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It is a great, great honor and privilege to be here with you today. It’s an honor and a privilege, first of all, to be able to represent my company, BlackRock, here in Shanghai, one of the world’s most dynamic emerging centers of commerce.

You can feel the energy and entrepreneurial spirit here from the moment you step off the plane … to an extent unmatched almost anywhere else in the world.

It is also an honor and a privilege to participate in this program with Hank Paulson, a good friend and exceptional leader. Hank left his indelible stamp on the culture of Goldman Sachs, and he also stepped forward as Secretary of the Treasury at a moment of deep crisis for the U.S. and global financial system.

History will long remember Hank’s extraordinary example of courage and creativity in the face of adversity … as he guided the world through a period of unprecedented challenge.

And most of all, it is an honor and a privilege to be able to speak to such a distinguished audience of business leaders and friends. This event has been billed as a training session, but I am sure there is much I could learn from all of you … especially about doing business in this increasingly critical market.

So I would prefer to think of this presentation as a time of sharing among peers.

Markets Going Global

I’ve been asked to focus our discussion today on leadership in the financial services industry – and more particularly on lessons I’ve learned as the founder of a company that has evolved from a small limited partnership into a global leader.

Of course, when I’m asked how we at BlackRock built a global business, I’m reminded of an anecdote involving John F. Kennedy. JFK was not only one of America’s most famous presidents, but also a decorated Navy officer whose bravery and determination saved his entire crew when his craft was attacked during World War II.

But when he was asked how he became a war hero, he replied: “It was involuntary … they sank my boat.”

In the same way, building BlackRock into a global business was somewhat forced by circumstances. When we set out on this journey nearly 25 years ago, we were founding
a new kind of financial business … at a time when our markets went global. So we had no choice but to follow.

That need for a global perspective has only become more of an imperative. The world is getting flatter, even as the opportunity gets bigger. Not only have our markets gone global … it is also literally true that a financial event anywhere in the world today can impact business everywhere else.

Capital and information flow globally on an uninterrupted basis 24/7 – and the way that capital flows is also changing.

Anyone who has traveled to industrial centers such as Detroit or Manchester and then visited someplace like Chengdu or Chennai has seen up-close how economic power is shifting from developed markets to emerging markets.

At BlackRock, we expect that shift in global capital markets growth to be highly concentrated in seven key markets, led by China and followed by India, Brazil, Mexico, Russia, South Africa and Turkey.

Accelerating demand for investment on the part of developed market clients is predicted to drive some four trillion dollars in net flows to emerging markets equity by 2030. But that is only part of what we’re seeing.

Emerging markets are also increasingly becoming a source of capital – and it won’t all be invested in developed markets like the U.S. That goes for individuals, as they grow more affluent, just as it goes for sovereign wealth funds.

But to be a truly global company, one must have a strong presence in all of these local markets around the world. In fact, a global footprint is really the sum of strong local footprints around the world tied together with a strong global culture and platform. You need a local presence and an understanding of local needs in every market – that means being Chinese in China, Italian in Italy and Brazilian in Brazil.

As you build these strong local footprints, you have the credibility, standing and capability to bring your global information to the local level.

But to actually execute strong local operations around the world is very challenging … and even more challenging in some countries than others. It requires assembling high quality leadership in each market. It requires developing the right products to meet the needs of your clients in that market.

And of course, your success still depends on the regulatory framework in the market and whether it permits you to actually participate in that market in an active way.

So for a financial company to grow and succeed today – becoming a successful citizen of the business – it must have a global mindset and a global footprint consisting of strong local operations around the world.
This global perspective is so important that I can almost assure you the senior leadership teams at major companies will look very different in 10 years’ time from the way they look today, with far more global diversity and much more cross-border experience.

**The Transition from a Founders Culture**

It’s clear that any company that is founded today must confront the need to be global if it is to grow. But the question remains: How do you build – and more importantly, sustain – a global company, especially one you founded?

In our case, how do you make the transformation from a start-up with eight people sharing one small office … to a worldwide firm with more than 10,000 employees and offices in 27 countries managing 3.7 trillion dollars in assets?

I can tell you it’s not easy. It’s different than coming in as a CEO who is essentially being engaged to grow a company that is already established in the global marketplace.

Many founder-led organizations are not able to make that transition to a successful global enterprise. I believe that it’s often because they fail to anticipate what needs to happen when an enterprise grows exponentially – it must remain true to its roots while adapting to the realities of being a business that spans borders and time zones.

At BlackRock, we’ve gone from being a start-up to being owned by a few major shareholders, with a founders’ culture, to a global public company with a broad shareholder base.

The lesson of that successful transformation is that founders have a responsibility to institutionalize the firm so that its way of doing business can continue and succeed beyond their working lives.

