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BlackRock's Washington Playbook

*How the World's Largest Asset Manager
Boosted its Political Spending
and Fought off Government Supervision*

C A M P A I G N F O R

ACCOUNTABILITY

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Introduction

BlackRock's efforts to capitalize on the financial crisis and transform itself into the world's largest asset manager have been well documented, but the firm's successful intervention into politics has been less widely covered. Since 2008, BlackRock has leveraged its increased political spending to gain access to decision makers in Washington and maintain its dominance of the asset management industry.

Today, BlackRock employs former top government officials as its lobbyists, contributes widely to congressional campaigns, and its employees have held key positions in the Trump administration. Despite its historical ties to Democrats, BlackRock has worked to build close ties to Trump aides. From a nonexistent presence during the Bush administration, BlackRock's lobbying team has become an integral part of the financial industry's operation in Washington.

CfA's new report, *BlackRock's Washington Playbook*, details how the company increased its political spending to bolster its bottom line, beat back the stringent Too Big to Fail designation, and become one of the most important financial companies in the world. While following a traditional model to influence Washington, BlackRock has silenced calls for the company to be more transparent in its political dealings and has failed to use its leverage with other companies to encourage transparency.

The Financial Crisis: BlackRock's Pivot

The 2008 financial crisis presented a unique opportunity for BlackRock. As century-old banks and financial institutions failed, the U.S. Treasury loaned BlackRock \$1.4 billion as a part of its public-private toxic asset purchase program.¹ BlackRock also became a central processing unit for the disposition of toxic assets and was entrusted with controlling and monitoring the balance sheets of Fannie Mae and Freddie Mac, the toxic assets of A.I.G., and the mortgage assets of Bear Stearns.² In the spring of 2009, as Wall Street struggled to get back on its feet, BlackRock acquired Barclays Global Investors for \$13.5 billion, which greatly expanded the firm's business

¹ BlackRock has since paid back the funds. See <https://projects.propublica.org/bailout/entities/775-blackrock-ppif-l-p>.

² Robert Scheer, *Our Loss is BlackRock's Gain*, *HuffPost*, June 19, 2009, available at https://www.huffingtonpost.com/robert-scheer/our-loss-is-blackrocks-ga_b_205600.html.

by adding another trillion dollars of assets to its management.³ Ultimately, BlackRock emerged from the period as the largest asset manager in the world with investments totaling \$3 trillion.⁴

Systemically Important Financial Institutions

After BlackRock exploited the financial crisis to become a financial behemoth, the company desperately sought to avoid being designated a Systemically Important Financial Institution (“SIFI”), more commonly known as “Too Big to Fail.” Following the financial crisis, the SIFI designation was intended for banks with assets so large that policymakers feared “their failure would cause unacceptable disruptions to the overall financial system.”⁵ As the Obama administration dissected the disarray caused by the financial crisis, government officials determined that several of the country’s largest financial institutions would be a major risk to the economy if they collapsed.

As a result, the government labeled many of the country’s biggest banks as SIFI institutions. Companies with the SIFI label were subjected to increased scrutiny from lawmakers as well as several new regulations such as stringent capital requirements, liquidity standards, and other restraints. Financial companies found these requirements to be extremely burdensome, and in some cases, they sued the government to avoid the designation.

Federal regulators also recognized that certain non-bank entities – including institutions like BlackRock – could severely affect the market. BlackRock’s top government priority after the Great Recession, therefore, was to avoid being labeled SIFI.

Financial Regulations and Dodd-Frank

While BlackRock fought a years-long battle to avoid the SIFI label, congressional consideration of several other financial regulations prompted the company’s resurgence in Washington. Before the financial crisis, BlackRock had no formal lobbying presence and contributed little to political campaigns. As the Obama administration and Congress began to overhaul financial regulations, however, BlackRock expanded its lobbying operation and increased its political contributions to shape the administration’s actions.

Shortly after the 2008 financial crisis, Democratic leaders began writing legislation to limit the ability of Wall Street to cause another similar crisis in the future. In June 2009, President Obama proposed a “sweeping overhaul of the financial regulatory system.”⁶ As the White House and Congress worked to turn the proposal into a law, Wall Street lobbyists and their allies descended on Capitol Hill to lessen the impact of the final bill.⁷ Congress passed the Dodd–Frank Wall

³ <https://www.reuters.com/article/us-usa-fed-lending-timeline/timeline-most-impactful-events-of-the-u-s-financial-crisis-idUSTRE72U4E720110331>.

⁴ Michael J. De La Merced, *BlackRock’s Big Deal with Barclays*, *The New York Times*, June 11, 2009, available at <https://dealbook.nytimes.com/2009/06/11/blackrock-to-buy-barclays-global-investors/>; <https://www.blackrock.com/corporate/about-us/blackrock-history>.

