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February 7, 2011

Mr. David A. Stawick
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

RE: Real-Time Reporting of Swap Transaction Data; RIN 3038-AD08; 75 FR 76140 (December 7, 2010)

Dear Mr. Stawick:

BlackRock, Inc.[1] is pleased to provide these comments on the Commodity Futures Trading Commission's proposed rule concerning the real-time public reporting of swap transaction data (the "Proposed Rule"). The Proposed Rule sets forth rules for how swap information will be reported to a registered swap data repository or the CFTC and disseminated to the public, as well as establishing which swap market participants are required to make such reports.[2]

BlackRock fully supports the objective of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") to provide regulators with the information necessary to identify potential systemic risks. We understand and support that the CFTC needs access to comprehensive data to monitor the swaps market for potential fraud, abuse and systemic risk. However, the reporting regime needs to take into account the large variety of market participants and the cost required to implement and maintain the reporting systems.

In order to enhance market transparency, the Dodd-Frank Act requires the CFTC to adopt rules mandating the real-time reporting of swaps, but also, recognizing the importance of liquidity for this market, the statute permits the CFTC to adjust the

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[1] BlackRock is one of the world's leading asset management firms. We manage over $3.54 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. Our client base includes corporate, public, multi-employer pension plans, insurance companies, third-party mutual funds, endowments, foundations, charities, corporations, official institutions, banks, and individuals around the world.

[2] The Securities and Exchange Commission has proposed a similar, but not identical rule, for securities-based swaps. Regulation SBSR—Reporting and Dissemination of Securities-Based Swap Information, 75 FR 75208 (December 2, 2010).

terms of public dissemination by directing the CFTC to adjust the requirements for "block trade" swaps. As drafted, we are concerned that the Proposed Rule imposes requirements as to public dissemination of trade information that will have the affect of transferring liquidity risk and costs in the form of wider bid/ask spreads from liquidity providers ("the sell side") to investors, some of whom use swaps to manage their exposures and hedge portfolio risks.

We believe it is useful to consider the reporting requirements according to their purposes. The first purpose is to provide regulators such as the CFTC with information necessary to monitor markets and identify potential systemic risks, such reporting referred to as "Risk Reporting". The second purpose is to provide market participants and the public with information on trade activity in support of market transparency, such reporting referred to as "Trade Reporting". We understand the data set reported will overlap in both Risk Reporting and Trade Reporting, but the responsibility for reporting, the data to be reported and the timing differs for each purpose. This divergence is necessary in order to ensure cost effective, accurate and efficient Risk Reporting and to ensure that Trade Reporting does not reduce for investors either access, liquidity or depth of market for investors, especially in times of market stress.

<u>Risk Reporting</u>

We have attached a diagram (Attachment 1) which illustrates our view of Risk Reporting for both cleared and uncleared swap transactions. We believe the goal of Risk Reporting is to have the highest integrity data reported as soon as practicable to regulated swap data repositories ("SDRs") and from SDRs then disseminated to regulators. For swaps executed on Swap Execution Facilities ("SEFs") and Designated Contract Markets ("DCMs") and cleared, we believe this data should come from the Designated Clearing Organizations ("DCOs") to the SDRs. For cleared trades, DCO reporting minimizes the risk of double-counting, reports only matched trades reducing reconciliation breaks due to trade errors and amendments and identifies the legal counterparty to each transaction on a post trade allocation basis.

The Proposed Rule establishes a chain of responsibility for reporting for swaps not traded on a SEF or DCM (executed off-facility). It also requires that if a swap is between a non-US dealer and a US counterparty, the US counterparty is responsible for reporting. We suggest current facilities such as DTCC should be considered as reporting parties. We also suggest non U.S. swap dealers should be required to report swaps to the SDR when transacting with US based swap counterparties that are not swap dealers as dealers are best positioned to develop and maintain the infrastructure necessary for reporting. We believe that transacting with US counterparties provides a sufficient jurisdictional nexus to require the non-US dealer to report. We believe the reporting hierarchy may impose unintended costs on clients in terms of infrastructure build for a sub set of client trades and ignores the facilities currently used.

It is important for the CFTC to recognize that each step along the reporting continuum involves costs, and that entities involved in the process will seek to impose fees at each step. These toll charges will make swaps trading more costly for investors and may have the unintended consequence of making trading swaps uneconomical. The CFTC should carefully monitor the fee setting of entities within its regulatory purview to ensure that fees are fair and reasonable, and do not favour one class of participant over another. The CFTC should also monitor that the entities do not build an infrastructure for data flow that allows them to create a monopoly as this would impact competition and fees.

