

BLACKROCK MUNICIPAL INCOME QUALITY TRUST  
Form N-Q  
July 26, 2012  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**FORM N-Q**

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT INVESTMENT COMPANY**

Investment Company Act file number 811-21178

Name of Fund: BlackRock Municipal Income Quality Trust (BYM)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: John M. Perlowski, Chief Executive Officer, BlackRock Municipal Income Quality Trust, 55 East 52<sup>nd</sup> Street, New York, NY 10055

Registrant's telephone number, including area code: (800) 882-0052, Option 4

Date of fiscal year end: 08/31/2012

Date of reporting period: 05/31/2012

Item 1 – Schedule of Investments

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Schedule of Investments May 31, 2012 (Unaudited)

**BlackRock Municipal Income Quality Trust (BYM)**  
(Percentages shown are based on Net Assets)

|   | Par<br>(000) | Value        |
|---|--------------|--------------|
| <b>Municipal Bonds</b>  |              |              |
| <b>Alabama 3.6%</b>   |              |              |
| Alabama State Docks Department,<br>Refunding RB, 6.00%, 10/01/40  | \$ 3,800     | \$ 4,330,974 |
| Birmingham Airport Authority, RB (AGM),<br>5.50%, 7/01/40   | 5,800        | 6,476,222    |
| Birmingham Special Care Facilities<br>Financing Authority, RB, Children s<br>Hospital (AGC), 6.00%, 6/01/39                                 | 1,495        | 1,725,873    |
| County of Jefferson Alabama, RB, Series<br>A, 4.75%, 1/01/25  | 2,800        | 2,630,348    |
|   |              | 15,163,417   |
| <b>Alaska 0.7%</b>  |              |              |
| Alaska Housing Finance Corp, RB,<br>Series A, 4.25%, 12/01/40 (a)   | 310          | 310,000      |
| Alaska Housing Finance Corp, RB,<br>Series A, 4.13%, 12/01/37 (a)   | 1,390        | 1,386,734    |
| Alaska Industrial Development & Export<br>Authority, RB, Providence Health<br>Services, Series A, 5.50%, 10/01/41                           | 1,070        | 1,212,652    |
|   |              | 2,909,386    |
| <b>Arizona 0.5%</b>   |              |              |
| State of Arizona, COP, Department of<br>Administration, Series A (AGM):<br>5.00%, 10/01/27  | 1,500        | 1,690,320    |
| 5.25%, 10/01/28   | 250          | 284,128      |
|   |              | 1,974,448    |
| <b>California 23.1%</b>   |              |              |
| California Health Facilities Financing<br>Authority, Refunding RB, St. Joseph<br>Health System, Series A, 5.75%,<br>7/01/39                 | 625          | 712,106      |
| California Infrastructure & Economic<br>Development Bank, RB, Bay Area Toll<br>Bridges, First Lien, Series A (AMBAC),<br>5.00%, 7/01/36 (b) | 10,100       | 13,654,190   |
| California Statewide Communities<br>Development Authority, RB, Kaiser<br>Permanente, Series A, 5.00%,<br>4/01/42                            | 1,620        | 1,750,556    |
| Coast Community College District<br>California, GO, Refunding, CAB,<br>Election of 2002, Series C (AGM) (c):<br>%, 8/01/13 (d)              | 7,450        | 7,221,881    |
| 5.41%, 8/01/36  | 4,200        | 1,136,436    |
| Golden State Tobacco Securitization<br>Corp. California, RB, Series 2003-A-1<br>(b):<br>6.75%, 6/01/39                                      | 14,500       | 15,428,580   |
| 6.63%, 6/01/40  | 6,500        | 6,908,135    |
| Metropolitan Water District of Southern<br>California, RB, Series B-1 (NPFGC),<br>5.00%, 10/01/33 (b)                                       | 16,745       | 17,800,772   |
| Monterey Peninsula Community College<br>District, GO, CAB, Series C (AGM) (c):  |              |              |

