

## IOSCO Publishes Its Final Report on the Valuation of Collective Investment Schemes

June 4, 2026



By Michael Newell  
Partner | Financial Services

The International Organization of Securities Commissions (“IOSCO”) has now published its final report, Recommendations on Valuing Collective Investment Scheme (“CIS”) (the “Recommendations”), which updates and merges previous principles published in 2007 (valuation of hedge fund portfolios) and 2013 (Valuation of Collective Investment Schemes). The Recommendations apply to registered/authorised open-ended funds available to retail investors as mutual funds, including those investing in less liquid, illiquid and hedge funds-like strategies. Unauthorised, non-retail funds and money market funds are out of scope.

IOSCO specifically states that the recommendations are not intended to become good practice for such funds or for such funds to implement them or be assessed against them. The Recommendations are intended to provide a globally relevant framework with the aim of promoting consistent valuation approaches across jurisdictions. They have been updated to reflect recent developments in the market such as the increase in CIS holding less liquid and illiquid assets and lessons learned from periods of market stress and volatility.

The Recommendations are:

- **Recommendation 1:** The responsible entity should establish comprehensive, documented policies and procedures to govern the valuation of fund assets and ensure an appropriate level of independence in the valuation processes. IOSCO notes that there are substantive changes relating to the addition of effective and independent oversight arrangement of the valuation function and enhanced requirements on governance arrangements under stressed market conditions.
- **Recommendation 2:** The responsible entity should seek to identify, document, monitor and appropriately manage potential conflicts of interest in the valuation process. Where material conflicts of interest cannot be effectively managed or mitigated, the responsible entity should provide appropriate disclosure in accordance with applicable laws and regulations. IOSCO notes that the main changes related to the disclosure of material conflicts of interest that cannot be effectively managed or mitigated.
- **Recommendation 3:** The policies and procedures should identify appropriate methodologies that will be used for valuing each type of asset held. The responsible entity should ensure all fund assets are valued at fair value. IOSCO notes that guidance has been enhanced relating to to value fund assets at fair value in line with applicable fund regulations and accounting standards, including elaboration of guidance on back testing and calibration in the valuation process.
- **Recommendation 4:** The policies and procedures should describe the process for handling and documenting price overrides, including appropriate and proportionate oversight of price overrides.
- **Recommendation 5:** The assets held or employed by a fund should be consistently valued according to the policies and procedures.
- **Recommendation 6:** The responsible entity should provide for the periodic review of the valuation policies and procedures to ensure their continued appropriateness and effective implementation. The fund’s valuation policies and procedures should be reviewed at least annually.
- **Recommendation 7:** The responsible entity should conduct initial and periodic due diligence on third party valuation service providers that are appointed to perform valuation services. The process for the use of third party valuation service providers should be properly documented in the fund’s valuation policies and procedures. IOSCO notes that there are significant new provisions relating to circumstances when third party valuation service providers are used.

- **Recommendation 8:** The subscription and redemption of an open-ended fund's units generally should be effected at NAV based on forward pricing.
- **Recommendation 9:** A fund should be valued on any day that units are subscribed or redeemed, and the responsible entity should ensure that valuations are not stale or inaccurate. Substantive addition of process to address stale or inaccurate valuations.
- **Recommendation 10:** The fund's NAV should be available to investors at no fee.
- **Recommendation 11:** The responsible entity should seek to ensure that arrangements in place for the valuation of the assets in the portfolio and other relevant information are disclosed appropriately to investors in the fund's offering documents or otherwise made transparent to investors.
- **Recommendation 12:** A responsible entity should have policies and procedures in place that seek to detect, prevent, and correct pricing errors. Pricing errors that result in a material harm to open-ended fund investors should be addressed promptly, and investors fully compensated. IOSCO notes that guidance on pricing errors and rectification has been enhanced.
- **Recommendation 13:** The responsible entity should maintain appropriate documentation to demonstrate compliance with their valuation obligations.