

The SEC's Division of Examinations Announces 2023 Exam Priorities

The Division of Examinations continues to prioritize Fair Valuation Rule 2a-5 compliance after its adoption in December of 2020.

The SEC's Division of Examinations (the "DOE") has announced its 2023 examination priorities. The annual report provides insights into the Division's risk-based approach, including the areas it believes present potential risks to investors and the integrity of U.S. capital markets.

Valuation was discussed in the following sections:

Investment Company Act Fair Valuation Rule 2a-5

The Division will, among other things:

1. assess funds' and fund boards' compliance with the new requirements for determining fair value, implementing board oversight duties, setting recordkeeping and reporting requirements, and permitting the funds' board to designate valuation designees to perform fair value determinations subject to oversight by the board; and
2. review whether adjustments have been made to valuation methodologies, compliance policies and procedures, governance practices, service provider oversight, and/or reporting and recordkeeping.¹

RIAs to Private Funds and Focus Areas for Examinations of RIAs.

Among other things regarding private funds, the Division will focus on the impact of valuation practices at private equity funds. The Division will also focus on RIA's operations and compliance practices such that they appropriately consider current market factors that may impact valuation and RIA regulatory filings.

The DOE continues to prioritize Fair Valuation Rule 2a-5 compliance after its adoption in December of 2020. To manage compliance risk, it is important that a fund's board or valuation designee continues to assess and manage material risks associated with fair value determinations; select, apply, and test fair value methodologies, as well as report fair valuations periodically and promptly.²

How Houlihan Capital Can Help

Houlihan Capital can help with the valuation process, including reviewing your valuation policy and with the process of determining fair value of your illiquid investments. The firm has extensive experience in providing objective, independent and defensible opinions of value that meet accounting and regulatory requirements. Houlihan Capital is SOC-compliant, a Financial Industry Regulatory Authority (FINRA) and SIPC member and committed to the highest levels of professional ethics and standards.

For questions or valuation assistance, please contact:

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¹ [2023 Examination Priorities Report \(sec.gov\)](#)

² [SEC.gov | SEC Modernizes Framework for Fund Valuation Practices](#)