

## ICI VIEWPOINTS

MAY 21, 2014

## GMM Policy Forum: BlackRock's Larry Fink Speaks with ICI's Paul Stevens

By Todd Bernhardt

The fund industry needs to stop focusing on the moment and start focusing on outcomes when advising investors on their resources, said Laurence D. Fink, chairman and CEO of BlackRock, at ICI's Annual Policy Forum, part of the Institute's 56th General Membership Meeting (GMM). Fink spoke with ICI President and CEO Paul Schott Stevens at the opening session of the three-day meeting, which began yesterday in Washington, DC.

"This is what we as an industry need to be speaking loudly on," Fink said. The industry needs to balance its current focus on performance and returns, he said, with a long-term focus on outcomes, ignoring the "noise" of everyday events.

Investors should hold a "global, diversified portfolio," with an emphasis on equities. "Look at Warren Buffett," he said. "People revere him, but they don't invest [for the long term] like him. We as an industry must get back to basics—we must help investors focus on outcomes, objectives, and the consequences of their decisions."

### A Wide-Ranging Conversation

In a wide-ranging conversation with Stevens, Fink covered a number of other topics, including retirement, the [potential designation](#) of asset management firms as systemically important financial institutions (SIFIs), how BlackRock maintains a strong, unified culture in the midst of explosive growth, and the challenges of operating a global business.

To help deal with "longevity risk"—the risk of outliving savings—Fink is a proponent of expanded retirement opportunities, saying that "we need to ensure that every worker, full- and part-time, has access."

"Social Security is an amazing system," he said, "but too many people rely on it for too much...As a society, we need to have a broad conversation on how to address retirement. And mutual funds should be a part of that."

Regarding designating large funds as SIFIs, Fink emphasized the need for regulators to better understand asset managers' roles and responsibilities. "We're not a bank that uses deposits to finance activities," he explained. "I'm an agent. I'm a fiduciary for all my clients. It's not my money—it's my clients' money. We don't have a balance sheet."

He also complained about the lack of transparency around analysis and decisionmaking at the Financial Stability Oversight Council, or FSOC. "There's no information from them," he said. "Only leaks to the media. The process today raises a lot of questions. The fact that all we can respond to is leaks doesn't feel right to me."

Echoing [Stevens's sentiments](#) about a desire to work constructively with FSOC, Fink said, "We would love to have a dialogue. We would provide all the information the regulators would like. I want to help them understand the role, the responsibilities of an asset manager—I am willing to play that role any time. But no one is asking."

### Becoming BlackRock

Fink began BlackRock in 1988, starting with a team of eight. The firm is now the largest asset manager in the world, with more than 11,000 employees around the globe, and more than \$4.3 trillion under management.

Asked by Stevens about his philosophy of growth within BlackRock, Fink said that for the first 16 years, the firm grew “100 percent organically.” When management did start to look at acquisitions, they were very careful to do their due diligence, he said. Once they discovered that “we had the DNA to be culturally open to take on another organization,” he explained, they moved forward—with two important commitments: first, that they remain “always committed to one culture,” and second, that they “only have one technology platform worldwide. Integration is key.”

Fink said that “the most important thing we learned is that our culture *improved* because of the mergers.” He likened this to the United States as a melting pot—an amalgam of unique heritages and different legacies that all come together for one common goal. “We are a much stronger unit because of those shared legacies.”

When asked about the challenges of running a global firm, Fink said, “Not only do you have to have one culture, you have to divide that culture into local entities...For us to be the number-one mutual fund in Italy, we have to be Italian. To be strong in Taiwan, you have to be Taiwanese. To be international, you have to be local.”

## The Constant Student

Fink responded candidly to a round of more-personal questions. Knowing Fink is a fly fisherman, Stevens asked, “What’s your best fish story—one you caught, or one that got away?”

“I tend to forget the ones I’ve missed.” Fink replied. “The beauty of fly fishing is that it takes you away from your everyday worries and puts you in a whole different realm. What’s better than standing in a river, listening to the water, and being outdoors?”

In closing, Fink shared his advice for young people joining fund firms. “I tell people that you have to be a student every day. If you learn so much that you can become a teacher, so much the better. You’re more valuable.”

This process of learning should never stop, he said. “Going forward, the role of the asset manager is going to be more important than ever. Clients worldwide are asking for more advice than ever...If you stop being a student, you’re not going to be relevant.”

Todd Bernhardt was senior director of public communications at ICI.