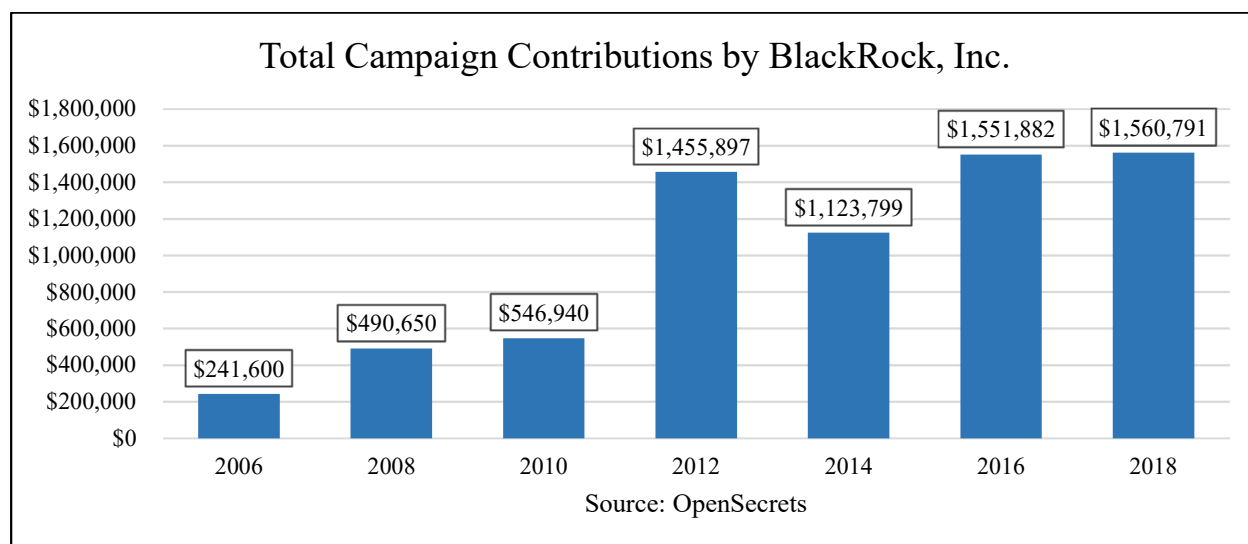
⁵ Marc Labonte, *Systemically Important or “Too Big to Fail” Financial Institutions*, *Congressional Research Service*, September 24, 2018, available at <https://fas.org/sgp/crs/misc/R42150.pdf>.

⁶ <https://blogs.wsj.com/washwire/2009/06/17/obamas-financial-reform-plan-the-condensed-version/>.

⁷ <https://www.theatlantic.com/business/archive/2010/07/5-ways-lobbyists-influenced-the-dodd-frank-bill/59137/>.

Street Reform and Consumer Protection Act (“Dodd-Frank”) in the summer of 2010, and President Obama signed it into law on July 21, 2010.⁸

The bill created a new regulatory structure for the financial system and provided federal agencies with additional tools to rein in the financial industry. For several years after Dodd-Frank became law, BlackRock and its allies tried to influence public officials to write regulations in ways that would favor financial companies.⁹ After President Trump was elected in 2016 and Republicans continued to control Congress, BlackRock worked with Republican leaders to roll back some of the law’s provisions.¹⁰ Today, BlackRock continues to devote sizable expenditures to lobbying and campaign contributions denoting the firm’s place as a heavyweight in Washington.



BlackRock’s Campaign Contributions¹¹

During the Bush administration, BlackRock’s PAC and employees contributed far less to federal candidates than the company’s peers on Wall Street. In 2006, for instance, BlackRock contributed just \$241,600 to all federal candidates, compared to \$1.6 million from fellow asset manager, Fidelity.¹² BlackRock, however, doubled its contributions just two years later, jumping to \$486,450 in 2008.

In the election cycles that followed, BlackRock’s contributions nearly tripled. From 2010 to 2012, BlackRock’s giving to candidates and PACs jumped from \$543,540 to \$1,410,897 and has

⁸ <https://www.congress.gov/bill/111th-congress/house-bill/4173>.

⁹ <https://dealbook.nytimes.com/2013/05/23/banks-lobbyists-help-in-drafting-financial-bills/>.

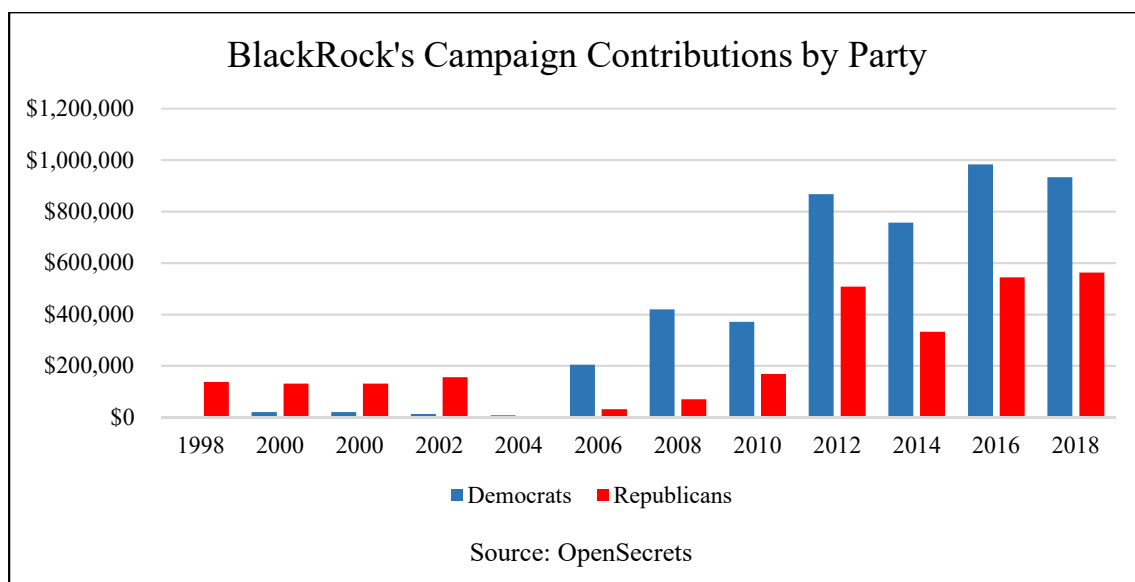
¹⁰ Jill Abramson, *Dismantling Dodd-Frank: Donald Trump's Valentine's gift to Wall Street*, *The Guardian*, February 6, 2017, available at <https://www.theguardian.com/commentisfree/2017/feb/06/dismantling-dodd-frank-donald-trump-gift-wall-street>.

¹¹ For this report, CfA analyzed BlackRock’s campaign contributions through the 2018 election cycle but did not include contributions for the 2020 election.

¹² <https://www.opensecrets.org/orgs/totals.php?id=D000021872&cycle=2018>;
<https://www.opensecrets.org/orgs/totals.php?id=D000021987&cycle=2016>.

remained above \$1 million in every cycle since then.¹³ In each of the last two election cycles, BlackRock has contributed more than \$1.5 million to federal candidates.

