

July 17, 2020

VIA ELECTRONIC SUBMISSION

Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: File Number S7-07-20; Release IC-33845; Good Faith Determinations of Fair Value

Dear Ms. Countryman:

We are the independent Co-Chairs of the Boards of Directors/Trustees (the “**Board**”) of the registered closed-end and open-end investment companies that constitute the BlackRock Fixed-Income Complex, and submit this letter on behalf of all of the independent directors/trustees on the Board.¹ This letter responds to the request of the Securities and Exchange Commission (the “**Commission**”) for comment set out in Investment Company Act Release No. 33845, Good Faith Determinations of Fair Value (April 21, 2020).²

We commend the Commission for its efforts to develop a modernized and comprehensive approach to the fair value determination process, and believe that the Commission’s efforts ultimately will benefit investors. We appreciate in particular the Commission’s undertaking to provide additional clarity and guidance on the role of fund boards in overseeing fair value determinations.

While we are generally supportive of the Commission’s proposed rulemaking, we have reservations concerning certain of the requirements of proposed rule 2a-5 (the “**Proposed Rule**”) that would apply to boards that assign fair value responsibilities to an investment adviser. If adopted as currently proposed, the Proposed Rule would provide detailed specifications of the information that must be reported to a board and the frequency and timing of these reports,³ which we respectfully submit would be unduly limiting of the board’s business judgment. In our view, any rule setting out the requirements for board oversight of fair valuation should prescribe standards for such oversight rather than specify the details of reporting. This approach would

¹ The BlackRock Fixed-Income Complex consists of 72 registered closed-end investment companies and 15 registered, non-index fixed-income open-end investment companies, consisting of 111 investment portfolios, advised by BlackRock Advisors, LLC (“**BlackRock**”) or its affiliates. Other boards oversee certain other funds advised by BlackRock or its affiliates, which funds would also be impacted by the Proposed Rule (as defined below).

² Good Faith Determinations of Fair Value, Investment Company Act Release No. 33845, 85 Fed. Reg. 28734 (April 21, 2020), available at <https://www.sec.gov/rules/proposed/2020/ic-33845.pdf>.

³ See proposed rule 2a-5(b)(1)(i)-(ii).

provide fund boards the flexibility to tailor their processes to the specific funds they oversee, the nature of those funds' investments and specific pricing issues, and the sophistication and expertise of the funds' adviser. A framework that prescribes standards would also allow for the oversight process applicable to a particular fund or complex of funds to evolve over time as the relevant facts and circumstances change.

A rule that prescribes standards for board oversight could require a board to adopt policies and procedures reasonably designed (based on the relevant facts and circumstances applicable to the funds being overseen) to facilitate the board's oversight of the adviser's management of the fair value process. The rule could require that the board must adopt policies and procedures to address (1) the identification and mitigation of material conflicts of interest inherent in the fair valuation process, (2) the assessment and management of other material fair valuation risks, and (3) where relevant, reporting to the board on material systemic errors or breakdowns in the fair value process or other events that have a significant impact on net asset value ("NAV") accuracy, and their remediation. The rule could further require that the board must receive a written report, at least annually, on the effectiveness of these policies and procedures from the fund's chief compliance officer.

A framework for oversight such as the one described above would give fund boards the flexibility to determine the most useful mix of information that should be reported by the adviser, and the frequency of that reporting, in light of the particular circumstances of the fund or complex of funds being overseen, while enabling board members to satisfy themselves that fair valuations of fund holdings are appropriate and consistent with the framework for determining fair value that would be established by the Proposed Rule, if adopted as currently proposed.⁴

We respectfully submit that the detailed specification of reports in the Proposed Rule is not necessary to ensure that a board's oversight of the adviser's management of the fair value process is carried out effectively. For example, we do not believe that it would be useful to a board's oversight to be required on a quarterly basis to receive an assessment of material valuation risks, including any conflicts of interest, if there have been no material changes since the prior quarterly report.⁵ In our experience, these risks (including conflicts of interest) do not normally change from quarter-to-quarter. Similarly, the contents of quarterly board reports should be determined by the board in consultation with the adviser and customized as appropriate under the circumstances, rather than being based on a standardized template as proposed. In addition, we have concerns that the prescribed elements of board oversight of pricing services that would be required under the Proposed Rule would effectively move the board into the realm of micro-managing the adviser's use of pricing services, rather than board oversight.

We also respectfully submit that the "prompt" reporting requirement of the Proposed Rule is not necessary to ensure that fund boards are apprised of matters that materially affect the fair value of portfolio investments in a timely manner.⁶ Boards can always request more

⁴ See proposed rule 2a-5(a).

⁵ See proposed rule 2a-5(b)(1)(i)(A).

⁶ See proposed rule 2a-5(b)(1)(ii).

frequent reporting if deemed necessary, for example based on the particular circumstances of the funds they oversee, prevailing market conditions, or developments impacting a specific fund holding. Moreover, because any determination by the adviser as to whether to report a matter on an interim basis to the board would often be inherently subjective, a prompt reporting requirement has the potential to change the role of fund boards from one of independent oversight to one of active engagement in the day-to-day operations of the funds they oversee. In our view, this could be detrimental to effective fund governance.

Our Board's current process for overseeing valuations generally, and fair valuations in particular, is generally consistent with the proposed framework we have described above. We believe that our current process is effective, including from a management reporting and escalation standpoint. We do not believe that the funds we oversee would benefit from a different, more prescriptive set of reporting and oversight requirements in place of our current process. We currently receive comprehensive information regarding fair value determinations that facilitates our oversight of the adviser's management of the fair value process. We also periodically assess, with input from the adviser, whether enhancements to reporting should be made. The following are a few examples of the types and frequency of reporting to the Board under our current valuation process:

- (i) At least annually, we receive written information and a presentation detailing the funds' valuation framework, including any changes that have been made.
- (ii) We receive quarterly valuation reports, the contents and format of which have been developed based on our specific requests and feedback to the adviser.
- (iii) We receive information concerning NAV accuracy and pricing errors on a monthly basis.

We recognize that other fund boards may utilize different (and equally effective) approaches to oversight of fair valuation. We thus respectfully submit that the Proposed Rule should prescribe standards for board-adopted reporting requirements that would allow each fund board to determine, within the framework of those standards, the most appropriate approach for the specific fund or fund complex it oversees, so long as the approach furthers the investor protection goals underlying the Proposed Rule.

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We appreciate the opportunity to comment on the Commission's proposed rulemaking.

Very Truly Yours,

/s/ Richard E. Cavanagh
Richard E. Cavanagh
Co-Chair of the Board and
Independent Director/Trustee

/s/ Karen P. Robards
Karen P. Robards
Co-Chair of the Board and
Independent Director/Trustee

cc: The Honorable Jay Clayton, Chairman
The Honorable Allison Herren Lee, Commissioner
The Honorable Hester M. Peirce, Commissioner
The Honorable Elad L. Roisman, Commissioner

Dalia Blass, Director, Division of Investment Management

Woodrow W. Campbell, Jr., Debevoise & Plimpton LLP