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|   | 13,575               | 5,168,546    |
|---|----------------------|--------------|
|   | <b>Par<br/>(000)</b> | <b>Value</b> |
| <b>Municipal Bonds</b>  |                      |              |
| <b>California (concluded)</b>   |                      |              |
| Monterey Peninsula Community College<br>District, GO, CAB, Series C (AGM) (c)<br>(concluded):                                   |                      |              |
| 5.16%, 8/01/32  | \$ 14,150            | \$ 5,076,737 |
| Orange County Sanitation District, COP,<br>Series B (AGM), 5.00%, 2/01/31   | 2,500                | 2,776,050    |
| San Diego Unified School District<br>California, GO, CAB (c):   |                      |              |
| Election of 2008, Series C,<br>6.84%, 7/01/38   | 2,000                | 525,540      |
| Series R-1, 5.07%, 7/01/30  | 5,995                | 2,534,506    |
| San Diego Unified School District<br>California, GO, Refunding, CAB, Series<br>R-1, 5.08%, 7/01/31 (c)                          | 1,400                | 559,538      |
| San Joaquin Hills Transportation<br>Corridor Agency California, Refunding<br>RB, CAB, Series A (NPFGC), 5.51%,<br>1/15/31 (c)   | 30,000               | 10,067,700   |
| San Jose Unified School District Santa<br>Clara County California, GO, Election<br>of 2002, Series B (NPFGC), 5.00%,<br>8/01/29 | 2,350                | 2,541,149    |
| State of California, GO, Various Purpose,<br>5.00%, 4/01/42   | 1,000                | 1,075,530    |
| State of California, GO, Various Purpose,<br>5.00%, 10/01/41  | 1,100                | 1,180,487    |
|   |                      | 96,118,439   |
| <b>Colorado 0.3%</b>  |                      |              |
| Regional Transportation District, COP,<br>Series A, 5.38%, 6/01/31  | 960                  | 1,078,954    |
| <b>District of Columbia 2.3%</b>  |                      |              |
| District of Columbia Tobacco Settlement<br>Financing Corp., Refunding RB, Asset-<br>Backed, 6.75%, 5/15/40                      | 9,500                | 9,680,500    |
| <b>Florida 15.9%</b>  |                      |              |
| Broward County School Board Florida,<br>COP, Series A (AGM), 5.25%, 7/01/33   | 1,400                | 1,552,124    |
| Broward County Water & Sewer Utility,<br>RB, Series A, 5.25%, 10/01/34  | 6,750                | 7,813,057    |
| City of Jacksonville, Refunding RB,<br>Series A, 5.00%, 10/01/30  | 320                  | 359,533      |
| County of Duval Florida, COP, Master<br>Lease Program (AGM), 5.00%,<br>7/01/33  | 3,475                | 3,742,540    |
| County of Miami-Dade Florida, RB:<br>CAB, Sub-Series A (NPFGC), 5.25%,<br>10/01/38 (c)  | 25,520               | 5,735,365    |
| Miami International Airport,<br>Series A, 5.50%, 10/01/41   | 5,000                | 5,632,450    |
| Series A, 5.50%, 10/01/36   | 5,000                | 5,669,250    |
| Water & Sewer System (AGM),<br>5.00%, 10/01/39  | 10,100               | 11,094,446   |
| County of Miami-Dade Florida,<br>Refunding RB (AGM), 5.00%, 7/01/35   | 1,300                | 1,397,136    |



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Schedule of Investments (continued)

**BlackRock Municipal Income Quality Trust (BYM)**  
(Percentages shown are based on Net Assets)

|   | Par<br>(000) | Value        |
|---|--------------|--------------|
| <b>Municipal Bonds</b>  |              |              |
| <b>Florida (concluded)</b>  |              |              |
| Florida Housing Finance Corp., RB,<br>Homeowner Mortgage, Series 3,<br>5.45%, 7/01/33                                       | \$ 3,800     | \$ 4,083,936 |
| Florida State Department of<br>Environmental Protection, RB, Series<br>B (NPFGC), 5.00%, 7/01/27                            | 6,150        | 6,809,342    |
| Orange County School Board, COP,<br>Series A (AGC), 5.50%, 8/01/34  | 6,090        | 6,967,873    |
| Sarasota County Public Hospital District,<br>RB, Sarasota Memorial Hospital<br>Project, Series A, 5.63%, 7/01/39            | 300          | 325,182      |
| School Board of Miami-Dade County<br>Florida, COP, Series A, The, 4.00%,<br>8/01/29 (a)                                     | 1,560        | 1,532,154    |
| South Florida Water Management<br>District, COP (AMBAC), 5.00%,<br>10/01/36   | 1,000        | 1,055,250    |
| Tohopekaliga Water Authority,<br>Refunding RB, Series A, 5.25%,<br>10/01/36   | 2,000        | 2,281,660    |
|   |              | 66,051,298   |
| <b>Georgia 2.7%</b>   |              |              |
| Burke County Development Authority,<br>RB, Oglethorpe Power, Vogtle Project,<br>Series C, 5.70%, 1/01/43                    | 1,250        | 1,349,637    |
| City of Atlanta Georgia, Refunding RB,<br>General, Series C, 6.00%, 1/01/30   | 7,500        | 9,153,225    |
| Gwinnett County Hospital Authority,<br>Refunding RB, Gwinnett Hospital<br>System Series D (AGM), 5.50%,<br>7/01/41          | 800          | 885,304      |
|   |              | 11,388,166   |
| <b>Hawaii 1.3%</b>  |              |              |
| Hawaii State Harbor, RB, Series A,<br>5.25%, 7/01/35  | 5,000        | 5,605,150    |
| <b>Illinois 1.5%</b>  |              |              |
| Chicago Board of Education Illinois, GO,<br>Series A, 5.50%, 12/01/39   | 2,590        | 2,960,577    |
| Chicago Board of Education Illinois, GO,<br>Refunding, Chicago School Reform<br>Board, Series A (NPFGC), 5.50%,<br>12/01/26 | 350          | 426,520      |
| Chicago Park District, GO, Harbor<br>Facilities, Series C, 5.25%, 1/01/40   | 600          | 664,584      |
| Chicago Transit Authority, RB, 5.25%,<br>12/01/36   | 650          | 731,750      |
| Railsplitter Tobacco Settlement<br>Authority, RB, 6.00%, 6/01/28  | 710          | 814,711      |
| State of Illinois, GO:<br>5.00%, 3/01/36  | 390          | 415,370      |