As BlackRock's spending increased, its contributions shifted from favoring Republicans to favoring Democrats.¹⁴ For instance, in 2002, GOP candidates received 93 percent of BlackRock's \$167,200 in contributions, the highest percentage it ever gave to members of one party. In a dramatic pivot, though, BlackRock scaled back its contributions to just \$9,200 in 2004 and gave 75 percent to Democrats. In subsequent election cycles, as Democrats came back into power, first in Congress in 2006 and then in the White House in 2008, BlackRock increased its political contributions and gave three times as much money to Democrats. BlackRock has contributed more than 60 percent of its contributions to Democrats in every election cycle since 2006.



In 2016, BlackRock's contributions to federal candidates topped \$1.5 million, with 63 percent of the money going to Democrats.¹⁵ For the 2018 cycle, despite Donald Trump's surprise victory and the GOP's control of all branches of government, BlackRock's contributions continued to flow to Democrats. BlackRock gave just 36 percent of its contributions to Republicans.

Top Recipients

Unsurprisingly, BlackRock contributed most of its money to members of Congress who sat on committees with jurisdiction over the company. For instance, since the 2008 election cycle, BlackRock has contributed more than \$720,000 to members of the House Financial Services Committee.¹⁶ Members of the next highest House committee, the House Ways and Means Committee, received a little more than \$200,000 from BlackRock.

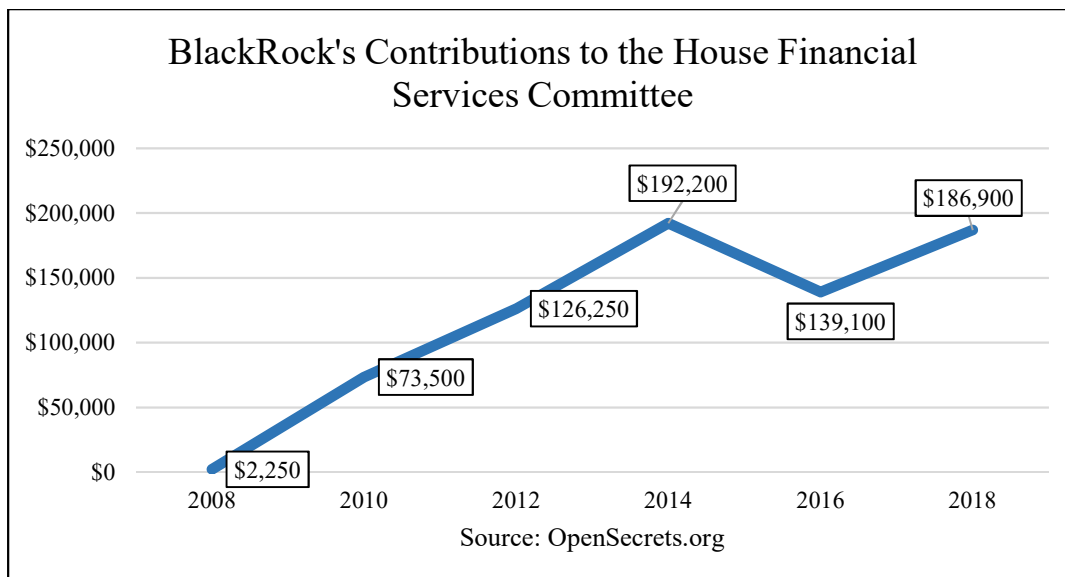
¹³ <https://www.opensecrets.org/orgs/totals.php?id=D000021872&cycle=2014>.

¹⁴ *Id.*

¹⁵ <https://www.opensecrets.org/orgs/totals.php?id=D000021872&cycle=2018>.

¹⁶ <https://www.opensecrets.org/orgs/congcmtes.php?id=D000021872>.

Notably, BlackRock’s contributions to members of the House Financial Services Committee increased dramatically in the wake of the financial crisis. BlackRock contributed just \$2,250 to members of the committee during the 2008 election cycle, but its contributions increased to \$73,500 during the 2010 election cycle and to \$126,250 during the 2012 election cycle.¹⁷



Contributions to members of the committee peaked at \$192,200 in the 2014 election cycle during the height of BlackRock’s campaign to avoid the Too Big to Fail label.¹⁸ Amidst BlackRock’s fight against regulators, on May 20, 2014, the House Financial Services Committee held a hearing entitled, “Examining the Dangers of the FSOC’s Designation Process and its Impact on the U.S. Financial System,” which criticized Treasury’s efforts to designate BlackRock and other asset managers as SIFI.¹⁹

In the Senate, BlackRock also focused its contributions on committees with jurisdiction over the company. BlackRock contributed \$525,408 to members of the Senate Finance Committee between the 2008 and 2018 election cycles.²⁰ Members of the Senate Banking Committee, the second highest recipient of BlackRock’s contributions, received \$473,440 between the 2008 and 2018 election cycles.²¹ BlackRock’s contributions to the Senate Finance Committee increased from just \$2,300 during the 2008 election cycle to \$163,000 during the pivotal 2014 election cycle.²²

¹⁷ <https://www.opensecrets.org/orgs/congcmtes.php?id=D000021872&cycle=2008;>

<https://www.opensecrets.org/orgs/congcmtes.php?id=D000021872&cycle=2012.>

¹⁸ Ryan Tracy and Sarah Krouse, *One Firm Getting What It Wants in Washington: BlackRock*, *The Wall Street Journal*, April 20, 2016, available at <https://www.wsj.com/articles/one-firm-getting-what-it-wants-in-washington-blackrock-1461162812>.

¹⁹ *Rep. Jeb Hensarling Holds a Hearing on Financial Stability Oversight Council Designation Process*, *Political Transcript Wire*, Roll Call, Inc., May 20, 2014.

