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Securities and Markets Supervision Division
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31 October 2013

RE: Consultation on Client Asset Regulations and Guidance – Consultation Paper CP 71 (the "Consultation Paper").

Dear Sirs

BlackRock is pleased to have the opportunity to provide its response to the Consultation Paper.

BlackRock is one of the world's pre-eminent investment management firms and a premier provider of global investment management, risk management and advisory services to institutional and retail clients around the world.

As of 30 September 2013, BlackRock's assets under management totalled $4.1 trillion (€2.97 trillion) across equity, fixed income, cash management, alternative investment and multi-investment and advisory strategies including the iShares® exchange traded funds ("ETFs"). Through BlackRock Solutions®, the firm also offers risk management, strategic advisory and enterprise investment system services to a broad base of clients, including governments and multi-lateral agencies, with portfolios totalling more than €9 trillion.

In Europe specifically, BlackRock has a pan-European client base serviced from 20 offices across the continent. Public sector and multi-employer pension plans, insurance companies, third-party distributors and mutual funds, endowments, foundations, charities, corporations, official institutions, banks and individuals invest with BlackRock.

As at 30 September 2013 BlackRock affiliates managed 359 funds in Ireland with total assets under management of €332.7 billion.

Key Points

BlackRock welcomes the proposal of the Central Bank of Ireland (the "Central Bank") to enhance and streamline the client assets regime in Ireland. We believe that a well-functioning and proportionate regime for protecting and handling client assets underpins investor confidence. We note that the Central Bank's intention in proposing the changes is to address a number of concerns and risks highlighted by the recent fallout from the financial crisis and we, as an organisation operating our business with a fiduciary mindset, remain fully

supportive of changes to the regulatory requirements which provide further protection for our clients.

While we support the principles behind the changes suggested by the Central Bank within the Consultation Paper, we note that there are some areas where we believe the cost of compliance with the proposed rules would outweigh any perceived benefit for clients, or where there might be unintended consequences of the proposed changes having an impact beyond compliance with the client assets regime.

We consider that any timeframe for implementation proposed by the Central Bank should be carefully considered given the widespread nature of the changes proposed. We believe that the consequence of allowing insufficient time for implementation of what will be complex systems and processes changes for firms will ultimately be detrimental to clients, and will have the effect of increasing operational risk for firms and their third party service providers.

The complex and fundamental nature of the changes required will be widespread and will result in firms incurring substantial costs. This has been highlighted in our response. We believe that the impact of these additional costs on the capital position of firms could be significant and may have a wider impact on the competitiveness of the industry.

Please note that we have only responded to proposals that have direct impact on BlackRock's Irish business which is in scope of the proposed regime. In considering our responses we have engaged with other members of the funds industry in Ireland.

Please take into consideration the views set out in this letter when reviewing our submission below.

Should you require any further clarification on the points raised in this response or wish to discuss our approach and experiences in relation to handling client assets both in Ireland and other jurisdictions, we would very much welcome an opportunity to meet with you.

Yours sincerely

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Q1. Do you agree that the Client Asset Core Principles encompass the key fundamental principles in protecting and safeguarding client assets? If not, please explain why.

We agree that the Client Asset Core Principles encompass the key fundamental principles in protecting and safeguarding client assets. We welcome the Central Bank's effort to eliminate inconsistencies in the interpretation and application of the client assets regime and an attempt to retain sufficient scope for the firms to apply judgment in the context of compliance with the rules. We welcome the principle-based approach of the Central Bank to the introduction of the new regime which we view as more appropriate than the previously adopted "one size fits all" approach which has posed many practical challenges in applying the client assets regime to different types of entities.

We note however that some of the proposals will pose operational challenges for firms and a cost-benefit analysis of these additional requirements should be carefully assessed. The most prominent consequence of the Central Bank's proposals is that Fund Service Providers ("FSPs") subject to the client asset requirements will now need to apply the Client Asset Core Principles to Collection Accounts. In some areas, this might represent a significant change to the manner in which these accounts are operated currently. This in turn may require implementation of new processes to ensure the required level of identification, segregation, reconciliation and oversight. We have identified and highlighted the specific challenges in this regard in our responses below.

Q2. Do you agree with the proposed wider scope in respect of 'client funds'? If not, please explain why.

We agree that a wider definition of "client funds" should be adopted consistently so that any monies received and held on behalf of clients are subject to the client assets regime. We note that this change has the effect of expanding the rules to all firms authorised under the Markets in Financial Instruments Directive and that receive hold or handle client money, bringing clarity to the impact of the client assets regime on transfer agents.