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| Municipal Bonds  | Par<br>(000) | Value      |
|--|--------------|------------|
| <b>Illinois (concluded)</b>  |              |            |
| State of Illinois, GO (concluded):   |              |            |
| 5.00%, 3/01/37   | \$ 155       | \$ 164,700 |
|  |              | 6,178,212  |
| <b>Indiana 2.0%</b>  |              |            |
| Indiana Finance Authority Wastewater<br>Utility, Refunding RB, First Lien, CWA<br>Authority, Series A, 5.25%, 10/01/38           | 1,100        | 1,244,606  |
| Indiana Municipal Power Agency, RB,<br>Series B, 5.75%, 1/01/34  | 450          | 477,545    |
| Indianapolis Local Public Improvement<br>Bond Bank, Refunding RB,<br>Waterworks Project, Series A (AGC),<br>5.50%, 1/01/38       | 5,750        | 6,453,110  |
|  |              | 8,175,261  |
| <b>Iowa 1.3%</b>   |              |            |
| Iowa Finance Authority, RB, Series A<br>(AGC), 5.63%, 8/15/37  | 5,000        | 5,606,950  |
| <b>Kentucky 0.4%</b>   |              |            |
| Kentucky State Property & Buildings<br>Commission, Refunding RB, Project<br>No. 93 (AGC), 5.25%, 2/01/29                         | 1,500        | 1,712,220  |
| <b>Louisiana 3.2%</b>  |              |            |
| Jefferson Parish Hospital Service District<br>No. 1, Refunding RB, West Jefferson<br>Medical Center, Series A, 6.00%,<br>1/01/39 | 1,300        | 1,486,251  |
| Parish of Saint John the Baptist<br>Louisiana, RB, Marathon Oil Corp.,<br>Series A, 5.13%, 6/01/37                               | 1,750        | 1,822,170  |
| Parish of St. Charles Louisiana Gulf<br>Opportunity Zone, RB, Valero Project,<br>Series 2010, 4.00%, 12/01/40 (a)(e)             | 1,720        | 1,759,870  |
| State of Louisiana, RB, Series A (AGM),<br>5.00%, 5/01/31  | 7,500        | 8,255,025  |
|  |              | 13,323,316 |
| <b>Michigan 2.4%</b>   |              |            |
| City of Detroit Michigan, Refunding RB,<br>Second Lien, Series E (BHAC), 5.75%,<br>7/01/31                                       | 3,000        | 3,410,880  |
| Kalamazoo Hospital Finance Authority,<br>RB, Bronson Methodist Hospital<br>(AGM), 5.25%, 5/15/36                                 | 465          | 507,906    |
| Lansing Board of Water & Light, RB,<br>Series A, 5.50%, 7/01/41  | 1,100        | 1,283,865  |
| Michigan State Building Authority,<br>Refunding RB, Facilities Program:<br>Series I-A, 5.38%, 10/15/36                           | 2,000        | 2,273,380  |
| Series I-A, 5.38%, 10/15/41  | 800          | 904,600    |
| Series II-A, 5.38%, 10/15/36   | 1,500        | 1,705,035  |
|  |              | 10,085,666 |

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Schedule of Investments (continued)

**BlackRock Municipal Income Quality Trust (BYM)**  
(Percentages shown are based on Net Assets)

|   | Par<br>(000) | Value      |
|---|--------------|------------|
| <b>Municipal Bonds</b>  |              |            |
| <b>Mississippi 0.2%</b>   |              |            |
| Medical Center Educational Building Corporation, RB, University of Mississippi Medical Center Facilities Expansion & Renovation Project, Series A, 5.00%, 6/01/41 | \$ 800       | \$ 884,864 |
| <b>Nebraska 2.5%</b>  |              |            |
| Central Plains Energy Project Nebraska, RB, Gas Project No. 3, 5.25%, 9/01/37   | 5,820        | 6,150,518  |
| Nebraska Investment Finance Authority, Refunding RB, Series A: 5.90%, 9/01/36   | 2,450        | 2,799,713  |
| 6.05%, 9/01/41  | 1,445        | 1,535,702  |
|   |              | 10,485,933 |
| <b>Nevada 1.1%</b>  |              |            |
| County of Clark Nevada, RB, Las Vegas-McCarran International Airport, Series A (AGC), 5.25%, 7/01/39  | 4,100        | 4,522,464  |
| <b>New Jersey 1.4%</b>  |              |            |
| New Jersey Transportation Trust Fund Authority, RB, Transportation System: Series A, 5.50%, 6/15/41   | 3,000        | 3,476,580  |
| Series B, 5.25%, 6/15/36  | 1,990        | 2,262,789  |
|   |              | 5,739,369  |
| <b>New York 1.1%</b>  |              |            |
| Hudson New York Yards Infrastructure Corp., RB, Series A, 5.75%, 2/15/47  | 770          | 886,524    |
| New York City Transitional Finance Authority, RB, Fiscal 2009, Series S-4, 5.50%, 1/15/33   | 1,950        | 2,250,866  |
| New York State Dormitory Authority, ERB, Series B, 5.75%, 3/15/36   | 1,300        | 1,546,168  |
|   |              | 4,683,558  |
| <b>North Carolina 0.7%</b>  |              |            |
| North Carolina Medical Care Commission, RB, Novant Health Obligation, Series A, 4.75%, 11/01/43   | 2,875        | 2,998,481  |
| <b>Ohio 0.9%</b>  |              |            |
| County of Allen Ohio, Refunding RB, Catholic HealthCare Partners, Series A, 5.00%, 5/01/42  | 2,875        | 3,074,324  |
| County of Lucas Ohio, Refunding RB, Promedica Healthcare, Series A, 6.50%, 11/15/37   | 610          | 750,147    |
|   |              | 3,824,471  |
| <b>Pennsylvania 0.2%</b>  |              |            |
| Pennsylvania Turnpike Commission, RB, Subordinate, Special Motor, License Fund, 6.00%, 12/01/36   | 625          | 760,050    |