In contrast, founders of many private equity firms and asset managers built the companies for themselves and their partners – not for future generations. They didn’t make the effort to institutionalize the firm so that it could succeed beyond them.

To do that, you need a plan to attract and retain great talent, prepare the next generation of senior leaders, and build and transmit a common culture that binds everyone together. That way, you “institutionalize” what you have built so that its future is not dependent on any one person or single set of individuals.

That requires institutionalizing not just processes and systems, but shared global values, a shared “language” of doing business and a shared brand identity that speaks to who you are, what you do and why you do it.
At BlackRock, we’re making a significant investment in our brand today, and a big part of building the brand is this transition from a founders-led firm.

Another lesson in transitioning from a founder firm to a global company is that a culture should be “meritocratic.” One rule that we adopted was never to allow the children of founders to work at the firm. It is important that every single professional come in not only with the belief that they could one day run the company or at least have a senior leadership role, but the opportunity to do so.

Yet even as founders institutionalize their operations, it’s important to make sure you preserve your entrepreneurial spirit and small-company feel. To do that, you need to capture and transfer the essence of the company so that it can grow across generations.

I believe that at BlackRock, we’ve succeeded in maintaining the “feel” of a small firm. I make a point every day, unless I am traveling, to visit the trading floor one flight down from my office. In fact, recently we broke up our top executives and moved them to various trading floors. We figured that if we can’t talk to each other across various trading floors in the same building, we can hardly expect our operations thousands of miles apart around the globe to stay in touch.

Being on the trading floor is also important symbolically. It demonstrates not just to our senior leaders but also to employees and clients the extraordinary emphasis BlackRock places on performance and reminds us that our responsibility first and foremost is to those clients.

**A Core Differentiator: Our Fiduciary Business Model**

In fact, that is the a second key lesson I want to discuss today: putting clients first. At BlackRock, the core of our culture and the cornerstone of our business model are to operate our business as a fiduciary.

Our overarching belief, one that we have driven home and institutionalized, is that we will never compete with our clients… we never trade for our own account, so we are never in conflict with them.

That commitment clearly distinguishes us from other financial services companies, such as investment banks, and I believe it provides a model for anyone trying to grow and build a global financial firm today. Clients’ trust and confidence is your most valuable asset, and you need to seek to earn it every day.

Part of that fiduciary business model is never, ever compromising when it comes to integrity. I’m asked what keeps me up at night worrying. Well, I’ll tell you the scenario that not only keeps me awake but gives me nightmares: whether one employee of 10,000 worldwide will depart from our values in a way that does significant damage to the reputation of our firm.
The more glowing a firm’s reputation is, the more damaging the impact can be … so leaders must always hold themselves and their employees to the highest ethical standards.

A fiduciary model also means organizing your business around the clients you serve and making sure that you truly understand the challenges they face. It means not being interested in just selling products, but rather in helping clients solve problems.

**Managing Risk Globally**

This focus on not just selling products, but also solving problems, brings me to another key lesson— the importance of risk management in the problem-solving process – and the importance of a common technology platform to both successful risk management and to creating a cohesive culture and operating environment.

I’m going to talk for a moment about how we’ve followed those principles at BlackRock, and then apply then more generally.

At BlackRock, we were founded on a belief in risk management, on knowing, understanding and managing the risk in every position … in any market, anywhere in the world.

I tell everybody today: you should analyze your portfolio even more closely when you are making money, because you could be taking on too much risk. In fact, you need to be obsessive, almost paranoid, not only about what you know but also about what you don’t and can’t know. From the beginning, our desire was to achieve complete portfolio transparency.

But when BlackRock was founded in 1988, no sophisticated risk management and analytics systems could be purchased. So, two of our co-founders – Charlie Hallac, now our co-COO, and Ben Golub, our chief risk officer – began building our own risk management and analytics technology.

We wanted our clients, on the buy side, to have the same insight and intelligence as the big investment banks on the sell side who were already using advanced technology to analyze data – to level the playing field if you will.

The result was a system we call Aladdin. Now, Aladdin started as our own risk management platform – we call it an operating system for asset managers. Then in 1994, General Electric decided that it wanted to sell Kidder Peabody, a securities firm it owned.

The conventional thing to do would have been to hire an investment bank to assess and value the firm’s portfolio. But to everyone’s surprise, they hired us because of our risk
management system. In addition, other asset management companies were asking us to use Aladdin to review their portfolios.

And so BlackRock Solutions, or BRS, was born. Through BRS, we have made Aladdin available not only to clients whose assets we manage but to other financial market participants as well, including firms we compete with. Adding more users to the system improves transparency into the risks in the market and constantly leads to more good ideas. And, sharing the cost of maintaining the system allows us to constantly invest to enhance it.