In this context, we would welcome additional guidance from the Central Bank as to whether the fact that client funds held in Collection Accounts will now be subject to client asset requirements will have an impact on the authorisation process in respect of entities holding such accounts. We would also ask the Central Bank to confirm whether the PRISM categorisation of FSPs within the scope of the client assets regime will change.

Q3. Do you agree with the approach proposed to deal with instances where client funds are received but the firm has not identified the client or the necessary client paperwork is not complete? If not, please explain why.

We agree that in the event that a firm receives funds but has not identified the client or the necessary paperwork was not complete, the firm should in principle seek to return such funds. This is subject to any anti-money laundering risks which may be identified, in which case returning funds to an unidentified client may not be appropriate.

We would consider the timeframes indicated by the Central Bank in the Consultation Paper challenging from an operational perspective. Two business days is an extremely tight timeframe for firms to identify the client in such circumstances. In our experience, in some cases, particularly if payments are made in bulk or are sent by an intermediary through electronic means, it may take some time to identify the trade and the client to whom it relates. We would note that during such investigation the relevant funds are protected as client assets.

It would appear that the industry practice is to return the funds within three business days. We would submit that, in most such cases, the necessary paperwork is obtained within such timeframe and shortening this period could lead to many cases of disgruntled clients when funds are required to be returned to them before the client is able to provide the necessary paperwork. We would therefore consider three business days to be a more reasonable and achievable timeframe and we would ask the Central Bank to reconsider its proposal in this regard.

In addition, we would welcome the Central Bank's guidance as to what treatment should be applied to any aged balances in Collection Accounts where they may belong to unidentified clients or persons who are no longer clients.

Q4. Do you agree that the Regulations should apply to funds that have been lodged into a Collection Account? If not, please explain why.

We agree in principle that the Regulations should apply to funds that have been lodged into a Collection Account. This is a welcome clarification in the area which has been previously subject to much debate within the industry. We note that the Central Bank had considered it undesirable that no appropriate requirements to safeguard client assets were imposed at the subscription/redemption stage and we note that through the Consultation Paper the Central Bank proposes to develop a "proportionate regime" to address this "lacuna".

While we are supportive of this attempt, as outlined elsewhere in our response, we believe that there will be operational challenges in complying with the new requirements, and we view some of these requirements as producing consequences and additional cost which are incommensurate with the intended purpose of the client assets regime. We believe that there will be significant time required for implementation of new operational processes to ensure compliance with the new regime and we would therefore ask the Central Bank to take this into account when considering the implementation timeframe.

Q5. Do you agree for the purpose of segregating client assets and determining which clients are impacted if a third party fails, a firm should be able to identify where each individual client's assets are held? If not please explain why.

We agree that in the context of pooled accounts firms should be able to identify what assets are held by each individual client in such an account. Each of our client's funds held in Collection Accounts can be traced on the basis of payment instructions/SWIFT messages. Through reconciliation process, we are able to determine whose cash is held in the Collection Accounts at a particular moment. We would consider this proposal to be an appropriate measure in the context of the intended purpose of the client assets regime.

Q6. Do you agree that a client's required margin should be better protected under the client asset regime? If not, please explain why. If you agree, please outline how this could be best achieved.

Not applicable for this response as we do not undertake this business in Ireland.

Q7. Do you agree that the records should be retained for six years? If not please explain why.

We agree that the records demonstrating compliance with the Regulations should be retained for six years. We would note that certain records connected to the operation of Collection Accounts, in particular records relating to anti-money laundering, may in any event be required to be retained for a longer period.

Q8. Do you agree with the new approach proposed in respect of Facilities Letters and Confirmations? If not please explain why.

We generally agree with the Central Bank's proposed approach in respect of Facilities Letters and Confirmations. However, we would welcome the Central Bank's further guidance on entering into Facilities Letters, particularly as regards timing, i.e. whether it is envisaged that such Letters be entered into prior to the opening of the account with the third party or prior to client funds being deposited in the account.

In addition, we believe that standardising the wording of Facilities Letters would reduce the risk of firms not including the requisite terms and conditions. The use of standardised wording would ensure that there is a consistent approach and consistent level of expectation for both firms holding client money and the third parties with whom client monies are deposited.

Q9. Do you agree that in the interest of protecting client assets, where a third party has not designated a client asset account/Collection Account as requested by the firm, these client assets should be withdrawn from the third party without delay? If not, please explain why.

