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

**Re: File Reference No. S7-07-20; Good Faith Determinations of Fair Value** (SEC Release No. IC-33845)

Dear Ms. Countryman:

Deloitte & Touche LLP is pleased to respond to the request for public comment from the Securities and Exchange Commission (the “Commission”) on the proposed rule, *Good Faith Determinations of Fair Value* (the “proposal”). We support the Commission’s efforts to codify and modernize certain staff guidance related to fund valuations.

We believe that the Commission’s proposal takes a sensible approach to addressing certain developments in accounting and auditing that are noted in the proposal. For example, we believe the proposal to require that either the board or the adviser establish a process to monitor and evaluate pricing services, if utilized, acknowledges the substantial role pricing services play in the valuation of investments and may help align management’s or the board’s responsibilities with the auditor’s responsibilities as required by recently issued PCAOB standards.<sup>1</sup>

There are a few areas in the proposal where we believe the Commission could consider providing more clarity around its expectations, including whether the codification is intended to change existing practices or interpretations. For example, the Commission has specifically asked whether the term “material” is sufficiently understood or if further guidance would be advisable regarding this term. The proposal uses the term “material” or some derivation of it frequently throughout the proposal, often in the context of how valuation risks, changes, or deviations in valuation processes and methodologies are identified and reported. Determining whether a matter is material is a subjective judgment which could be viewed differently by auditors, management and boards, both from a quantitative and a qualitative perspective. The Commission therefore may want to consider, based on input from effected stakeholders, whether another approach would provide more clarity to the board and its assignee, such as requiring them to develop a reporting policy based on their collective judgments on what is most relevant to successfully determining the fair values of the investment positions held.

The proposal contains other subjective descriptors that may result in different interpretations among different mutual funds and affected stakeholders, including but not limited to, those in the sentences

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<sup>1</sup> PCAOB AS 2501, *Auditing Accounting Estimates, Including Fair Value Measurements*

below (emphasis added). The Commission may wish to consider whether it could clarify its expectations on board responsibilities relative to such sentences.

- The board must inquire and take *reasonable* steps if it learns of material matters.
- It is incumbent on the board to request and review such information as may be necessary to be *fully* informed of the adviser's process for determining the fair value of fund investments.

The proposal would explicitly permit assigning valuation functions to an investment adviser of the fund, with active board oversight. We have observed that officers of funds often perform or have responsibilities relating to valuations and that such officers are not always employees of the investment adviser. For that reason, the Commission may wish to considering expanding those to whom the board can assign valuation functions explicitly to include such officers.

Finally, the proposal would rely on the concepts established by the FASB's ASC Topic 820<sup>2</sup> when evaluating whether market quotations are "readily available." We note that there are some investment types for which the decision on whether market quotations are readily determinable under ASC 820 is subjective. Those include but are not limited to certain private investment funds. The Commission may wish to consider whether the potential diversity in practice that may result is consistent with its intent.

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We appreciate the opportunity to provide our perspectives on the current proposal. If you have any questions or would like to discuss our views further, please contact Rajan Chari at [REDACTED] or Ryan Moore at [REDACTED]

Sincerely,

*Deloitte & Touche LLP*

Deloitte & Touche LLP

cc: Jay Clayton, Chair  
Hester Peirce, Commissioner  
Elad Roisman, Commissioner  
Allison Herren Lee, Commissioner  
Dalia Blass, Director, Division of Investment Management  
Sagar Teotia, Chief Accountant

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<sup>2</sup> FASB Accounting Standards Codification Topic 820, *Fair Value Measurement*.