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|   | Par<br>(000) | Value        |
|---|--------------|--------------|
| <b>Municipal Bonds</b>  |              |              |
| <b>Puerto Rico 2.8%</b>   |              |              |
| Puerto Rico Electric Power Authority,<br>Refunding RB, Series A, 5.00%,<br>7/01/42  | \$ 1,570     | \$ 1,586,045 |
| Puerto Rico Sales Tax Financing Corp.,<br>RB, First Sub-Series A:<br>6.38%, 8/01/39   | 5,300        | 6,199,569    |
| 5.50%, 8/01/42  | 3,450        | 3,701,436    |
|   |              | 11,487,050   |
| <b>Rhode Island 0.7%</b>  |              |              |
| Rhode Island Health & Educational<br>Building Corp., Refunding RB, Public<br>Schools Financing Program, Series E<br>(AGC), 6.00%, 5/15/29 | 2,625        | 3,002,606    |
| <b>South Carolina 1.4%</b>  |              |              |
| South Carolina Jobs-EDA, Refunding RB,<br>Palmetto Health, Series A (AGM),<br>6.50%, 8/01/39  | 260          | 307,918      |
| South Carolina State Ports Authority, RB,<br>5.25%, 7/01/40   | 5,000        | 5,540,700    |
|   |              | 5,848,618    |
| <b>Tennessee 3.4%</b>   |              |              |
| Knox County Health Educational &<br>Housing Facilities Board Tennessee,<br>Refunding RB, CAB,<br>Series A (AGM) (c):<br>5.88%, 1/01/23    | 8,910        | 4,889,095    |
| 5.90%, 1/01/24  | 8,500        | 4,388,805    |
| 5.91%, 1/01/25  | 6,850        | 3,330,744    |
| Memphis Center City Revenue Finance<br>Corp., RB, Sub-Pyramid & Pinch<br>District, Series B (AGM), 5.25%,<br>11/01/30                     | 1,240        | 1,433,229    |
|   |              | 14,041,873   |
| <b>Texas 24.4%</b>  |              |              |
| City of Houston Texas, RB, Senior Lien,<br>Series A, 5.50%, 7/01/34   | 4,165        | 4,666,174    |
| City of San Antonio Texas, Refunding RB<br>(NPFGC):<br>5.13%, 5/15/29   | 9,250        | 9,900,460    |
| 5.13%, 5/15/34  | 10,000       | 10,727,300   |
| Comal ISD, GO, School Building (PSF-<br>GTD), 5.00%, 2/01/36  | 2,500        | 2,765,700    |
| Coppell ISD Texas, GO, Refunding, CAB<br>(PSF-GTD), 5.64%, 8/15/30 (c)  | 10,030       | 5,390,523    |
| County of Harris Texas, Refunding RB,<br>Senior Lien, Toll Road (AGM), 5.00%,<br>8/15/30  | 1,910        | 1,924,058    |
| County of Harris Texas, GO (NPFGC) (c):<br>5.58%, 8/15/25   | 7,485        | 5,171,911    |
| 5.61%, 8/15/28  | 10,915       | 6,535,575    |
| Harris County-Houston Sports Authority,<br>Refunding RB (NPFGC) (c):<br>CAB, Junior Lien, Series H,<br>5.94%, 11/15/38                    | 5,785        | 1,121,075    |





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Schedule of Investments (continued)