While this scenario is unlikely to occur in practice, we agree that in principle where a third party has not designated a Collection Account as such, it might not be appropriate to hold client assets with such a third party to the extent that it would jeopardise protections available to the client. We note that the Central Bank is proposing a specific naming convention to be applied in respect of Collection Accounts and we do not believe that this should pose difficulties.

We would note however that the timeframe suggested by the Central Bank for withdrawal of assets from a third party in such circumstances would be operationally challenging. Accounts with third parties can and do take time to open. It also takes time to obtain the required confirmations from third parties. In contingency cases having a longer window for obtaining third party confirmation would be preferable as the priority from the client protection perspective may be to get client money into an account with a 'safer' third party bank so that it is protected even without the verification of the account status by the third party. We would suggest that a 10 day period would be a more reasonable timeframe within which firms should obtain third party confirmation and we would ask that the Central Bank reconsider its proposal in this regard.

Q10. Do you agree with the approach for reconciling client asset accounts that hold client funds? If not please explain why. If there are other types of accounts that do not readily conform to the frequency of reconciliations cited above, please provide details of same.

Not applicable for this response as we do not undertake this business in Ireland.

Q11. Do you agree that client financial instruments should be reconciled at least monthly or should the Client Asset Regulations and Guidance reconciliation be performed in a lesser time period? If so, please explain why.

Not applicable for this response as we do not undertake this business in Ireland.

Q12. Do you agree with the time allocation of ten days to complete these reconciliations or should it be performed in a lesser time period? If so, please explain why.

Not applicable for this response as we do not undertake this business in Ireland.

Q13 Do you agree that an investment firm should immediately make good or provide the equivalent of any shortfall in client financial instruments? If not, please explain why.

Not applicable for this response as we do not undertake this business in Ireland.

Q14. Do you agree that a Collection Account should be reconciled each time a transaction occurs on that account? If not, please explain why.

The phrasing of this question suggests that reconciliations should be performed each and every time a transaction occurs in the Collection Account. We presume that there has been a drafting error in this question and given the text of the draft Regulations, we understand that the proposal is for daily reconciliations to be performed and we are in agreement with this proposal.

Q15. Do you agree that it is appropriate for a firm to report material reconciling items with the level of materiality determined by the firm? If not, please explain why.

We agree that differences that are material or recurring in nature should be resolved pro-actively. Timely clearance of reconciling items and appropriate arrangements for the rectification of reconciliation differences following their identification are crucial for the proper functioning of the client assets regime.

However, we would note that given the number of Irish domiciled BlackRock funds, the potential volume of reporting might be considerable. We would therefore welcome a standardised approach to reporting material reconciling items to the Central Bank. We would request clarification from the Central Bank as to whether it is envisaged that such items would be reported electronically through the Central Bank's Online Reporting System.

Q16. Do you agree with the components of an investment firm's Client Money Requirement and Client Money Resource? If not, please explain why.

Not applicable for this response as we do not undertake this business in Ireland.

Q17. Do you agree with the Central Bank's approach to the computation of the Client Money Requirement and Client Money Resource for FSPs? If not, please explain why.

We generally agree with the Central Bank's approach to the computation of the Client Money Requirement and Client Money Resource for FSPs. We also agree that it is reasonable to perform such calculation on a daily basis.

We would question, however, the requirement to sum up the Client Money Requirement and the Client Money Resource for all Collection Accounts held by the FSP. We would see this as operationally challenging, while adding little value.

Q18. Do you agree that a firm's Client Money Resource should only contain what it is required to hold for its clients on a given day? If not, please explain why.

We note that the Central Bank proposes that Collection Accounts should only contain client funds with the exception of circumstances where a firm is required to cover a shortfall in such an account. We would point out that there may be circumstances currently where interest accruing on Collection Accounts and which is payable to a firm (as would be disclosed in the prospectus documentation) is held in Collection Accounts pending payment. The interest is paid on a periodic basis, but in light of the Central Bank's proposals around daily calculations, this would have to become a daily process. Alternatively, separate accounts would have to be opened for the purposes of dealing with such accrued interest. In any event, as a consequence of this requirement there will be a significant change to the way in which the process operates currently. This change is likely to take a number of months to implement, particularly given the need to educate clients on the new processes. We would therefore ask the Central Bank to account for this in considering the implementation timeframe.

