

SEC's New Framework Proposal for Fund Valuation Practices

The Securities and Exchange Commission (SEC) has proposed a new rule to modernize fund valuation practices. The rule clarifies how fund boards can satisfy their valuation obligations, and, according to SEC Chairman Jay Clayton, “would improve valuation practices, including oversight, thereby protecting investors”.

The proposed rule would:

- I. establish requirements for determining the fair value of a fund's investments;
- II. permit a fund's board to assign the determination of fair value to the fund's investment advisor, subject to additional conditions and oversight requirements, which include:
 - Periodically assess and manage risks associated with fair value determination, including conflicts of interest;
 - Selecting, applying and testing fair value methodologies; and
 - Overseeing and evaluating any outside third-party valuation firms utilized.

The proposal will be open for comments until July 21, 2020. To read the SEC's press release, please [click here](#).

Due to heightened regulator scrutiny, best practice continues to be using a third-party valuation provider. Regulators regularly question fund's valuation methods during exams and look for inconsistencies in how values are assigned. Houlihan Capital is here to help your fund follow best practice guidelines should you have any valuation needs. As an independent valuation firm, we pride ourselves in providing senior-level, superior quality client service, while being competitively priced at the same time. Our levels of valuation services range from a full bottoms-up valuation to providing a positive assurance review to your or your investment advisor's internal valuation. We can also assist with reviewing or drafting your valuation policy.

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For more information and valuation assistance, please contact:

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