Today, Aladdin supports and tracks more than 12 trillion dollars in assets in the global financial marketplace, employing more than 3,000 servers in parallel to perform literally billions of calculations a day. We have more than 120 Aladdin clients in North America, Europe, Asia and Australia, including some of the most sophisticated institutions in the world, such as leading financial firms, central banks and sovereign wealth funds.

**Technology Platforms as a Unifier of Culture**

Besides the importance of risk management, there’s another reason why, from the very beginning, we have insisted on having a single technology platform. Technology is one of the great unifiers of culture – it binds everyone together. As we put it, “One source … one system … one culture.”

BlackRock’s growth has been such that more than 40 percent of our employees have joined our company since 2009.

Today, we operate in 67 cities across 27 countries so that our global expertise can be delivered locally to our clients, with local market understanding.

I’ve talked about the need for a global perspective based on strong local organizations.

Of course, building strong local operations creates another problem: the potential for building regional silos around the world. One way to deal with that is to move employees around so that they have local and global history so they can deal outside HQ and understand how one deals globally.

The second way, again, is to have a powerful common technology platform. That common platform, supporting a common global approach to risk management, allows us to run our business globally in a way that ensures that leadership in Beijing thinks no differently than leadership in London or New York – that we’re not divided up into regional and functional pods. That we really are One BlackRock.

Another way that common platform helps us operate successfully in global markets is by keeping the lines of communication open all the way across the company. The changing, expanding and accelerating flows of capital today mean that intelligence and insight gained in advising clients and monitoring markets on one side of the world must
be continuously available to inform your activities on the other. The world is interconnected in ways that never existed to this extent in the past and along lines that were never drawn in the past.

It’s easier to do business when everyone sees the same data and shares the same information – talks a common language, as it were. In our case, our portfolio managers get the information they need in their timeframe ... benefitting their clients. Plus, the data is kept clean – once a correction is made in a piece of data, everyone benefits. You can’t do that if you have a dozen different systems. And it helps us to achieve efficient, centralized trading and operations and approach investment and business decisions in the same way globally.

We’ve stuck to that belief in a common technology platform for 25 years, even as we have made a series of major acquisitions. Many firms maintain multiple systems – Merrill Lynch Investment Advisors had 17 when we acquired them.

But through every acquisition, we have insisted on bringing everyone onto that single risk management platform to keep everyone on the same page culturally and operationally.

So I think that’s an important lesson to consider if you’re running multiple platforms – a common technology platform not only allows you to manage risk across your entire company but also to keep communications open in a way that builds and strengthens your common culture.

**Advising Governments through the Financial Crisis**

So to bring these lessons home, I want to share a very current and relevant case study about how a fiduciary model, risk management capabilities, a global culture and a common technology platform came together. And that is BlackRock’s work in helping governments and institutions manage through the financial crisis.

For four years, we’ve been helping the New York Federal Reserve dispose of tens of billions of dollars in troubled assets that it bought to facilitate the sale of Bear Stearns and help rescue AIG at a time of severe peril for the global economy.

Just last month, the New York Fed announced that it had repaid all of the loans from U.S. taxpayers that were used to finance these emergency operations and had done so with interest.

So here’s how the lessons I have shared apply to this work: first of all, we were selected for this critical assignment in the midst of intense political scrutiny because our fiduciary model gave us a reputation for integrity and neutrality.

Meanwhile, the common global culture and technology platform we have built meant we could bring together more than 300 BlackRock experts in seven offices across
numerous functions to work together on a project of unprecedented complexity – involving more than 20,000 properties of widely varying types.

For the same reasons, we were selected to monitor trillions of dollars on the balance sheets of Fannie Mae and Freddie Mac, the big U.S. government-sponsored agencies at the heart of the housing crisis, and to advise the central banks of Ireland and Greece on the recapitalization of their banking systems in the eurozone crisis.

**The Importance of Passion**

But all of your success in creating a client-focused business model and building a common global risk management and technology platform will go for naught if you don’t also nurture one additional quality at the heart of your shared global culture: a passion for performance.

I’m often asked what makes a great leader rather than a good leader. Well, the difference between a good leader and a great leader … a good employee and a great employee … a good company and a great global enterprise … is not intelligence or talent but passion.

The differentiator even among the smartest and most talented people is the passion they bring to their jobs. That’s especially true for leaders. Jeff Immelt, the CEO of General Electric, has said that if you’re a leader, you never have enough time in the day, because you have an infinite “to do” list.

That’s why at BlackRock, we are intensely focused on performing at the highest level, whether that’s delivering superior investment returns, managing risk or contributing to the company’s bottom line. That passion for performance will be the true differentiator for your firms as well.

So where does that passion come from – the passion that separates out a great employee from a good one, a great leader from a good one, or a great global company from one that can’t make the transition?