We note that another consequence of this requirement is that the firms will be required to fund transactions on a much larger scale in cases of contractual settlement. For instance, it could be necessary to move corporate funds into Collection Accounts early to ensure that payments can be processed (i.e. BACS) for payment the next day to clients (i.e. when it is due and payable) which may require corporate funds to be available to fund these payments before redemption proceeds are received from the funds (which can occur throughout the day).

There will therefore be significant changes to account structures, systems, transactional flows, and timings of payments to and from clients or funds which will take considerable time to implement for both firms and third party administrators, or systems providers. We would note that such changes are likely to take in excess of 12 months to implement.

We would note that there may be a number of firms whose capital position may be significantly undermined on an intra-day basis by the requirement to fund payments for or to clients. We believe that in some cases this will lead to instability within firms, which ultimately increases the risk of client detriment and may eventually reduce the level of choice within the market.

Q19. Do you agree that the reporting of an investment firm's Client Money Resource shortfall should be investment firm specific based on its materiality appetite? If not please explain why.

We welcome the Central Bank's flexible approach to reporting of Client Money Resource shortfalls. We believe that there should be sufficient scope for a firm to apply judgement when it comes to materiality given its size and business model and that the firm's focus should be on pro-actively rectifying issues that have led to the Client Money Resource shortfall. We would therefore suggest that a standardised approach to reporting be considered by the Central Bank, allowing firms to comply with this requirement in a time efficient manner. We would also note that it might be more appropriate for firms to report on a periodic (e.g. monthly) rather than ad hoc basis.

Q20. Do you agree that a statement should be provided on an annual basis or should it provided on a more regular basis?

Not applicable for this response as we do not undertake this business in Ireland.

Q21. Do you agree that a) to g) above will provide clients with sufficient information regarding their holdings? If not please explain why, providing details of additional information which should be included.

Not applicable for this response as we do not undertake this business in Ireland.

Q22. Do you agree that a Fund Service Provider should issue a receipt to the client? If not, please explain why and put forward an alternative approach that will provide confirmation to a client that his/her money is deposited in a Collection Account.

While we appreciate the rationale for this proposal and believe that sufficient information should be provided to clients in relation to their funds, it is not our current practice to issue receipts to clients each time their funds are deposited in a Collection Account. This is partly because in most cases client funds are held in Collection Accounts for a very short period of time and once they are transferred into a fund, the client becomes a shareholder and receives all the required confirmations in that context.

We consider that given the large number of transactions occurring on funds and the fact that such receipts would have to issue through a manual process, this proposal does not seem practical. We would note that an introduction of such a requirement would result in a change to operating models and would incur additional cost. We would question whether such cost would be proportionate to the risk being mitigated. We would suggest that, as an alternative, the Central Bank might consider permitting firms to include appropriate disclosure in the fund prospectus documentation explaining the treatment of client funds in Collection Accounts. This would achieve the same objective without being overly burdensome on firms in terms of cost and resources.

Q23. Do you agree that an investment firm should seek prior written consent from its client in respect of the circumstances listed in a) to h) above? If not please explain why, providing details of additional circumstances which should be included.

Not applicable for this response as we do not undertake this business in Ireland.

Q24. Do you agree that a FSP should obtain prior written consent from a client in respect of the circumstances listed in a) to c) above and with the medium used to obtain this consent? If not please explain why, providing details of additional circumstances which should be included.

We agree that clients should be made aware of the circumstances listed in a) to c). We would note that our current practice in relation to disclosure of the treatment of interest is to include such disclosure in the fund prospectus documentation. Given that clients invest on the basis of information contained in the prospectus we would consider this to be an appropriate medium for these purposes. We agree that in relation to holding client money in pooled Collection Accounts, Investment Fund's Application Form/Subscription Form would be an appropriate medium to include such disclosure.

Q25. Do you agree that the CAKID will better inform the client with a greater understanding providing information in clear plain English that will equip the client to comprehend where and how his/her assets are held when deposited with a firm? If not please explain why.

We note that the Central Bank's intention is for firms to provide clients with information which will allow them to better understand the treatment of their assets and the process of identifying the assets to be returned to them in the case of insolvency.

While we believe that informing and educating clients is an integral part of ensuring clients' confidence, we do not believe that a separate disclosure document is necessary to achieve this aim. We would question the value of producing such a document given that, in light of the other Central Bank's proposals, the majority of this information will have to be disclosed in application forms/fund prospectuses. We would separately note that the reference to clear language free of technical jargon could be in contradiction to legal principles that may be inherently complex, particularly in reference to the treatment of client assets under any insolvency regime.

