

MEMO# 33151

March 3, 2021

SEC FAQ on Rescission of Auditing Guidance in ASR 118

[33151]

March 3, 2021 TO: ICI Members

Investment Company Directors

Accounting/Treasurers Committee

Security Valuation Operations Committee SUBJECTS: Audit and Attest

Audit Committees

Fund Accounting & Financial Reporting RE: SEC FAQ on Rescission of Auditing Guidance in ASR 118

The staff of the Division of Investment Management recently released an FAQ relating to the adoption of rule 2a-5 under the Investment Company Act of 1940.^[1] As part of the adoption of new rule 2a-5 the Commission stated that it would withdraw certain guidance, including ASR 118, eighteen months following the effective date of the new rule. ASR 118 includes guidance directed to auditors on appropriate methods for auditing the valuation of fund securities. That guidance is being rescinded enabling auditors to rely on audit standards prescribed by the Public Company Accounting Oversight Board.

The FAQ indicates that the staff would not object if an auditor chooses to stop looking to the auditing guidance contained in ASR 118 and instead determines the appropriate audit approach by following only the relevant PCAOB auditing standards any time after March 8, 2021, the effective date of the release withdrawing the prior auditing guidance. The FAQ indicates that this would include fiscal periods ending on or after March 31, 2021.

Gregory M. Smith

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endnotes

^[1] Valuation Frequently Asked Questions (March 1, 2021) *available at* <https://www.sec.gov/investment/valuation-faq>.

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