²⁰ <https://www.opensecrets.org/orgs/congcmtes.php?id=D000021872&cycle=2018.>

²¹ *Id.*

²² <https://www.opensecrets.org/orgs/congcmtes.php?id=D000021872&cycle=2008;>
<https://www.opensecrets.org/orgs/congcmtes.php?id=D000021872&cycle=2014.>

BlackRock's contributions also flowed to individual members who were in a position to impact the company's bottom line. During the 2012 election cycle, for instance, two of the top congressional recipients of BlackRock's contributions were Sen. Tim Johnson (D-SD) and Sen. Richard Shelby (R-AL), neither of whom were up for reelection that year.²³ Instead, the two senators were, respectively, the chairman and ranking member of the Senate Banking Committee.²⁴ Since the 2008 election cycle, BlackRock has contributed more than \$25,000 to Sen. Shelby.²⁵ BlackRock contributed more than \$22,000 to Sen. Johnson between the 2008 and 2012 election cycles, after which Sen. Johnson retired.²⁶

Additionally, during the 2014 election cycle, BlackRock contributed \$49,200 to Sen. Mark Warner (D-VA), the second highest recipient of the company's funds after Sen. Chuck Schumer (D-NY), both of whom were members of the Senate Finance Committee.²⁷ Notably, on May 9, 2014, Sen. Warner sent a letter to the Treasury Department expressing concerns about the SIFI designation process.²⁸ Within two weeks of sending the letter, Sen. Warner received \$2,000 in contributions from BlackRock executives.²⁹

Office of Financial Research Report

Eight months earlier, though, Sen. Warner reaped a much bigger reward after engaging in battle on behalf of BlackRock. In September 2013, the Office of Financial Research (OFR) at the Treasury Department had issued a report evaluating whether asset managers like BlackRock posed a systemic risk to the financial system.³⁰ The report contained a chart noting BlackRock was by far the largest asset manager in the country.³¹ BlackRock and other asset managers

²³ <https://www.opensecrets.org/orgs/toprecips.php?id=D000021872&type=P&sort=A&cycle=2012>.

²⁴ <https://www.banking.senate.gov/newsroom/minority/johnson-shelby-announce-details-of-new-bipartisan-iran-sanctions-legislation>.

²⁵

https://search.maplight.org/contributions/?donor_organization=BlackRock&donor_text=&candidate_name=Richard+Shelby+%28R%2C+AL%29&candidate_mlid=4605&election_cycle%5B%5D=2020&election_cycle%5B%5D=2018&election_cycle%5B%5D=2016&election_cycle%5B%5D=2014&election_cycle%5B%5D=2012&election_cycle%5B%5D=2010&election_cycle%5B%5D=2008&corp_pac=0.

²⁶

https://search.maplight.org/contributions/?donor_organization=BlackRock&donor_text=&candidate_name=Tim+Johnson+%28D%2C+SD%29&candidate_mlid=4576&election_cycle%5B%5D=2020&election_cycle%5B%5D=2018&election_cycle%5B%5D=2016&election_cycle%5B%5D=2014&election_cycle%5B%5D=2012&election_cycle%5B%5D=2010&election_cycle%5B%5D=2008&corp_pac=0.

²⁷ <https://www.opensecrets.org/orgs/toprecips.php?id=D000021872&type=P&sort=A&cycle=2014>;

https://ballotpedia.org/United_States_Senate_Committee_on_Finance

²⁸ Statement of Paul Schott Stevens, President & CEO, Investment Company Institute, *Before the Senate Banking Committee on the Role of the Financial Stability Board in the U.S. Regulatory Framework*, July 8, 2015, Footnote 37, available at <https://www.banking.senate.gov/imo/media/doc/StevensTestimony7815.pdf>.

²⁹

https://search.maplight.org/contributions/?donor_organization=BlackRock&donor_text=&candidate_name=Mark+Robert+Warner+%28D%2C+VA%29&candidate_mlid=7576&election_cycle%5B%5D=2014&corp_pac=0.

³⁰ *Asset Management and Financial Stability*, Office of Financial Research, September 2013, available at <https://www.financialresearch.gov/press-releases/2013/09/30/ofr-delivers-report-on-asset-management-industry/>.

³¹ *Id.*

immediately criticized the report since its findings represented a major threat to their business model.³²

BlackRock responded by publishing a paper arguing that a firm's size was not the best indicator of its potential market impact. BlackRock urged regulators to instead review specific practices, such as the use of borrowed money to try to leverage investment returns, to determine whether a financial institution warrants the SIFI label.³³

In the two months surrounding OFR's release of the report, BlackRock executives and its PAC contributed more than \$46,000 to Sen. Warner's campaign committee.³⁴ Two months after the report was released, the *Financial Times* reported Sen. Warner had jumped to BlackRock's defense, writing that he planned to question Treasury officials about the OFR report.³⁵

Importantly, the *Financial Times* described the fight by Sen. Warner and his ally Sen. Jon Tester (D-MT) in unflattering terms:

Two Democratic senators who are usually harsh critics of Wall Street are stepping up a battle over regulating non-banks in a way that could help big investment companies, including BlackRock and Fidelity Investments, fight tighter rules in the US.³⁶

For his part, Sen. Tester was rewarded by BlackRock as well. During the 2014 election cycle, when he served on the Senate Banking Committee, BlackRock contributed \$8,000 to Sen. Tester's campaign. In the previous election cycle, BlackRock had contributed \$16,000 to Sen. Tester.

Trade Association Donations

One of BlackRock's top trade associations, the Investment Company Institute (ICI), also dramatically increased its campaign contributions during the fallout of the financial crisis.³⁷ During the first term of the Bush administration, ICI contributed roughly \$800,000 to federal candidates in each election cycle. ICI increased its contributions to \$1.2 million in 2008, and then to \$1.4 million in 2010. In 2012, it contributed more than \$1.6 million to federal candidates. In the most recent two election cycles, ICI has contributed about \$1.9 million to

³² Chris Flood, [BlackRock Fights 'Too Big to Fail' Fears](https://www.ft.com/content/e79d2280-4553-11e3-b98b-00144feabdc0), *Financial Times*, November 4, 2013, available at <https://www.ft.com/content/e79d2280-4553-11e3-b98b-00144feabdc0>.

