



Article by Mohamed Oummih

# BlackRock



## The world's largest money manager

In 2015, Heike Buchter, a financial journalist with Deutsche World, published a book called **BLACKROCK**, and *entitled* its first chapter 'The most powerful company you've never heard of'. Five years later, most people still haven't heard of BlackRock, and, *unbelievably*, the company has grown to become even more powerful, and is considered by some to be the largest financial *asset management* firm in the world. So just how powerful is BlackRock? And why hasn't anyone heard of it?

### Assets and reach

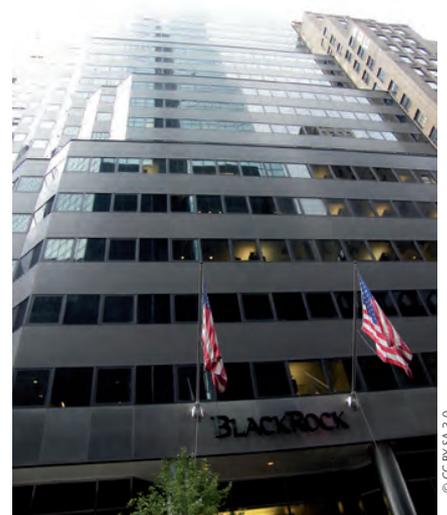
By the end of 2019, BlackRock, with a market capitalization of \$84 billion, was directly managing \$7.4 trillion worth of assets (which is 50% more than in 2015). *Though* this money



belongs to its clients, BlackRock decides where that money goes and for how long. And who are its clients? For the most part, they are pension funds that belong to ordinary people, including teachers, *firefighters* and employees, not just in America but all around the world.

That money doesn't belong to BlackRock, and its primary objective is to maximize profit, while minimizing risk, for the people and institutions that own it. It is clear, however, that its ability to decide exactly where such a huge amount of money goes, where it stays, and for how long, gives BlackRock a *tremendous* amount of power.

BlackRock's reach doesn't stop there, however. In addition to



BlackRock headquarters in New York City

directly investing this colossal amount of money, BlackRock offers financial consultancy services to institutions across the globe. BlackRock's risk management arm extends its actual reach considerably, via a software program called Aladdin, which it developed to perform risk analysis for its clients. The *wealth* of these clients, which include insurance companies, investment funds and banks, totals another \$20 trillion, the equivalent of 10 percent of the world's *stocks and bonds*.

to entitle     intituler  
unbelievably     aussi incroyable que ça  
                         puisse paraître  
asset management     la gestion d'actifs

reach     la portée  
though     même si  
a firefighter     un pompier  
tremendous     immense, phénoménal

wealth     la richesse  
stocks and bonds     des actions et  
   des obligations



Aladdin offers these companies and investors *insights* into markets and trends that help guide them in their investment decisions, while, through its investment fund, BlackRock has voting rights in many of the world's top businesses. The danger of having so much power concentrated in one place has already been recognized by market regulators, such as the UK's Financial Conduct Authority, which has highlighted that its *failure* could cause "serious consumer harm" or even "damage market integrity".

## Conflict of interest 1: Investment branch

BlackRock may not *own* the majority of shares in the companies it invests in, but it is very often their largest – and therefore most influential – single *shareholder*. Consequently, its representatives can obtain access to the CEOs of some of the world's largest multinational companies with little more than a phone call.

This influence isn't, in itself, problematic; it makes sense, after all, for a big investor to be able to have a correspondingly big influence on a company's decisions. But once more, it is BlackRock's *sheer* size that might be *at issue*. The company has seats on the board of directors of over 17,000 companies, many of which operate in the same area, *be it* chemicals, pharmaceuticals, oil and gas, or construction. As such, it can theoretically *shape* the strategic orientation of entire sectors of the world economy. With a little more coordination, it could also, again theoretically, favor one competitor over another by influencing them both.



## Conflict of interest 2: Consultancy branch

Finally, perhaps its most controversial business unit is Financial Markets Advisory (FMA), which specializes not in investing but in auditing and advising the world's major financial institutions, including governments and central banks. It recently *won a bid* to manage an asset-buying campaign set up by the United States Federal Reserve and the Bank of Canada to prevent financial markets from *collapsing* as a result of the COVID-19 pandemic. As part of the campaign, these governments would buy Exchange Traded Funds (ETFs, a type of asset) that BlackRock specializes in. To be clear, it will be all but impossible for the Fed and the Bank of Canada not to buy a large share of these assets directly from BlackRock.

