

**MEMO# 33960**

December 16, 2021

## **New ICI Report: "Fund Valuation Under the SEC's New Fair Value Rule"**

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TO: ICI Members

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Valuation RE: New ICI Report: "Fund Valuation Under the SEC's New Fair Value Rule"

Last December, the SEC adopted new Rule 2a-5 under the Investment Company Act, which addresses the fair valuation responsibilities of funds and their boards and advisers, along with a companion recordkeeping rule.[\[1\]](#) The final rules reflect the SEC's belief that "to determine the fair value of fund investments in good faith requires a certain minimum, consistent framework for fair value and standard of baseline practices across funds... ." In the adopting release, the SEC also rescinded prior SEC and staff guidance on fair valuation. The rules—with which funds must comply by September 8, 2022—represent the most significant regulatory development affecting funds' fair value practices in 50 years.

Given the importance of the new rules and fund valuation generally, we have prepared this report (linked below) to examine fund valuation practices. In it, we discuss or describe:

- The range of funds' portfolio investments and how they are valued;
- The key parties that contribute to fund valuation; and
- The core requirements of Rule 2a-5 and how they compare to current industry practices.

The appendix summarizes the legal requirements and accounting standards that govern and shape fund valuation.

We believe this report will be helpful to funds, advisers, and boards as they implement the new rules. We also believe the report makes clear the rigor with which fund advisers, boards, and key third-party service providers carry out their work.

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#### **endnotes**

[1] Good Faith Determinations of Fair Value, SEC Release No. IC-34128, Dec. 3, 2020, available at: [www.sec.gov/rules/final/2020/ic-34128.pdf](http://www.sec.gov/rules/final/2020/ic-34128.pdf).

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