

ADMINISTRATIVE PROCEEDING

File No. 3-17942

SEC Charges BlackRock Fund Advisors With Causing ETF to Violate the Investment Company Act

April 25, 2017 — The Securities and Exchange Commission today announced that San Francisco-based asset manager BlackRock Fund Advisors has agreed to pay a \$1.5 million penalty to settle charges that it caused an exchange-traded fund (ETF) it advised to violate the Investment Company Act because it operated as an ETF without obtaining appropriate exemptive relief from the SEC.

Like mutual funds, ETFs offer investors a way to pool their money in a fund that invests in stocks, bonds, or other assets and in return receive an interest in that investment pool. Because some of an ETF's features would cause the fund and dealers to violate certain provisions of the Investment Company Act, an ETF must obtain an exemptive order from the SEC to operate lawfully.

According to the SEC order, BlackRock operated the separately organized Russia Fund ETF from December 2010 to January 2015 without the required exemptive relief. The SEC's order finds that after being informed in 2011 that exemptive relief granted to other investment companies advised by BlackRock FA did not apply to separately organized funds, BlackRock FA continued to operate the Russia Fund ETF without the required exemptive relief. In 2015, after additional discussions with the SEC's Office of Compliance Inspections and Examinations staff, BlackRock FA merged the Russia Fund into another investment company advised by BlackRock FA, and thus it was then able to rely on previously issued exemptive relief.

BlackRock FA consented to the SEC's order without admitting or denying the findings that it caused violations of Sections 22(d) and 22(e) of the Investment Company Act, and Rule 22c-1 thereunder. BlackRock FA is required to cease and desist from committing or causing any further violations.

The SEC's investigation was conducted by Eric Brooks and supervised by Jeremy Pendrey of the SEC Enforcement Division's Asset Management Unit. The SEC examination that led to the investigation was conducted by Alice L. Schulman, Ricky Flanders, Peter D. Bloom, Thomas J. Dutton, Michael H. Linvill, Rhonda Fan, and Matthew M. O'Toole.

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