

**MEMO# 27264**

June 4, 2013

## **Draft Letter to SEC Staff on the Potential for Valuation Guidance**

[27264]

June 4, 2013

TO: ACCOUNTING/TREASURERS COMMITTEE No. 16-13  
END OF DAY PRICING FORUM No. 3-13  
SEC RULES COMMITTEE No. 24-13  
SMALL FUNDS COMMITTEE No. 11-13 RE: DRAFT LETTER TO SEC STAFF ON THE POTENTIAL FOR VALUATION GUIDANCE

As you know, the issuance of valuation guidance is one of the top priorities for the SEC's Division of Investment Management and its Director, Norm Champ. At the ICI's 2013 Mutual Funds and Investment Management Conference, Mr. Champ invited industry participants to share their thoughts with Division staff about specific issues that fund firms would like the staff to consider as they draft that guidance.

At Mr. Champ's request, ICI staff met with SEC staff on April 16, 2013 to discuss this topic. We understand that this was one of a series of meetings SEC staff has conducted with various stakeholders, including fund directors, auditors, valuation services, and outside counsel.

We were encouraged to follow up on the constructive dialogue from the meeting with a letter, a draft of which is attached and briefly summarized below. [\[1\]](#)

At the outset, we commend Mr. Champ for the staff's outreach efforts in the early stages of drafting potential guidance and we express strong support for the idea that any Commission guidance on valuation should first be proposed, giving the public an opportunity to comment.

The body of the letter has two main parts. The first part makes general comments, most importantly that for a number of reasons we are not convinced that a comprehensive Commission release on fund valuation is necessary at this time. To the extent that the staff decides to recommend that the Commission propose valuation guidance, we urge the staff to ensure that it is both prospective and principles-based.

Recognizing that the staff's consideration of potential valuation guidance is a high priority, the second part of the draft letter addresses several topics that were discussed during our

meeting, including the pricing of fixed income securities and the use of pricing vendors, the pricing of foreign equity securities and fair value adjustments for “significant events,” potential distinctions among types of fair valuations, the use and composition of valuation committees, and certain guidance for auditors.

We intend to finalize and submit the letter in mid-June. Accordingly, please provide comments to me at [rcg@ici.org](mailto:rcg@ici.org) or 202/371-5430 no later than Wednesday, June 12.

Robert C. Grohowski  
Senior Counsel  
Securities Regulation - Investment Companies

[Attachment](#)

**endnotes**

[1] The Independent Directors Council similarly met with the staff and has followed up with its own letter, focusing on the role of the board in the valuation process.

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