The second diagram (Attachment 2) illustrates the timelines for both Risk Reporting (at time of execution and when legal ownership is known) and Trade Reporting. As you will see, the constraints for Risk Reporting are principally governed by what is operationally feasible as to data availability, and necessarily differs on whether the swap is traded on a swap market (SEF or DCM) or those that are executed off-facility. An important component of the timeline from a buy-side perspective is the allocation of the trade and legal ownership assignment once the actual executed notional amount is known.

<u>Trade Reporting</u>

Trade Reporting involves the public dissemination of trade data and needs to take into account not only operational feasibility but also the impact of disclosure on the market and market participants. The CFTC should be careful not to merely import Trade Reporting regimes that exist today to protect retail investors in securities and futures markets to a market that is, and will remain institutional. It is essential that large institutions be able to transact in swaps without revealing information in a time frame that would be detrimental to the pricing and liquidity of the trade.[3] In the absence of this, the regulatory regime will harm those market participants who the CFTC intends to protect.

As asset managers that may need to transfer significant risks (trade in size) on behalf of our clients, we are concerned that too rapid disclosure or mandatory disclosure to many market participants as required in the RFQ (request for quote) and central limit order book will cause our dealer counterparties/liquidity providers to widen spreads significantly, transferring the liquidity risk premium to the investor. This is because the swap dealer/liquidity provider will need to factor into its price the market impact of transactions entered into by other market participants based on the expectation that those market participants now have knowledge that a swap dealer/liquidity provider will have to hedge its exposure. This liquidity risk transfer in the form of widening of bid/ask spread is a direct cost to clients as it will be reflected in the performance of strategies and in returns BlackRock can deliver for its clients. In turn,

[3] Risk Reporting (trade information without public dissemination) should of course be performed as soon as operationally feasible.

this will affect the ability of our clients to meet their obligations to their participants and beneficiaries.

We recommend that Trade Reporting for "block trades" and "large notional swaps" provide for a sufficient time delay to allow the dealer counterparty/liquidity provider to hedge its risk exposure. The reporting time should be determined by asset class and take into account liquidity of instruments. For interest rate swaps and credit default swaps, block trades (cleared trades), this would be end of day. For large notional swaps (uncleared swaps), this would be T+2 for electronically confirmed trades.

In addition to the timeframe for reporting, there is also an impact on investors from the definition of block size. Managers transact for many different investors linked to an investment strategy. In order to minimize the transaction costs for its investors, the manager may execute these trades as a block. If the block size is set too large then these trades would need to be executed in smaller pieces so as not to disrupt the market. The slicing of trade execution transfers the risk of availability of liquidity to the investor. It will also increase transaction costs and operational risks. If the block size is set too high (relative to asset class) many of the advantages of the swap market today will be lost to investors, without any real improvement in either transparency or systemic risk reduction. It may be that the costs to transact in swaps will be such that investors will seek other risk transfer methods or transact to the extent possible in jurisdictions with more favorable market structures and reporting regimes.

The block size should take into account market disruption and liquidity of tradable instruments by factoring in open interest and average size of trade and should be set at a level that also makes it an available option for institutional investors and not only liquidity providers. Attachment 3 reflects suggested block sizes for interest rate swaps and credit default swaps. We suggest that the CFTC consider setting the block size initially at the 75^{th} percentile rather than 95^{th} percentile as has been proposed. Over time, as the market transitions and the confidence in the new market structure builds, the percentile for block size could be adjusted to continue to achieve the intended goals of the Dodd-Frank Act. This will help a more orderly transition from the current OTC bilateral market to the post Dodd-Frank Act implemented swap market.

Thank you for the opportunity to share our views on this important issue. If you would like to discuss further, please contact any of us.