Spokespeople for FMA have claimed that there is a strict barrier between its investment fund services and its advisory services. It has invited competitors and regulators to review its records regularly, and even given access to its internal servers to show its *willingness* to provide complete transparency. Nonetheless, of the \$1.6 billion spent by the Federal Reserve on ETFs, half went directly into BlackRock funds.

Even if the barrier between its two services was completely *airtight*, with no communication whatsoever passing between them, many observers have noted that this doesn't prevent FMA from benefiting *unfairly* from the deal. Investors spent over \$14 billion on BlackRock ETFs this spring, accounting for its biggest source of income in the first quarter of the year. ▶



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*an insight* une connaissance approfondie, un éclairage  
*a failure* (ici) faillite  
*consumer harm* un préjudice aux consommateurs  
*to own* posséder, être propriétaire de

*a shareholder* un actionnaire  
*sheer* pur et simple  
*at issue* en question, en cause  
*be it* que ce soit  
*to shape* (ici) influencer, déterminer

*to win (won, won)* remporter un appel  
*a bid* d'offre  
*to collapse* s'effondrer, s'écrouler  
*willingness* la bonne volonté  
*airtight* hermétique, étanche  
*unfairly* injustement, abusivement



► **From French pensions to pan-European pensions**

BlackRock’s weight has not only been felt in North America. The president of BlackRock, Larry Fink, has met with French President Emmanuel Macron at least three times since 2017, and there has been speculation about the firm pushing for *pension reform*. This speculation is based on the fact that BlackRock’s biggest clients are pension funds. The French *pay-as-you-go pension system*, in which young workers pay for the retirement benefits of those who have retired, left little room for pension funds.

In fact, in 2019, BlackRock published a paper clearly calling on the French government to develop the “third pillar” of pension finance, that is finance via capitalization. This third pillar would allow French companies to get to manage workers’ pensions...and was voted into law in the spring of 2020.

Meanwhile, in 2015, BlackRock had asked the European Union to conduct a feasibility study on the creation of a pan-European pension instrument. Two years later, just such a project was *unveiled* by the European Commission, and the Pan-European Personal Pension Product was created in 2019. BlackRock’s critics, many of whom are opposed to pension reform, are worried that increasing the importance and weight of private pension funds will further *weaken* and destabilize public *pension schemes*, thus leading to reduced



French demonstrations against pension reform



Larry Fink

revenues for governments and consequently lower pensions for those who have not opted to buy into private pension funds.

**BlackRock for the environment**

BlackRock *denied* seeking to influence the debate on pension reform in France. The official reason for Mr Fink’s most recent visit to the Élysée Palace was not, in fact, to discuss pension reform, but to talk about how to get private investment funds to take into account climate change. Just a few months later, BlackRock won a bid to play a consultancy role with the European Commission on ESG (environment, social and governance) investment, for which it will be paid over \$330,000. As such, it will conduct an analysis of the commission’s action plan for *sustainable* finance, and advise public-sector clients (businesses still owned by European governments) on how to transition to a low-carbon future.

BlackRock has been positioning itself as an expert in sustainable finance for several years. The CEO’s annual address to the company in 2020 focused almost exclusively on the need for big investment firms to take into account climate change when putting together their investment portfolios. Mr Fink predicted that climate change would very soon lead to a fundamental *reshaping* of the entire finance sector. ■

BlackRock was founded in **1988**. Its market capitalization, meaning what the company is worth on the stock exchange, is equivalent to **\$89 billion**.

It has **\$7.3 trillion** worth of assets under management.

Its assets under management have increased by **7%** since the same time last year.

Its revenue in **2019** was **\$14 billion**.

Its net income is **\$4.5 billion**.

So far, **65 million** portfolios have been analyzed by Aladdin.

Aladdin is in use in **65** countries.

Up to **90%** of its workforce worked from home during the pandemic.

Average return on investment in funds managed by BlackRock: **182%** (over a period of **10 years**)



*pension reform* une réforme des retraites  
*a pay-as-you-go pension system* un système de retraite par répartition  
*to unveil* dévoiler  
*to weaken* fragiliser, affaiblir

*a pension scheme* un plan d’épargne retraite  
*to deny* nier, refuser d’admettre  
*sustainable* durable  
*a reshaping* une refonte, une réorganisation