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Vanessa Countryman, Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, D.C. 20549-0609

SEC Release No. IC-33845; File No. S7-07-20
Good Faith Determinations of Fair Value

Dear Madam Secretary:

We appreciate the opportunity to respond to the Securities and Exchange Commission's ("SEC" or "Commission") request for comments about its proposed rule, *Good Faith Determinations of Fair Value* (the "Proposal" or the "Proposed Rule"). We are supportive of the Commission's Proposed Rule to modify valuation practices and the role of the board of directors with respect to the fair value of the investments of a registered investment company or business development company. Our comments below pertain to certain aspects of the Proposal.

Rescission of prior Commission releases

We support the Proposal to rescind the prior guidance in Accounting Series Release 113 (ASR 113) and Accounting Series Release 118 (ASR 118). We believe the accounting and auditing guidance within these requirements are sufficiently addressed within U.S. GAAP and the auditing standards established by the Public Company Accounting Oversight Board ("PCAOB"). We believe this will simplify and reduce confusion around potentially contradictory requirements.

Consistency with PCAOB auditing standards

We recommend that the final rule avoid or acknowledge differences in the meaning of terms used in the final rule and the same terms used in PCAOB standards.

As acknowledged in the Proposal, the PCAOB has the authority to establish or adopt, among other things, professional standards, including audit and quality controls standards, to be used by registered public accounting firms in the preparation and issuance of audit reports. New PCAOB requirements for auditing estimates, including the fair value of financial instruments, and for the use of company or auditor specialists will take effect for audits of financial statements for fiscal years ending on or after December 15, 2020. These requirements are included in AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements*, and in Appendix C to AS 1201, *Supervision of the Audit Engagement* (when using the work of an auditor-employed specialist); and AS 1210, *Using the Work of an Auditor-Engaged Specialist*.

Appendix A of AS 2501 (Revised) provides specific requirements when auditing the fair value of financial instruments, primarily when pricing information is obtained from third parties. It applies when the auditor uses third-party pricing information to develop an independent expectation, as well as when the auditor evaluates third-party pricing information used by the company. Under AS 2501 (Revised), pricing services are organizations that routinely provide uniform pricing information to users, generally on a subscription basis.

The Proposal uses the term “pricing service” many times, but the definition is not entirely consistent with AS 2501 (Revised), which could be confusing to users. A related point can be observed in footnote 62, which describes a situation where a specialist and not a pricing service (using the language of PCAOB standards) is involved. We recommend consistency where possible, or clarification to acknowledge the different meanings of similar terms under proposed Rule 2a-5 and PCAOB standards.

Prompt board reporting

Proposed Rule 2a-5 would require an adviser to promptly report to a fund’s board in writing on matters associated with the adviser’s process that materially affect, or could have materially affected, the fair value of the assigned portfolio of investments, including a significant deficiency or a material weakness in the design or implementation of the adviser’s fair value determination process or material changes in the fund’s valuation risks. We believe there could be instances where an adviser initially concludes that there were no matters that materially affect or could have materially affected the fair value of the assigned portfolio of investments, but subsequently the adviser on its own or the fund’s independent accountant identifies a matter during the course of the financial statement audit that would meet the requirements to be reported to the fund’s board. We recommend that the Commission clarify whether the prompt trigger period would commence upon the independent accountant’s notification to the adviser or upon the completion of the adviser’s own evaluation.

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We appreciate the opportunity to respond to the request for comments on the Proposed Rule. If you have any questions regarding our comments or other information included in this letter, please do not hesitate to contact Michael Hall ((212) 872-5665 or mhhall@kpmg.com) or Timothy Jinks ((212) 954-7223 or tjinks@kpmg.com).

Very truly yours,

KPMG LLP