We believe that from the founding of your company, that passion has to come from remembering your broader responsibility … to your clients or customers … to society … to the world.

**Our Responsibility to Be a Voice of Investors on Regulatory Issues**

One way we seek to meet that responsibility is by working to serve as the voice of the investor on regulatory issues. At BlackRock, we recognize the importance of efficient financial markets to long-term prosperity. So we feel a responsibility to work with governments and industry to promote smart regulation that reflects the realities of the market.
That’s especially true now given the sheer volume and scope of the regulations that have been promulgated over the last four years since the financial crisis. The number of proposed regulations is just staggering … and so are the costs of compliance.

Consider just the Dodd-Frank legislation in the United States that was passed after the financial crisis of 2008 – it is 849 pages long.

Analysts estimate that to comply with Dodd-Frank, financial services companies in the U.S. will have to spend an additional 1 billion dollars on technology alone in 2012\(^1\).

And Dodd-Frank is just one piece of legislation in one country – we are seeing increased legislation and regulation across the globe.

Increasing regulation is going to mean enhanced reporting requirements across the asset management industry and beyond. It is a global phenomenon, and it partly explains why we continue to see increased interest in our Aladdin technology and BlackRock Solutions business. It is because better technology and better systems are required not only to manage risk but also for reporting purposes and therefore to enhance transparency.

At the same time, I believe there’s a real risk of “regulatory arbitrage” as capital flows to more investment-friendly venues from the U.S. and Europe.

Western nations should not be punished for doing the right thing. But they need to make sure that they are not engaging in crushing regulation for the sake of regulation … those regulations, again, need to be aimed at making markets more transparent, efficient and fair.

BlackRock is a strong supporter of sound, practical regulation. That’s why we have been speaking out, on issues like ETF regulation in Europe, and the segregation of client accounts and money-market reform in the U.S.

Certainly strong, sound regulatory regimes are critical for sustainable economic growth, and as China continues to enhance the quality of its regulation, it will prepare Chinese companies to meet the requirements of regulatory regions elsewhere in the world and become global leaders in their fields.

**Our Responsibility to Those We Truly Serve**

There’s another and even more important source of the passion that has helped us build a global firm.

Since our founding, our passion has come from focusing on the people we ultimately serve: working people, as well as retirees and students, who depend on our funds for

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\(^1\) Tower Group
their financial futures through the pension funds and employee plans we are entrusted to manage.

It’s a scary time for investors and working people today. In a New World of Investing characterized by high volatility and uncertainty … in the midst of a global crisis of confidence … fear is driving trillions of dollars out of the markets and to the sidelines.

Both institutions and individuals are frozen because of the low yields and uncertainty in the markets. In particular, for cultural reasons, Asia as a region is focused too much on savings and not enough on investing, even more so than the West. For example, China’s savings rate rose from under 40 percent in the 1990s to some 51 percent today. Many commentators believe that China’s high savings rate has provided a drag on interest rates worldwide that continues today.

While saving and staying in cash may seem like a safe strategy, the problem is that low yields mean that inflation will erode the value of investments over time and savers will fall short of their goals.

To achieve the region’s long-term goals, just as in the West, we need to turn more of Asia’s savers into long-term investors. It’s time to encourage long-term investments with the potential to generate real growth and meaningful income over time.

That involves more than just cheerleading to get investors off the sidelines and out of cash. It involves some structural changes as well. In particular, the opening of capital markets is necessary, so that corporations can issue equity through IPOs and are able to raise capital through bonds and are less dependent on the banking system.

And as I indicated earlier, the opening of capital markets requires greater transparency and strong regulatory oversight to ensure the safety and soundness of markets.

Earlier this year, we launched a global branding campaign that puts our responsibility to our clients and to those they serve at the heart of our company’s identity.

In this New World of Investing, amid the volatility and uncertainty, we want people to know that our responsibility, our passion, is to provide answers, to encourage investors to take a long-term view, and to help them achieve a brighter future.

We also believe that our client companies have a moral duty to help their workers understand how to increase their financial security, and that we have a particular responsibility to support those companies. It all comes together in this branding campaign.

Our campaign exemplifies how we are living out the mission we saw for ourselves when eight of us founded BlackRock 25 years ago – building a different financial services company with a true fiduciary purpose and a truly global outlook that is invested in just one thing – helping our clients invest responsibly for the future.
So let’s summarize: building a global financial services company is about institutionalizing not only structures but also models and culture. We believe that those models need to be built around an understanding of risk and a commitment to put our clients first.

But what truly drives a start-up into a global company, and separates a great firm from a merely good one, is more than just structures and models and culture: it’s passion, responsibility, and a shared sense of purpose.

Thank you so much. I’m looking forward to spending the rest of the time we have in discussion with you and hearing your perspectives.

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