



TOPICS:

Asset Management

SOURCE:

International Organization of Securities Commissions

IOSCO Publishes Final Report on Valuing Collective Investment Schemes, Strengthening Global Standards for Fund Valuation

- These recommendations update and replace its 2007 Hedge Fund and 2013 CIS valuation principles to reflect **evolving market practices**, increased investment in private and illiquid assets and lessons learned from recent periods of market stress. The recommendations apply primarily to public open-ended funds, including ETFs, but exclude money market funds.
- The report aims to strengthen investor protection, market integrity and financial stability by promoting **fair, consistent, and transparent valuation practices**. It establishes a framework of 13 recommendations covering governance, valuation methodologies, conflicts of interest, third-party valuation providers, pricing errors, disclosure, timely valuation and recordkeeping.
- A **key focus is on governance and oversight**. Fund managers and responsible entities are expected to maintain comprehensive valuation policies,

ensure appropriate independence in valuation processes and establish oversight arrangements capable of functioning effectively during stressed market conditions. The recommendations also require firms to identify, monitor and mitigate valuation-related conflicts of interest.

- The report emphasizes that assets should be valued at **fair value** using reliable methodologies and observable market inputs whenever possible. Additional guidance is provided on **model validation, back-testing, third-party valuation services**, handling stale or inaccurate valuations and maintaining adequate records.