Joanne Medero

Richard Prager

Supurna VedBrat

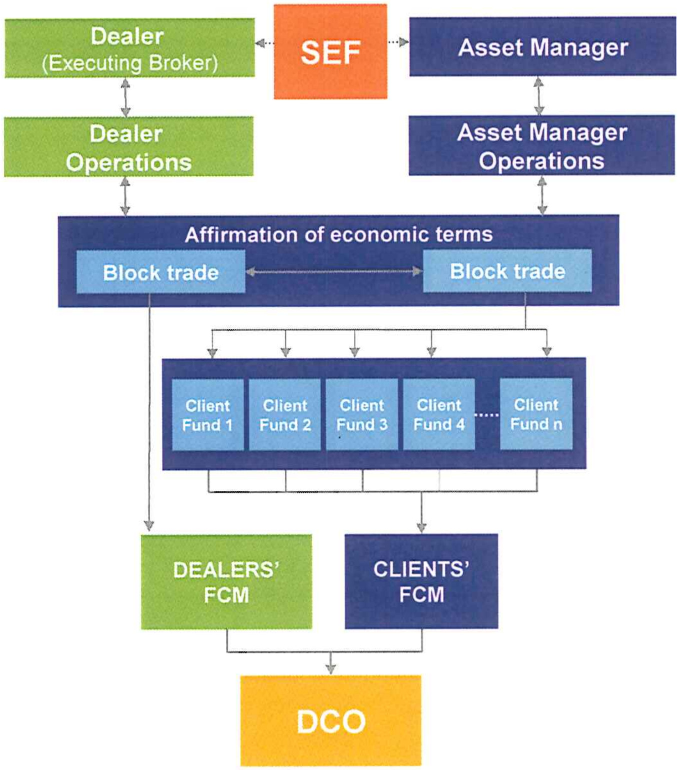
Risk reporting & Trade reporting

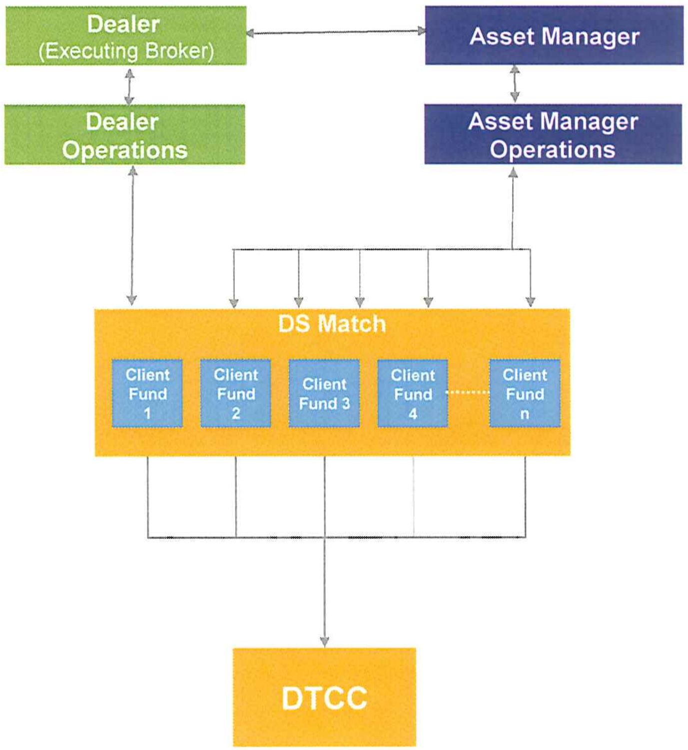
For Swap Market & off-facility (cleared trades), DCOs

- Minimize the risk of double counting trades
- Are known counterparties to all trades
- Accept only matched trades
- Have tools if necessary for risk-based aggregation
- Support open architecture designs and STP processing

Off-facility large notional swaps (uncleared bilateral trades)

- Confirmation is a manual process with many touch points
- Data and process are fragmented in nature due to the bilateral counterparty construct
- Bilateral swaps will become even more bespoke as most standardized swaps will be cleared
- Today the DTCC is a central repository for the majority of legal confirms





Trade reporting & Risk reporting

Timeline of data availability for two types of reporting:

- ▲ Trade reporting: Data available at point of affirmation of trade in SEF (or exchange) including trade size, direction, and price data
- ● Risk reporting: Data available at point of confirmation of trade in DCO (or in repository in case of uncleared trades) including allocation-level and legal entity data

Example of a Swap Market & off-facility block trades (cleared trade) timeline:

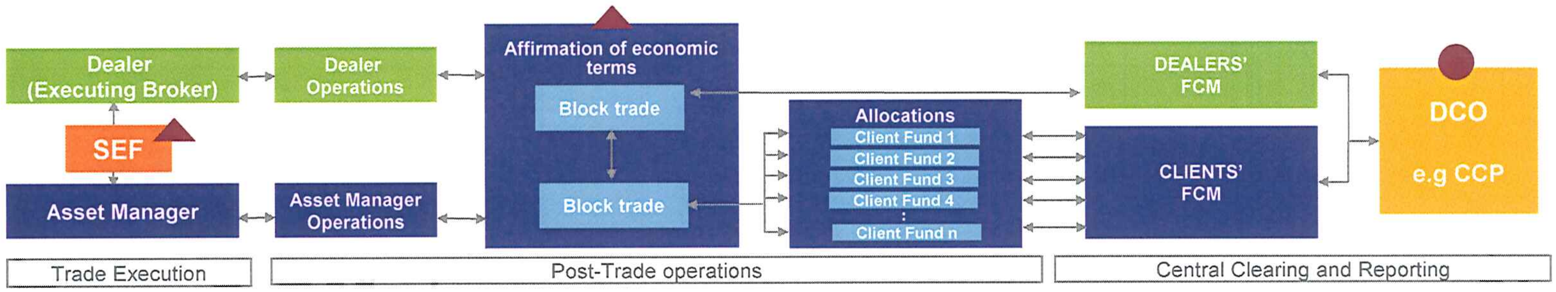
Anticipated to be near real-time or within 3 hours

Also anticipated to be within 3 hours

For the majority of trades execution will be reported in near real-time at the block level. Trades where risk transfer would have market impact require a period of three hours to report.

CCP amount of time to clear is not yet determined; however when trade is accepted to CCP, trade data is final

Currently for Futures, vast majority clear T+0, and if not, by 5pm T+1



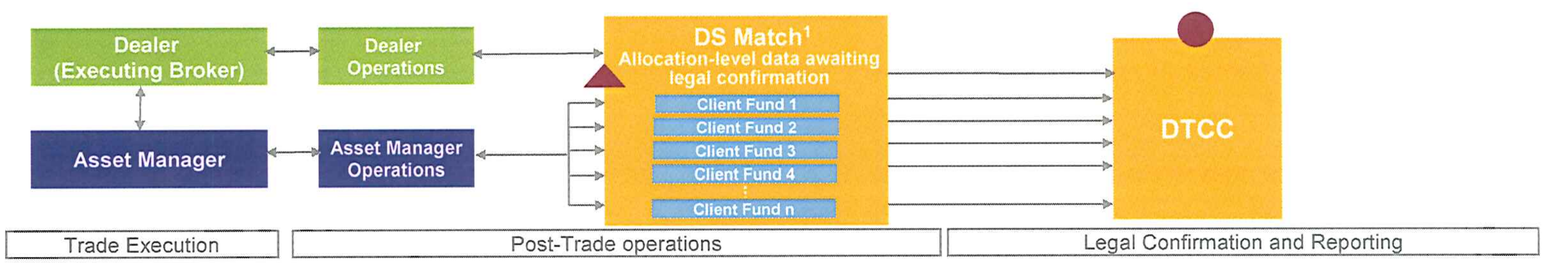
Example of an Off-facility (uncleared trade) interest rate swap timeline:

Anticipated to be near real-time

T+2 days for 90% of electronically confirmed
Up to T+30 days for paper confirms

Block-level execution may be affirmed verbally and allocation sent to DS Match in near real-time. Data received by DS Match could fulfill trade reporting.

Of the 77% of the IRS market that is electronically confirmed, 90% are confirmed within T+2 days, 98% are confirmed by C+2 days ("C" = Modification identification point). For the 23% of non-electronically confirmed IRS trades (paper confirms), confirmation can take up to T+30 days or more



[1] Middle Office sends uncleared trades to DS Match, a service offered by MarKitSERV, for legal confirmation