³³ Ryan Tracy and Sarah Krouse, [One Firm Getting What It Wants in Washington: BlackRock](https://www.wsj.com/articles/one-firm-getting-what-it-wants-in-washington-blackrock-1461162812), *The Wall Street Journal*, April 20, 2016, available at <https://www.wsj.com/articles/one-firm-getting-what-it-wants-in-washington-blackrock-1461162812>; Sarah N. Lynch, [BlackRock says regulators misunderstand securities lending risks](https://www.reuters.com/article/us-blackrock-lending-risks/blackrock-says-regulators-misunderstand-securities-lending-risks-idUSKBN0NY2JM20150513), *Reuters*, May 13, 2015, available at <https://www.reuters.com/article/us-blackrock-lending-risks/blackrock-says-regulators-misunderstand-securities-lending-risks-idUSKBN0NY2JM20150513>.

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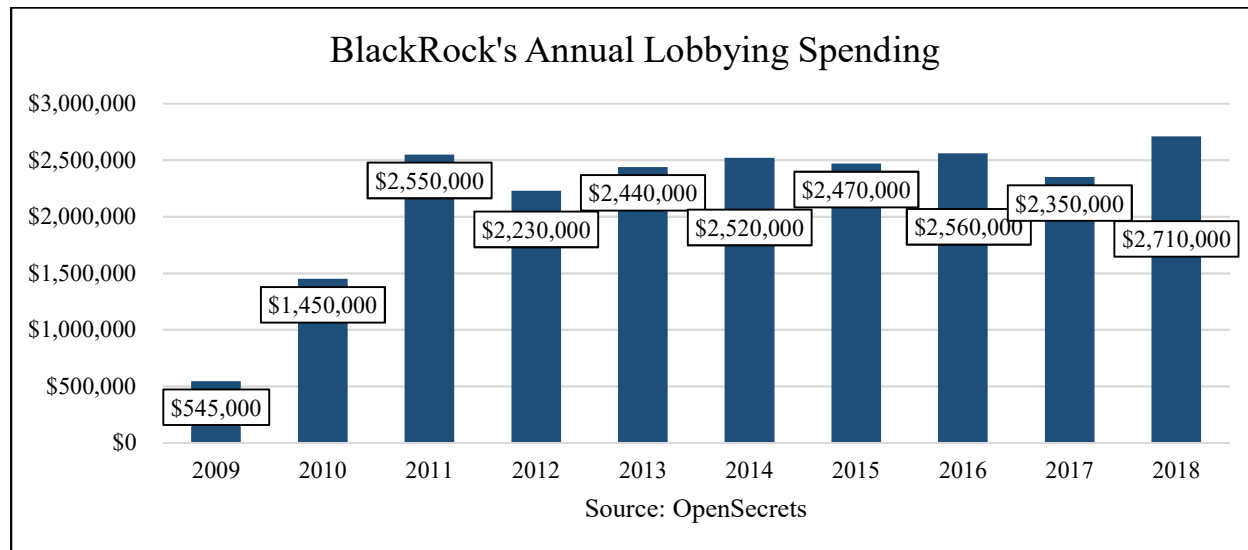
https://search.maplight.org/contributions/?donor_organization=BlackRock&donor_text=&candidate_name=Mark+Robert+Warner+%28D%2C+VA%29&candidate_mlid=7576&election_cycle%5B%5D=2014&corp_pac=0.

³⁵ Gina Chon, [Senators Warn Over Non-banks Regulation](https://www.ft.com/content/f0d47f14-5783-11e3-b615-00144feabdc0), *Financial Times*, Nov. 28, 2013, available at <https://www.ft.com/content/f0d47f14-5783-11e3-b615-00144feabdc0>.

³⁶ *Id.*

³⁷ https://www.ici.org/about_ici/membership/member_lists/organizations.

federal candidates. Unlike BlackRock, ICI's contributions have favored Republicans with more than 60 percent of its contributions flowing to the GOP in every election cycle since 2012.³⁸



BlackRock's Lobbying Team

BlackRock's sharp increase in lobbying spending mirrors its increase in political contributions.³⁹ Until 2009, the most the company had spent on lobbying was in 2004 when it spent \$180,000. The firm did not report any federal lobbying expenditures from 2005 to 2008.

In 2009, though, BlackRock dramatically boosted its lobbying presence. That year, BlackRock hired Quinn Gillespie & Associates, a quintessential Washington insider firm, and rehired the Rich Feuer Group, which had represented Barclays Global Investors. BlackRock's lobbying expenses jumped to \$545,000 in 2009.⁴⁰ Clinton White House Counsel Jack Quinn and former top GOP Senate staffer David Hoppe helped manage BlackRock's lobbying duties on behalf of Quinn Gillespie & Associates.

After relying on outside firms, in January 2010, BlackRock's CEO, Larry Fink, persuaded long-time BlackRock executive Barbara Novick to build an in-house lobbying team. Having been with the firm since its inception in 1988, Novick was intricately familiar with BlackRock's policy needs.⁴¹ In its January 2010 registration filing, BlackRock reported that it would lobby on "bankruptcy as it relates to mortgage and secured lending," "financial services regulatory reform including derivatives," tax treatment of U.S. and global funds, and other financial issues.⁴² The

³⁸ <https://www.opensecrets.org/orgs/totals.php?id=D000000262&cycle=2018>.

³⁹ <https://www.opensecrets.org/lobby/clientsum.php?id=D000021872>.

⁴⁰ <https://www.opensecrets.org/lobby/clientlbs.php?id=D000021872&year=2009>.

⁴¹ <https://www.blackrock.com/corporate/about-us/leadership/barbara-novick>.