The cost of producing and distributing this additional separate document would be significant and in our view not proportionate to any perceived benefit for clients. We would suggest that where standardised approach is applied to handling client assets, appropriate prospectus disclosure would achieve the objective sought. We would therefore ask that the Central Bank reconsider this proposal.

Q26. Do you agree with the need to provide the CAKID to both existing and new clients distinguishing clients of an investment firm and a Fund Service Provider as outlined above? If not please explain why.

As set out above, we do not believe that a separate disclosure document is necessary to achieve the objective sought. We would also note that the cost of distributing CAKID to both existing and new clients would be considerable. We would therefore ask that the Central Bank reconsider this proposal.

Q27. Do you agree with appointing a person to the role of CAOR which will be a pre-approved controlled function? If not, please explain why?

While we do not generally oppose the proposal to appoint a person to the role of CAOR, we would welcome further guidance in relation to such appointment, as the envisaged responsibilities of the CAOR are quite onerous and wide-ranging. In particular, it is not clear whether the individual will have to be resident in Ireland. We would note that there might not always be sufficient expertise in the State to perform this role and firms should be permitted to appoint individuals residing outside the State, particularly as for most firms the activities of the CAOR will have an effect on global operations.

In addition, we would suggest that it would be beneficial for the Central Bank to set out, without being overly prescriptive, the expected skillset of the individuals appointed to the role of CAOR.

We expect that it will be a challenge for some firms to identify an appropriate person to undertake this function and we note that the role will require significant time commitment. Given that in practice, it is likely that the CAOR responsibilities would be performed on a day-to day basis by a team with varying levels of seniority, we would welcome recognition of this in the final Regulations/Guidance.

We would also welcome guidance as to the Central Bank's view on how this role will fit into the existing governance structure of the firms in particular in the context of the designated persons model.

Q28. Do you agree with the responsibilities of the Client Asset Oversight Officer as provided for in a) to g) above? If not, please explain why, providing details of additional responsibilities which should be included.

We see the responsibilities of the CAOR as extensive and requiring substantial time commitment if intended to be performed by one individual. While we consider it to be useful to have the CAOR role defined in general terms, we would not consider it beneficial to have an overly prescriptive list of responsibilities attached to this position.

As noted above, in practice, it is likely that the CAOR responsibilities would be performed on a day-to day basis by a team with varying levels of seniority, with the CAOR having an oversight role with a reporting line to the Board. In this context, we understand that CAOR will be required to report to the Board on an exceptions basis only and we would welcome the Central Bank's confirmation in this regard.

Q29. Do you agree with the purpose of the CAMP and the minimum that should be included in this document? If not, please explain why, providing details of additional records which should be included.

While we are supportive of proposals assisting firms in ensuring that their regulatory obligations are met, we would question the need for a separate document designed exclusively to deal with client assets. We would suggest that the Central Bank consider permitting firms to include the relevant information in their existing governance documents such as Business Plans and Programmes of Activity. We believe that this would be a more proportionate approach and one which would facilitate greater flexibility for firms in implementing the CAMP requirements. In addition, from an administrative perspective, inclusion of CAMP in general governance documents would ensure that any required updates/amendments are incorporated in a timely manner and receive appropriate attention from the Board.

Q30. Do you agree that Regulation 8(3) provides for what should be included in a CAE? If not please explain why.

Subject to our comments above in relation to CAMP, we agree with the scope of CAE.

Q31. Should this review be carried out more frequent than annually? If so, please explain why.

We believe that it is sufficient for the review to be carried out annually and we believe that where possible the timing of this review should coincide with the financial audit.

Q32. Do you agree with the type of assessment that should be carried out on the firm's initial CAMP by an independent external expert?

Subject to our comments above in relation to CAMP, we believe that from a cost benefit perspective, engagement of an independent external expert to carry out an assessment on the firm's initial CAMP is an excessive requirement, particularly in relation to large firms which have sufficient internal expertise to ensure that procedures are drafted and implemented in compliance with the relevant rules. We would query the need for firms to bear the additional cost of having the CAMP reviewed and assessed by an external party given that there would not likely be a substantial benefit of such a review. We would suggest that the review of the firm's initial CAMP should form part of the CAE. We would therefore ask that the Central Bank consider removing this requirement or at a minimum consider its appropriateness for firms with sufficient internal expertise.

Q33. Do you agree that 3 months is sufficient time for a firm to obtain an assessment of the CAMP from an independent external expert? If not, please explain why.

Please see our response above.