**BlackRock Municipal Income Quality Trust (BYM)**  
(Percentages shown are based on Net Assets)

|  | Par<br>(000) | Value        |
|--|--------------|--------------|
| <b>Municipal Bonds</b>   |              |              |
| <b>Texas (concluded)</b>   |              |              |
| Harris County-Houston Sports Authority,<br>Refunding RB (NPFGC) (c)<br>(concluded):                              |              |              |
| CAB, Junior Lien, Series H,<br>5.96%, 11/15/39   | \$ 6,160     | \$ 1,121,921 |
| Third Lien, Series A-3, 5.97%,<br>11/15/38   | 16,890       | 3,273,113    |
| Mansfield ISD Texas, GO, School<br>Building (PSF-GTD), 5.00%, 2/15/33  | 2,980        | 3,366,625    |
| North Texas Tollway Authority,<br>Refunding RB, First Tier, System<br>(NPFGC), 5.75%, 1/01/40                    | 23,050       | 25,572,592   |
| North Texas Tollway Authority,<br>Refunding RB, First Tier, System, First<br>Tier, Series A, 6.00%, 1/01/28      | 625          | 724,506      |
| Texas State Turnpike Authority, RB, First<br>Tier, Series A (AMBAC), 5.00%,<br>8/15/42                           | 19,500       | 19,501,560   |
|  |              | 101,763,093  |
| <b>Washington 2.8%</b>   |              |              |
| Chelan County Public Utility District No.<br>1, RB, Chelan Hydro System, Series C<br>(AMBAC), 5.13%, 7/01/33 (b) | 3,655        | 3,669,912    |
| County of King Washington, Refunding<br>RB (AGM), 5.00%, 1/01/36   | 2,200        | 2,427,084    |
| Washington Health Care Facilities<br>Authority, RB:  |              |              |
| MultiCare Health Care, Series C<br>(AGC), 5.50%, 8/15/43   | 4,000        | 4,319,760    |
| Providence Health & Services,<br>Series A, 5.00%, 10/01/39   | 500          | 538,540      |
| Providence Health & Services,<br>Series A, 5.25%, 10/01/39   | 675          | 742,176      |
|  |              | 11,697,472   |
| <b>Wisconsin 1.1%</b>  |              |              |
| Wisconsin Health & Educational<br>Facilities Authority, RB:  |              |              |
| Ascension Health Senior Credit<br>Group, 5.00%, 11/15/33   | 1,500        | 1,649,610    |
| Froedtert & Community<br>Health, 5.25%, 4/01/39  | 2,500        | 2,735,125    |
|  |              | 4,384,735    |
| <b>Total Municipal Bonds 105.9%</b>  |              | 441,176,020  |

**Municipal Bonds Transferred to Tender Option Bond (TOB) Trusts (f)**

|  |       |           |
|--|-------|-----------|
| <b>Arizona 1.9%</b>  |       |           |
| Phoenix Arizona Civic Improvement<br>Corp., RB, Junior Lien, Series A, | 1,300 | 1,506,141 |

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5.00%, 7/01/34

|   | Par<br>(000) | Value        |
|---|--------------|--------------|
| <b>Municipal Bonds Transferred to Tender Option Bond (TOB) Trusts (f)</b>                                     |              |              |
| <b>Arizona (concluded)</b>  |              |              |
| Phoenix Civic Improvement Corp., RB,<br>Sub-Civic Plaza Expansion Project,<br>Series A, 5.00%, 7/01/37        | \$ 4,490     | \$ 4,769,323 |
| Salt River Project Agricultural<br>Improvement & Power District, RB,<br>Series A, 5.00%, 1/01/38              | 1,500        | 1,653,945    |
|   |              | 7,929,409    |
| <b>California 10.3%</b>   |              |              |
| California State University, RB,<br>Systemwide, Series A (AGM), 5.00%,<br>11/01/33                            | 3,379        | 3,658,379    |
| California State University, Refunding<br>RB, Systemwide, Series A (AGM),<br>5.00%, 11/01/32                  | 8,000        | 8,999,760    |
| Foothill-De Anza Community College<br>District, GO, Election of 1999, Series<br>C (NPFGC), 5.00%, 8/01/36     | 7,500        | 8,215,950    |
| Los Angeles Community College District<br>California, GO, Election of 2001,<br>Series A (AGM), 5.00%, 8/01/32 | 5,000        | 5,547,450    |
| San Diego Community College District<br>California, GO, Election of 2002,<br>5.25%, 8/01/33                   | 449          | 519,609      |
| San Diego County Water Authority, COP,<br>Refunding, Series 2008-A (AGM),<br>5.00%, 5/01/33                   | 4,870        | 5,352,763    |
| University of California, RB, Series C<br>(NPFGC), 4.75%, 5/15/37   | 10,000       | 10,431,900   |
|   |              | 42,725,811   |
| <b>District of Columbia 0.3%</b>  |              |              |
| District of Columbia, RB, Series A,<br>5.50%, 12/01/30  | 1,080        | 1,332,742    |
| <b>Florida 4.9%</b>   |              |              |
| City of Tallahassee Florida, RB (NPFGC):<br>5.00%, 10/01/32   | 3,000        | 3,215,550    |
| 5.00%, 10/01/37   | 5,000        | 5,354,250    |
| Florida State Board of Education, GO,<br>Series D, 5.00%, 6/01/37   | 2,999        | 3,367,935    |
| Highlands County Health Facilities<br>Authority, RB, Adventist, Series C,<br>5.25%, 11/15/36 (e)              | 1,800        | 1,907,532    |
| Orange County School Board, COP,<br>Series A (NPFGC), 5.00%, 8/01/30  | 6,000        | 6,541,320    |
|   |              | 20,386,587   |
| <b>Hawaii 2.6%</b>  |              |              |
| Honolulu City & County Board of Water<br>Supply, RB, Series A (NPFGC), 5.00%,<br>7/01/33 (b)                  | 10,000       | 10,964,400   |
| <b>Illinois 11.2%</b>   |              |              |
| City of Chicago Illinois, RB:<br>Project, Series A (AGC), 5.00%, 1/01/38                                      | 8,310        | 8,747,355    |
| Sale Tax Revenue, Series A,<br>5.00%, 1/01/41   | 3,870        | 4,269,423    |



