines to be appropriate.³ BlackRock appreciates the opportunity to respond to the request for comment.

BlackRock is one of the world's leading asset management firms, managing \$3.561 trillion as of December 31, 2010 on behalf of institutional and individual clients worldwide, including governments, pension funds and endowments. BlackRock and its predecessor companies have been involved in the management of money market funds since 1973, and today BlackRock is one of the largest cash management providers in the world, managing a total of \$207.6 billion in U.S.-registered money market funds subject to Rule 2a-7 (“money funds”) as of March 31, 2011. BlackRock money funds do not seek to offer the highest yield - our money funds have grown because we have earned our clients’ trust through multiple interest rate cycles and a wide range of market events by making safety of principal and liquidity our highest priorities.

We are grateful for the thorough work the Commission and other agencies have undertaken throughout the recent financial crisis. The actions of multiple agencies were essential in restoring confidence and order to the markets in a time of great uncertainty.

The proposed rules amend, among other rules, Rules 2a-7 and 5b-3 under the 1940 Act as well as Forms N-MFP, N-1A, N-2 and N-3. The proposed rule also creates a new Rule 6a-5. Our comments are limited to the amendments to Rule 2a-7 and 5b-3 and the forms listed above.

¹ Investment Company Act Release No. 29592 (March 3, 2011) (the “Proposing Release”).

² Public L. No. 111-203, 124 Stat. 1376 (2010).

³ See section 939A(a)-(b) of the Dodd-Frank Act.

I. Summary Response: Rule 2a-7 should continue to permit money fund Boards or their delegates to consider NRSRO ratings along with other factors as a minimum credit quality standard for Eligible and First Tier Securities.

BlackRock supports the assumption embedded in Section 939 of the Dodd-Frank Act that NRSRO ratings should not be the sole determinant of whether a particular security should be included in a money fund portfolio due to questions about the reliability of those ratings. Under current Rule 2a-7, a money fund is already required to limit its investments to those securities that the fund's Board or its delegate determines present minimal credit risks. This determination must be based on factors in addition to NRSRO ratings. We believe it is essential that a Board or its delegate make an informed and independent assessment of the creditworthiness of each issuer and security – not only prior to purchase, but on an ongoing basis for those securities held in the portfolio. Indeed, BlackRock has long performed an independent and ongoing credit review of issuers and of securities held within its money funds which incorporates factors beyond the NRSRO ratings.

We believe, however, that a NRSRO rating provides a useful first level filter for an independent credit assessment. Removal of the NRSRO requirement could have the opposite of the intended effect, as it could permit a money fund to purchase a security that today would not meet the minimum threshold created by the current NRSRO rating requirements. This would cause a divergence in the quality of securities held by different money funds which would be difficult for investors to discern. Given that Congress has required that the Commission eliminate NRSRO ratings as a regulatory requirement, we believe it is important that the SEC make clear in the adopting release that such ratings continue to be a permissible factor for money fund Boards or their delegates to consider in making credit quality determinations. The Commission already seems to support this idea. For example, in the Proposing Release the Commission suggested that a fund board would not be prohibited from continuing to consider NRSRO ratings when making credit quality determinations for securities subject to a conditional demand feature.⁴

II. Summary Response: Section 939A of the Dodd-Frank Act does not apply to the forms listed as they are disclosure forms rather than an assessment of creditworthiness.

BlackRock believes that Section 939A of the Dodd-Frank Act was not intended to require the wholesale elimination of references to ratings, but rather a review by the Commission of “any regulation . . . that requires the use of an assessment of the creditworthiness of a security or money market instrument; and . . . any references to or requirements in such regulations regarding credit ratings . . . [emphasis added].” The Commission must modify “such regulations” and substitute a standard “taking into account . . . the purposes for which . . . [regulated] entities will rely on such standards” [emphasis added]. The underlined language, read together, makes it clear that Section 939 was only intended to address regulations where a regulated entity is required to “rely” on the credit quality assessment of rating agencies. In contrast, the forms proposed to be amended by the Commission do not require a fund to rely on an assessment of creditworthiness by a rating agency, but are simply disclosure documents intended to facilitate evaluation and

⁴ Proposing Release at 14.

understanding of a money fund’s portfolio investment strategy and holdings by investors, potential investors, and the marketplace. Forms N-MFP, N-1A, N-2 and N-3 are disclosure documents which require or which may include disclosure of, among other things, NRSRO ratings on portfolio holdings. In short, the forms are not a regulation that “requires the use of an assessment of the creditworthiness,” and therefore are not covered by the requirement for Commission review in Section 939A.

The removal of disclosure of the information regarding ratings from NRSROs would have a negative effect on MMFs and their investors. Many current and potential investors in MMFs have investment guidelines which limit their holdings to instruments which carry ratings from NRSROs or funds which invest primarily in such instruments. These investors include pensions, foundations, endowments, insurance companies, and corporate treasurers. The disclosure of ratings in the forms also provide protection and transparency for these investors, as the disclosure facilitates investors’ ability to evaluate MMF portfolios and to compare MMFs to each other.

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We are aware that other firms and several trade associations are also planning to comment on the Proposing Release. In particular, we note that we generally support and agree with the comments provided by the Securities Industry and Financial Markets Association (“SIFMA”).

We thank the Commission for providing BlackRock the opportunity to comment on the Proposing Release, and we are eager to assist the Commission in any way we can to ensure that any reforms will benefit MMF investors, reduce systemic risk, and not unintentionally damage the MMF industry as a whole.

Sincerely,

/s/ Simon Mendelson

/s/ Richard Hoerner

Simon Mendelson
Managing Director, BlackRock, Inc.

Richard Hoerner
Managing Director, BlackRock, Inc.

Co-Heads of Global Cash Management and Securities Lending

cc: The Honorable Mary L. Schapiro
The Honorable Kathleen L. Casey
The Honorable Elisse B. Walter
The Honorable Luis A. Aguilar
The Honorable Troy A. Paredes