⁴² BlackRock Capital Management, Inc., *January 25, 2010 Lobbying Registration*, Secretary of the Senate, Office of Public Records, available at <https://soprweb.senate.gov/index.cfm?event=getFilingDetails&filingID=ED011104-F772-49CF-BB80-0C199E6210BE&filingTypeID=1>.

firm also reported that Joanne Medero, the former general counsel for the Commodity Futures Trading Commission (“CFTC”) would serve as a lobbyist on these matters.⁴³

In 2010, BlackRock reported spending \$1.45 million on lobbying, as Congress worked on the Dodd-Frank Act, which sought to rein in risky practices in the financial services sector that contributed to the financial crisis. During this period, BlackRock also registered to lobby the European Union and dramatically increased its European lobbying expenditures in the following years.⁴⁴

In 2011, BlackRock dumped an additional \$1 million into its Washington lobbying activity, for a total of \$2.5 million. It has stayed near that level ever since and has not dropped below \$2.2 million.

Too Big to Regulate

While BlackRock’s lobbying revival was spurred by Dodd-Frank, the company stepped up its influence operation to shape the regulations spawned by the law and to influence regulators as they worked to implement the regulations. As BlackRock waded into these major policy battles, the company became one of most influential players in Washington. For instance, *The Nation* reported BlackRock held more meetings with the CFTC in the first five months after Dodd-Frank’s passage than the top four consumer advocates, unions, and investor protection groups combined.⁴⁵

After OFR released its report in September 2013, BlackRock’s lobbying jumped into high gear. After contributing to members of Congress and getting them to weigh in on its behalf, BlackRock took the fight to regulators directly. During the debate about the SIFI designation, BlackRock officials met or spoke by phone with officials at the White House, Treasury, SEC and CFTC on 18 different occasions. In February 2014, Fink met with President Obama. In addition to these meetings, BlackRock executives reached out to members of Congress.⁴⁶

BlackRock pushed hard against this new regulatory scrutiny.⁴⁷ According to the *Wall Street Journal*, “the firm’s aggressiveness frustrated many council staff members who said BlackRock mischaracterized the role of the document in their decision-making process.”⁴⁸ The *Journal* also said that BlackRock’s tactics “damaged the firm’s reputation within the Obama administration.”⁴⁹ Nonetheless, in April 2016, the U.S. Financial Stability Oversight Council

⁴³ *Id.*

⁴⁴ <https://lobbyfacts.eu/representative/bc00bbb0e3cb4fd7a03231d84a00f7a5/blackrock>.

⁴⁵ Gary Rivlin, [How Wall Street Defanged Dodd-Frank](https://www.thenation.com/article/how-wall-street-defanged-dodd-frank/), *The Nation*, April 30, 2013, available at <https://www.thenation.com/article/how-wall-street-defanged-dodd-frank/>.

⁴⁶ Ryan Tracy and Sarah Krouse, [One Firm Getting What It Wants in Washington: BlackRock](https://www.wsj.com/articles/one-firm-getting-what-it-wants-in-washington-blackrock-1461162812), *The Wall Street Journal*, April 20, 2016, available at <https://www.wsj.com/articles/one-firm-getting-what-it-wants-in-washington-blackrock-1461162812>;

⁴⁷ BlackRock’s “Access and Influence” Business Model, *Campaign for Accountability*, June 27, 2018, available at <http://blackrocktransparencyproject.org/2018/06/27/blackrocks-access-and-influence-business-model/>.

⁴⁸ Ryan Tracy, [U.S. Regulators to Focus on Borrowing at Large Hedge Funds](https://www.wsj.com/articles/u-s-regulators-to-focus-on-borrowing-at-large-hedge-funds-lew-says-1461015212?mod=article_inline), *The Wall Street Journal*, April 18, 2016, available at https://www.wsj.com/articles/u-s-regulators-to-focus-on-borrowing-at-large-hedge-funds-lew-says-1461015212?mod=article_inline.

⁴⁹ *Id.*

(“FSOC”) announced it was altering its approach to evaluating potential SIFIs, effectively ensuring BlackRock would evade the designation.⁵⁰ Despite becoming the world’s largest asset manager, FSOC’s decision allowed BlackRock to forgo any additional regulatory oversight.

Investment Company Institute

In addition to its own lobbying, BlackRock is also an important member of ICI.⁵¹ BlackRock’s top lobbyist, Barbara Novick, is on the board of ICI, and she serves on the executive committee.⁵² Several BlackRock employees, including Novick, have served on various boards and task forces for ICI.⁵³ ICI spends roughly \$5 million annually on lobbying the federal government.⁵⁴

ICI has been a critical ally in BlackRock’s fight against labeling funds as SIFI. Beginning in 2010, ICI led the charge for the industry to beat back the SIFI label. The company sent countless letters to federal regulators including FSOC, the Treasury Department, and the SEC, and testified before Congress.⁵⁵ ICI also lobbied regulators in Canada.⁵⁶

Notably, ICI sent several letters to the Financial Stability Board (FSB) in Switzerland. ICI articulated the industry’s defense against the SIFI designation hoping the FSB would spread the industry’s talking points to constituent regulators. In April 2014, ICI wrote to FSB that it was “deeply troubled by the process being pursued at the FSB (and by the US Financial Stability Oversight Council) pointing to the possible designation of regulated investment funds as SIFIs.”⁵⁷ In March 2015, ICI sent a 216-page follow up letter to reiterating its objections to labeling funds like BlackRock as SIFIs.⁵⁸

At the end of 2015, ICI took credit for helping BlackRock other firms avoid the SIFI label:

ICI and its members deserve credit for the progress we’ve made thus far. Through the power of its research, well-thought-out policy suggestions, and participation in congressional and regulatory hearings, ICI has provided thoughtful perspective to leaders in the United States and internationally on what the consequences of systemic designations would be for the average investor. And now, in Congress, members on both sides of the aisle are saying, “Hey, this [designation] doesn’t sound right.”⁵⁹

⁵⁰ *Id.*

⁵¹ https://www.ici.org/about_ici/membership/member_lists/organizations.

⁵² https://www.ici.org/about_ici/leadership/bog_list.

⁵³ https://www.ici.org/pdf/15_ici_annual.pdf.