Block trade & Large notional swap liquidity – Interest Rate Swap (IRS) Products

	Trade Size Varies by asset class	Attributes	Risk Management	Execution Reporting (3) Varies by asset class	Futures *(For reference only)* *Current eurodollar market as proxy for IRS products*
Tier 1 (1) *Normal trade size*	• Normal lot size • Actively traded, small risk size and high ticket volume traded	• VENUE: Many to 1 or many to many electronic/ platform • PRICING: Indicative and/or firm	• Market has the ability to absorb risk transfer instantaneously under normal market conditions without causing disruption	• As close to real time as operationally feasible	
Tier 2 (1) *Non-block trades*	• Risk based minimum size - \$100K DV01 (approximately \$120mm 10 year equivalent)	• VENUE: Many to 1, RFQ model electronic / voice platforms with digital conversion for downstream processing • DEALER SELECTION: Select 1 to n (2) dealers for a request for quote (RFQ) • PRICING: Indicative and/or firm	• Market has the ability to absorb risk transfer with minimum disruption within 15 minutes under normal market conditions *Note: If sufficient time is not provided for risk transfer, liquidity risk will transfer to investors in the form of wider bid/ask*	• Minimum 15 minute delay from time of execution • Time sensitive reporting, reported by SEF. All other reporting by DCO post acceptance for clearing	• 4000 eurodollar future contracts
Tier 3 (1) *Large notional swaps & block trades where immediate risk transfer could cause market disruption*	• Disruptive market size (large risk transfer) • Risk based minimum size – 3 times Tier 2 equals \$300K DV01 (approximately \$350mm 10 year equivalent)	• VENUE: Many to 1, RFQ model, voice with digital conversion for downstream processing • DEALER SELECTION: Select 1 to n (2) dealers for a request for quote (RFQ) • PRICING: Indicative and/or firm	• Markets requires sufficient time to transfer/ hedge risk without causing disruption under normal market conditions. *Note: If sufficient time is not provided for risk transfer, liquidity risk will transfer to investors in the form of wider bid/ask*	• End of Day reporting • Time sensitive reporting, reported by SEF. All other reporting by DCOs post acceptance for clearing	• Treasury futures trade 5000 contracts approximately 250K DV01 • Longer contracts trade 3000 contracts approximately 350K DV01

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(1) Trade size applicable for current tier and all tiers with smaller minimum trade size

(2) Number of dealers participating on the SEF who are eligible to deal with the counterparty

(3) Not to be confused with post trade legal entity (at the allocation level) reporting

Block trades & Large notional swap liquidity – Credit default Swap (CDS) Products

	Trade Size (Notional) Single Name CDS Varies by asset class	**Trade Size** (Notional) Index CDS	**Attributes**	**Risk Management**	**Execution Reporting** [3] Varies by asset class
Tier 1 (1) *Normal trade size*	• Normal lot size • Actively traded, small risk size and high ticket volume traded • < 5 MM for High Yield • < 25 MM for Investment Grade • *Note: Widely transmitted request for Quotes in High Yield markets even in small size widens the bid/offers and dries up liquidity*	• Normal lot size • Actively traded, small risk size and high ticket volume traded • < 25 MM for High Yield index • < 100 MM for Investment grade index	• VENUE: Many to 1 or many to many electronic platform • PRICING: Indicative and/or firm	• Market has the ability to absorb risk transfer instantaneously under normal market conditions without causing disruption	• As close to real time as operationally feasible
Tier 2 (1) *Non-block trades*	• >= 5 MM for High Yield • >= 25 MM for Investment Grade	• >= 25 MM for High Yield index • >= 100 MM for Investment Grade index	• VENUE: Many to 1, RFQ model electronic / voice platforms with digital conversion for downstream processing • DEALER SELECTION: Select 1 to n (2) dealers for a request for quote (RFQ) • PRICING: Indicative and/or firm	• Market has the ability to absorb risk transfer with minimum disruption within 15 minutes under normal market conditions *Note: If sufficient time is not provided for risk transfer, liquidity risk will transfer to investors in the form of wider bid/ask*	• Minimum 15 minute delay from time of execution • Time sensitive reporting, reported by SEF. All other reporting by DCO post acceptance for clearing
Tier 3 (1) *Large notional swaps and block trade where immediate risk transfer could cause market disruption*	• Disruptive market size (large risk transfer) • >= 25 MM for High Yield • >= 50 MM for Investment Grade	• Disruptive market size (large risk transfer) • >= 100 MM for High Yield index • >= 200 MM for Investment Grade index	• VENUE: Many to 1, RFQ model, voice with digital conversion for downstream processing • DEALER SELECTION: Select 1 to n (2) dealers for a request for quote (RFQ) • PRICING: Indicative and/or firm	• Markets requires sufficient time to transfer/ hedge risk without causing disruption under normal market conditions. *Note: If sufficient time is not provided for risk transfer, liquidity risk will transfer to investors in the form of wider bid/ask*	• End of Day reporting • Time sensitive reporting, reported by SEF. All other reporting by DCOs post acceptance for clearing

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(1) Trade size applicable for current tier and all tiers with smaller minimum trade size

(2) Number of dealers participating on the SEF who are eligible to deal with the counterparty

(3) Not to be confused with post trade legal entity (at the allocation level) reporting