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Schedule of Investments (continued)

**BlackRock Municipal Income Quality Trust (BYM)**  
(Percentages shown are based on Net Assets)

|  | Par<br>(000) | Value        |
|--|--------------|--------------|
| <b>Municipal Bonds Transferred to Tender Option Bond (TOB) Trusts (f)</b>  |              |              |
| <b>Illinois (concluded)</b>  |              |              |
| Illinois Finance Authority, RB, Carle Foundation, Series A (AGM), 6.00%, 8/15/41                                       | \$ 2,400     | \$ 2,734,704 |
| Illinois State Toll Highway Authority, RB, Series B, 5.50%, 1/01/33  | 4,499        | 4,937,609    |
| Metropolitan Pier & Exposition Authority, RB, McCormick Place Expansion Project, Series A (NPFGC), 5.00%, 12/15/28     | 24,010       | 24,318,048   |
| State of Illinois, RB, Build Illinois, Series B, 5.25%, 6/15/34  | 1,400        | 1,565,997    |
|  |              | 46,573,136   |
| <b>Massachusetts 3.4%</b>  |              |              |
| Massachusetts School Building Authority, Sales Tax RB, Series A (AGM), 5.00%, 8/15/30                                  | 12,987       | 14,361,722   |
| <b>Michigan 1.9%</b>   |              |              |
| Michigan Finance Authority, RB, Trinity Health, 5.00%, 12/01/39  | 7,300        | 7,926,340    |
| <b>Nevada 1.8%</b>   |              |              |
| City of Las Vegas Nevada, GO, Limited Tax, Performing Arts Center, 6.00%, 4/01/39                                      | 4,197        | 4,855,309    |
| Clark County Water Reclamation District, GO, Series B, 5.75%, 7/01/34  | 2,024        | 2,479,732    |
|  |              | 7,335,041    |
| <b>New York 4.4%</b>   |              |              |
| Erie County Industrial Development Agency, RB, City School District of Buffalo Project, Series A (AGM), 5.75%, 5/01/28 | 4,494        | 5,223,471    |
| Metropolitan Transportation Authority, RB, Series A (NPFGC), 5.00%, 11/15/31   | 7,002        | 7,822,773    |
| Triborough Bridge & Tunnel Authority, RB, General, Series A-2, 5.25%, 11/15/34   | 4,500        | 5,124,105    |
|  |              | 18,170,349   |
| <b>Ohio 0.2%</b>   |              |              |
| State of Ohio, RB, Cleveland Clinic Health, Series B, 5.50%, 1/01/34   | 620          | 696,595      |
| <b>Puerto Rico 1.3%</b>  |              |              |
| Puerto Rico Sales Tax Financing Corp., Sales Tax Refunding RB, Series C, 5.25%, 8/01/40                                | 2,500        | 5,620,512    |
| <b>South Carolina 0.2%</b>   |              |              |
| South Carolina State Public Service Authority, RB, Santee Cooper, Series A, 5.50%, 1/01/38                             | 600          | 688,992      |