⁵⁴ <https://www.opensecrets.org/orgs/lobby.php?id=D000000262>.

⁵⁵ https://www.ici.org/pdf/misc_18_finstability_compendium.pdf

⁵⁶ *Id.*

⁵⁷ https://www.ici.org/pdf/14_ici_fsb_gsifi_ltr.pdf.

⁵⁸ https://www.ici.org/pdf/15_ici_fsb_comment.pdf.

⁵⁹ https://www.ici.org/pdf/15_ici_annual.pdf.

BlackRock in the Trump Era

The election of Donald Trump posed new challenges for BlackRock. Trump's anticipated economic policies represented a "bucket list of things we'd like to see done," Fink said.⁶⁰ However, he said he also feared that the president's "personality" could roil markets in ways that were hard to predict.⁶¹

By the time President Trump took office, BlackRock's influence operation was skilled at gaining access to top government officials. Fink praised the president's massive corporate tax cut, and his company stood to benefit from revisions to the Dodd-Frank Act, which Trump had promised to dismantle.⁶² Treasury decided to revisit the law after it conducted a review that was spearheaded by Craig Phillips, a former BlackRock Inc. executive. Phillips had been a supporter of Hillary Clinton but after donating \$100,000 to President Trump's inaugural committee, he was named a senior aide to Treasury Secretary Steve Mnuchin.⁶³

Mr. Phillips was an expert in the field of securitization, primarily as an innovator of mortgage-backed securities. At Treasury, he was tasked with overhauling Fannie Mae and Freddie Mac, which bought millions of subprime mortgages that were at the root of the crisis. Phillips left the Treasury in May 2019 but not before recommending that the government revoke Fannie and Freddie's charters as government sponsored enterprises ("GSEs").⁶⁴

Fink served on one of President Trump's now-disbanded CEO business councils that offered advice to the President. But Fink quit after the president's inflammatory comments following a rally in Charlottesville, VA in 2017 that resulted in one protester getting killed.⁶⁵

In May of 2018, President Trump signed a bipartisan bill to roll back some of Dodd-Frank's requirements for smaller banks, notably Volker Rule requirements, designed to limit risk-taking by banks and other financial institutions by prohibiting proprietary trading, or trading for a bank's own account. In addition, the legislation made a technical fix that would allow some

⁶⁰ Ryan Vlastelica, BlackRock CEO Fink suggests Trump's personality could be an economic risk, *MarketWatch*, May 1, 2017, available at <https://www.marketwatch.com/story/blackrock-ceo-fink-likes-trump-policies-is-skeptical-on-trump-himself-2017-04-28>.

⁶¹ *Id.*

⁶² Marilyn Geewax, Trump Team Promises To 'Dismantle' Dodd-Frank Bank Regulations, *NPR*, Nov. 10, 2016, available at <https://www.npr.org/sections/thetwo-way/2016/11/10/501610842/trump-team-promises-to-dismantle-dodd-frank-bank-regulations>.

⁶³ Trump administration wants to rewrite Dodd-Frank regulations, *InvestmentNews*, June 13, 2017, available at <https://www.investmentnews.com/article/20170613/FREE/170619986/trump-administration-wants-to-rewrite-dodd-frank-regulations>; Ryan Tracey, Meet Craig Phillips, the Man in Charge of Trump's Review of Wall Street Rules, *The Wall Street Journal*, April 24, 2017, available at <https://www.wsj.com/articles/meet-craig-phillips-the-man-in-charge-of-trumps-review-of-wall-street-rules-1493026201>.

⁶⁴ Ben Lane, Craig Phillips, Treasury point person on GSE reform, reportedly stepping down, *HousingWire*, May 17, 2019, available at <https://www.housingwire.com/articles/49072-craig-phillips-treasury-point-person-on-gse-reform-reportedly-stepping-down>.

⁶⁵ Matt Ballinger, What the 15 top executives who quit Trump's business councils said about why they left, *Los Angeles Times*, August 16, 2017, available at <https://www.latimes.com/business/technology/la-fi-trump-ceo-defections-20170816-htmlstory.html>; Matt Turner, Here's the Memo Larry Fink, the Head of the World's Largest Investor, Just Sent to Staff About Trump's Council, Aug. 16, 2017, available at <https://www.businessinsider.com/larry-fink-blackrock-memo-trumps-council-2017-8>.

investment firms like BlackRock Inc. to continue to trade with certain funds.⁶⁶ The original provisions were included in Dodd-Frank because, as former Federal Reserve Chairman Paul Volcker argued, “adding further layers of risk to the inherent risks of essential commercial bank functions doesn’t make sense, not when those risks arise from more speculative activities far better suited for other areas of the financial markets.”⁶⁷ Despite the risk to the financial system, financial institutions applauded President Trump’s decision to ease their ability to restart some proprietary trading.⁶⁸

Today, BlackRock’s lobbying team is dominated by former government officials. Currently, 11 of the 18 individuals registered to lobby on behalf of BlackRock have previously held government jobs, including posts in the Securities and Exchange Commission (“SEC”), U.S. Department of Treasury, the House Financial Services Committee, and the Senate Banking Committee.⁶⁹

BlackRock Fends Off Calls to Disclose its Political Spending

While BlackRock was earning significant policy victories that would benefit its business, some shareholders opposed the company’s new status as one of the most powerful insiders in Washington. By 2017, BlackRock had \$5.1 trillion under management, making it bigger than every hedge fund in the world combined.⁷⁰ Some shareholders saw a firm with immense power to influence both markets and policy and called for disclosure of the firm’s political activities.