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|  | Par<br>(000)        | Value          |
|--|---------------------|----------------|
| <b>Municipal Bonds Transferred to Tender Option Bond (TOB) Trusts (f)</b>                              |                     |                |
| <b>Texas 2.9%</b>  |                     |                |
| North East ISD Texas, GO, School Building (PSF-GTD):   |                     |                |
| 5.13%, 6/15/29   | \$ 9,500            | \$ 10,246,534  |
| Series A, 5.00%, 8/01/37   | 1,500               | 1,675,260      |
|  |                     | 11,921,794     |
| <b>Utah 1.3%</b>   |                     |                |
| Utah Transit Authority, RB, Series A (AGM), 5.00%, 6/15/36   |                     |                |
|  | 5,000               | 5,545,150      |
| <b>Virginia 0.1%</b>   |                     |                |
| Fairfax County IDA Virginia, Refunding RB, Health Care, Inova Health System, Series A, 5.50%, 5/15/35  |                     |                |
|  | 400                 | 450,560        |
| <b>Washington 0.9%</b>   |                     |                |
| Central Puget Sound Regional Transit Authority, RB, Series A (AGM), 5.00%, 11/01/32                    |                     |                |
|  | 3,494               | 3,947,178      |
| <b>Total Municipal Bonds Transferred to Tender Option Bond (TOB) Trusts 49.6%</b>                      |                     |                |
|  |                     | 206,576,318    |
| <b>Total Long-Term Investments (Cost \$593,335,467) 155.5%</b>   |                     |                |
|  |                     | 647,752,338    |
| <b>Short-Term Securities</b>   |                     |                |
| <b>New York 0.4%</b>   |                     |                |
| City of New York New York, GO, VRDN, Sub-Series A-6 (AGM, Dexia Credit Local SBPA), 0.35%, 6/01/12 (e) |                     |                |
|  | 1,700               | 1,700,000      |
| <b>Money Market 0.9%</b>   |                     |                |
| FFI Institutional Tax-Exempt Fund, 0.04% (g)(h)  |                     |                |
|  | Shares<br>3,632,537 | 3,632,537      |
| <b>Total Short-Term Securities (Cost \$5,332,537) 1.3%</b>   |                     |                |
|  |                     | 5,332,537      |
| <b>Total Investments (Cost - \$598,668,004*) 156.8%</b>  |                     |                |
|  |                     | 653,084,875    |
| <b>Other Assets Less Liabilities 0.4%</b>  |                     |                |
|  |                     | 1,920,641      |
| <b>Liability for TOB Trust Certificates, Including Interest Expense and Fees Payable (24.3)%</b>       |                     |                |
|  |                     | (101,303,115)  |
| <b>VMTP Shares, at Liquidation Value (32.9)%</b>   |                     |                |
|  |                     | (137,200,000)  |
| <b>Net Assets Applicable to Common Shares 100.0%</b>   |                     |                |
|  |                     | \$ 416,502,401 |

Schedule of Investments (continued)

BlackRock Municipal Income Quality Trust (BYM)

\* As of May 31, 2012, gross unrealized appreciation and gross unrealized depreciation based on cost for federal income tax purposes were as follows:

|                               |                |
|-------------------------------|----------------|
| Tax cost                      | \$ 497,396,262 |
| Gross unrealized appreciation | \$ 56,750,199  |
| Gross unrealized depreciation | (2,300,676)    |
| Net unrealized appreciation   | \$ 54,449,523  |

(a) When-issued security. Unsettled when-issued transactions were as follows:

| Counterparty         | Value        | Unrealized Appreciation |
|----------------------|--------------|-------------------------|
| Merrill Lynch Pierce | \$ 310,000   | \$ 2,542                |
| Merrill Lynch Pierce | \$ 1,386,734 | \$ 23,616               |
| BNY/Suntrust Capital | \$ 1,759,870 | \$ 39,870               |
| JPMorgan Securities  | \$ 1,532,154 | \$ 28,392               |

(b) US government securities, held in escrow, are used to pay interest on this security, as well as to retire the bond in full at the date indicated, typically at a premium to par.

(c) Represents a zero-coupon bond. Rate shown reflects the current yield as of report date.

(d) Represents a step-up bond that pays an initial coupon rate for the first period and then a higher coupon rate for the following periods. Rate shown is as of report date.

(e) Variable rate security. Rate shown is as of report date and maturity shown is the date the principal owed can be recovered through demand.

(f) Securities represent bonds transferred to a TOB in exchange for which the Trust acquired residual interest certificates. These securities serve as collateral in a financing transaction.

(g) Investments in companies considered to be an affiliate of the Trust during the period, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, as amended, were as follows:

| Affiliate                         | Shares Held at August 31, 2011 | Net Activity | Shares Held at May 31, 2012 | Income   |
|-----------------------------------|--------------------------------|--------------|-----------------------------|----------|
| FFI Institutional Tax-Exempt Fund | 5,821,237                      | (2,188,700)  | 3,632,537                   | \$ 1,332 |

(h) Represents the current yield as of report date.

Portfolio Abbreviations

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To simplify the listings of portfolio holdings in the Schedule of Investments, the names and descriptions of many of the securities have been abbreviated according to the following list:

|         |   |
|---------|---|
| AGC     | Assured Guaranty Corp.                  |
| AGM     | Assured Guaranty Municipal Corp.        |
| AMBAC   | American Municipal Bond Assurance Corp. |
| BHAC    | Berkshire Hathaway Assurance Corp.      |
| CAB     | Capital Appreciation Bonds              |
| COP     | Certificates of Participation           |
| EDA     | Economic Development Authority          |
| ERB     | Education Revenue Bonds                 |
| GO      | General Obligation Bonds                |
| IDA     | Industrial Development Authority        |
| ISD     | Independent School District             |
| NPFGC   | National Public Finance Guarantee Corp. |
| PSF-GTD | Permanent School Fund Guaranteed        |
| RB      | Revenue Bonds                           |
| SBPA    | Stand-by Bond Purchase Agreements       |
| VRDN    | Variable Rate Demand Notes              |

Financial futures contracts sold as of May 31, 2012 were as follows:

| Contracts | Issue                    | Exchange               | Expiration     | Notional Value  | Unrealized Depreciation |
|-----------|--------------------------|------------------------|----------------|-----------------|-------------------------|
| 120       | 10-Year US Treasury Note | Chicago Board of Trade | September 2012 | \$ (16,072,500) | \$ (140,853)            |

Fair Value Measurements - Various inputs are used in determining the fair value of investments and derivative financial instruments. These inputs are categorized into a disclosure hierarchy consisting of three broad levels for financial reporting purposes as follows:

Level 1 unadjusted price quotations in active markets/exchanges for identical assets and liabilities

Level 2 other observable inputs (including, but not limited to: quoted prices for similar assets or liabilities in markets that are active, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the assets or liabilities (such as interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks and default rates) or other market-corroborated inputs)

Level 3 unobservable inputs based on the best information available in the circumstances, to the extent observable inputs are not available (including the Trust's own assumptions used in determining the fair value of investments and derivative financial instruments)

Changes in valuation techniques may result in transfers into or out of an assigned level within the disclosure hierarchy. In accordance with the Trust's policy, transfers between different levels of the fair value disclosure hierarchy are deemed to have occurred as of the beginning of the reporting period. The categorization of a value determined for investments and derivative financial instruments is based on the pricing transparency of the investment and derivative financial instruments and is not necessarily an indication of the risks associated with investing in those securities. For information about the Trust's policy regarding valuation of investments and derivative financial instruments and other significant accounting policies, please refer to the Trust's most recent financial statements as contained in its semi-annual report.

The following tables summarize the inputs used as of May 31, 2012 in determining the fair valuation of the Trust's investments and derivative financial instruments:

| Valuation Inputs | Level 1 | Level 2        | Level 3 | Total          |
|------------------|---------|----------------|---------|----------------|
| <b>Assets:</b>   |         |                |         |                |
| Investments:     |         | \$ 647,752,338 |         | \$ 647,752,338 |



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|                                       |                     |                       |                       |
|---------------------------------------|---------------------|-----------------------|-----------------------|
| Long-Term<br>Investments <sup>1</sup> |                     |                       |                       |
| Short-Term<br>Securities              | \$ 3,632,537        | 1,700,000             | 5,332,537             |
| <b>Total</b>                          | <b>\$ 3,632,537</b> | <b>\$ 649,452,338</b> | <b>\$ 653,084,875</b> |

<sup>1</sup> See above Schedule of Investments for values in each state or political subdivision.

BLACKROCK MUNICIPAL INCOME QUALITY TRUST

MAY 31, 2012

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## Schedule of Investments (concluded)

## BlackRock Municipal Income Quality Trust (BYM)

| Valuation Inputs                              | Level 1      | Level 2 | Level 3 | Total        |
|---|--------------|---------|---------|--------------|
| Derivative Financial Instruments <sup>2</sup> |              |         |         |              |
| <b>Liabilities:</b>                           |              |         |         |              |
| Interest rate contracts                       | \$ (140,853) |         |         | \$ (140,853) |

<sup>2</sup> Derivative financial instruments are financial futures contracts, which are valued at the unrealized appreciation/depreciation on the instrument.

Certain of the Trust's assets and liabilities are held at carrying amount, which approximates fair value for financial reporting purposes. As of May 31, 2012, such assets and liabilities are categorized within the disclosure hierarchy as follows:

| Valuation Inputs   | Level 1    | Level 2          | Level 3 | Total            |
|--|------------|------------------|---------|------------------|
| <b>Assets:</b>   |            |                  |         |                  |
| Cash pledged as collateral for financial futures contracts | \$ 311,000 |                  |         | \$ 311,000       |
| <b>Liabilities:</b>  |            |                  |         |                  |
| TOB trust certificates                                     |            | \$ (101,239,090) |         | (101,239,090)    |
| VMTP Shares  |            | (137,200,000)    |         | (137,200,000)    |
| <b>Total</b>   | \$ 311,000 | \$ (238,439,690) |         | \$ (238,128,090) |

There were no transfers between levels during the period ended May 31, 2012.

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### Item 2 – Controls and Procedures

- 2(a) – The registrant’s principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant’s disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the “1940 Act”)) are effective as of a date within 90 days of the filing of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended.
- 2(b) – There were no changes in the registrant’s internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant’s last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the registrant’s internal control over financial reporting.

### Item 3 – Exhibits

Certifications – Attached hereto

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BlackRock Municipal Income Quality Trust

By: /s/ John M. Perlowski  
John M. Perlowski  
Chief Executive Officer (principal executive officer) of  
BlackRock Municipal Income Quality Trust

Date: July 25, 2012

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ John M. Perlowski  
John M. Perlowski  
Chief Executive Officer (principal executive officer) of  
BlackRock Municipal Income Quality Trust

Date: July 25, 2012

By: /s/ Neal J. Andrews  
Neal J. Andrews  
Chief Financial Officer (principal financial officer) of  
BlackRock Municipal Income Quality Trust

Date: July 25, 2012