In May 2017, the AFL-CIO garnered support from nearly 20 percent of shareholders who voted for a resolution urging the company to provide an annual breakdown of its lobbying expenditures. The AFL-CIO’s Brandon Rees said, “BlackRock is not fully transparent about its corporate spending on lobbying activities or its memberships of trade associations. We are concerned that Wall Street firms have growing influence over government policy.”⁷¹ BlackRock knew in advance about the resolution and released a proxy statement that said, in part, “The board believes that the actions requested by the proponent are unnecessary and not in the best interests of our shareholders.”⁷²

⁶⁶ Elizabeth Dexheimer, [Trump Signs Biggest Rollback of Bank Rules Since Dodd-Frank Act](https://www.bloomberg.com/news/articles/2018-05-24/trump-signs-biggest-rollback-of-bank-rules-since-dodd-frank-act), *Bloomberg*, May 24, 2018, available at <https://www.bloomberg.com/news/articles/2018-05-24/trump-signs-biggest-rollback-of-bank-rules-since-dodd-frank-act>.

⁶⁷ Paul Volcker, [How to Reform Our Financial System](https://www.nytimes.com/2010/01/31/opinion/31volcker.html), *The New York Times*, Jan. 30, 2010, available at <https://www.nytimes.com/2010/01/31/opinion/31volcker.html>.

⁶⁸ Jesse Westbrook and Benjamin Bain, [Banks Try on New Volcker Rule, Like Its Wiggle Room: QuickTake](https://www.bloomberg.com/news/articles/2018-06-06/banks-try-on-new-volcker-rule-like-its-wiggle-room-quicktake), *Bloomberg*, June 6, 2018, available at <https://www.bloomberg.com/news/articles/2018-06-06/banks-try-on-new-volcker-rule-like-its-wiggle-room-quicktake>.

⁶⁹ <https://www.opensecrets.org/lobby/clientlbs.php?id=D000021872&year=2019>.

⁷⁰ <http://ir.blackrock.com/Cache/1001222498.PDF?O=PDF&T=&Y=&D=&FID=1001222498&iid=4048287>; Christine Williamson, [Hedge Fund Assets End 2017 at Record \\$3.2 Trillion – HFR](https://www.pionline.com/article/20180119/ONLINE/180119827/hedge-fund-assets-end-2017-at-record-3-2-trillion-hfr), *Pensions & Investments*, Jan. 19, 2018, available at <https://www.pionline.com/article/20180119/ONLINE/180119827/hedge-fund-assets-end-2017-at-record-3-2-trillion-hfr>.

⁷¹ Chris Newlands, [BlackRock Shareholders Rebel over Political Lobbying](https://www.fnlonon.com/articles/blackrock-set-for-showdown-over-political-lobbying-20170524), *Financial News*, May 25, 2017, available at <https://www.fnlonon.com/articles/blackrock-set-for-showdown-over-political-lobbying-20170524>.

⁷² *Id.*

Several months later, Fink issued his 2018 Sense of Purpose letter to CEOs which put pressure on corporate leaders to better demonstrate a conscious effort to conduct business with the welfare of society in mind.

Leading from Behind

While BlackRock pretends to be a trendsetter when it comes to corporate social responsibility, it has been hesitant to disclose its political spending. The CPA-Zicklin Index of Corporate Political Disclosure and Accountability is annual survey of the S&P 500 companies' lobbying activity and political spending. Beyond analyzing campaign finance and lobbying data, the index conducts a survey to identify how major companies use money to influence policy. The index evaluates whether companies contribute to politicians only through voluntary employee-funded PACs and whether companies disclose their corporate contributions to trade associations, tax-exempt dark money groups, and super PACs.⁷³

The 2017 survey expanded its "Trendsetters" category to include all companies scoring 90 percent or above in terms of transparency and accountability. Overall, companies were placed into one of five tiers based on how they scored in the index.

In its 2017 Index, CPA summarizes the situation as follows:

Political disclosure systems have effectively collapsed; dark money is integral to elections; and the election of president initially seen by many as a friend of industry has resulted in a spotlight trained on U.S. corporations and their political activity. Despite these factors, the number of public companies adopting political disclosure and accountability keeps growing, and numerous companies that belong to this movement have strengthened their transparency and oversight programs, according to the 2017 Index data. Overall, companies favoring transparency have held steady in disclosing their political spending.⁷⁴

According to the 2017 Index:

In both 2017 and 2018, BlackRock attained an overall rating of 75.7, putting them at the high end of Tier 2. This was an improvement from its score of 62.9 in 2016, and 67.1 score in 2015⁷⁵.

BlackRock has also been reticent to encourage companies in which it invests to disclose their political spending. For example, BlackRock, as of March 31, 2019, controlled nearly 15 million shares, or 5% of FedEx.⁷⁶ BlackRock, however, has voted against shareholder proposals that would increase transparency of its FedEx's political activity. In 2016, BlackRock, like another

⁷³ http://files.politicalaccountability.net/index/Index_2017.pdf.

⁷⁴ *Id.*

⁷⁵ <http://files.politicalaccountability.net/index/2016CPAZicklinIndex.pdf>;
https://nmcndn.io/e186d21f8c7946a19faed23c3da2f0da/5006ff10fe6f450fa2f1f01321ac6b5a/files/index/2018_CPA-Zicklin_Index_web.pdf; https://politicalaccountability.net/hifi/files/index/Index_2017.pdf;
http://files.politicalaccountability.net/index/CPA-Zicklin_Index_Final_with_links.pdf.

⁷⁶ <https://www.nasdaq.com/symbol/fdx/institutional-holdings>.

power-house asset manager, Vanguard, effectively opposed a shareholder proposal asking FedEx to disclose its lobbying expenditures to shareholders.⁷⁷

Conclusion

Larry Fink helped navigate BlackRock through the most uncertain and perilous period the financial services industry had faced in decades, and he did it in part by expanding the company's power and influence in Washington. BlackRock's political connections, campaign contributions, and lobbying prowess helped it emerge from the crisis more powerful than ever. Despite becoming the world's largest asset manager, BlackRock has dodged the label of "Too Big to Fail." While BlackRock claims to be concerned with socially conscious behavior, it has embraced policies that could put American consumers at risk. BlackRock's political influence could soon grow to match its power in the financial marketplace.

⁷⁷ <https://corporatereformcoalition.org/fedex-2017>.