

Brussels, 2 February 2026

EFAMA's response to IOSCO Consultation report on Valuing Collective Investment Schemes (CIS)¹

General questions

Q1: Do you agree that the 2013 CIS Principles and the 2007 Hedge Fund Principles should be merged into a combined set of Recommendations?

EFAMA do not believe that two separate sets of Principles need to be maintained and supports them being merged under the proposed, combined set of Recommendations. In general, the proposed Recommendations follow the existing Principles and present a reasonable set to secure healthy governance of valuation processes, irrespective of the type of fund and assets it invests in.

A similar regulatory approach should apply across several regions and jurisdictions, recognising to the extent possible regional and jurisdictional definitions.

Q2: Do you agree with the scope of the Recommendations to focus on registered / authorized / public OEFs and is it sufficiently clear?

EFAMA agrees with the scope of the Recommendations being limited to registered / authorised / public OEFs.

We would like to draw IOSCO's attention to the need to ensure, insofar as possible, a common regulatory approach globally. Therefore Recommendations should in principle apply to the same scope of funds irrespective of the jurisdiction, and greater consistency would be beneficial when providing examples of funds present across different regions. Referring specifically to additional clarifications in footnote 11 on unregistered / unauthorised / non-public funds, we believe that, for clarity's sake, EU AIFs that would be similar to the US hedge funds and private funds should explicitly also be mentioned as excluded from the scope. EU AIFs can have a closed-ended structure, and they should also be noted under footnote 12.

¹ IOSCO, [Valuing Collective Investment Schemes \(CIS\). Consultation Report](#), CR/05/2025, November 2025 (Report).

Referring specifically to the clarity of the proposed terms, the relationship between the three criteria: registered / authorised / public remains not entirely clear. Should they apply cumulatively, or would a registered or authorised but non-public fund also be in scope? Moreover, additional clarity would be appreciated with regard to the understanding of the “public” criterion.

Q3: Do you agree with the proposed scope of registered / authorized / public OEFs? Similarly, should there be any changes to the scope of Other Funds?

Please see our response to Question no. 2 above.

Q4: In order to facilitate flexible implementation, do you agree that the Recommendations should only serve as good practices (please refer to footnote 14 above) to Other Funds?

EFAMA agrees with the proposed approach to Other Funds. In the EU, closed-ended AIFs are covered by the rules of AIFMD, which provide a principles-based approach that works well for CEFs.

Q5: Do you agree that MMFs should be out of scope?

EFAMA agrees with the approach to leave MMFs out of the scope of these Recommendations, as more specific IOSCO Policy Recommendations already apply to MMFs since October 2012. These were furthermore supplemented by IOSCO’s post-Covid-19 thematic review completed in November 2020. Moreover, the EU Money Market Fund Regulation (MMFR), applicable since 2019 to MMFs authorised in the EU, identifies specific valuation methods for MMFs, in light of their type and the short-term nature of their underlying assets.

Q6: Should ETFs be in or out of scope? Should only certain types of ETFs be included, such as ETFs that transact primarily on a cash basis but not in-kind ETFs? Are there any specific Recommendations that are not applicable to ETFs? Should the Recommendations only apply as good practices to ETFs, to allow sufficient flexibility given the distinct characteristics of ETFs?

EFAMA strongly supports ETFs being included in the scope of these Recommendations, regardless of their settlement modalities (cash vs. in-kind) on the primary market. Apart from the arguments in favour of this approach outlined in paragraph 23 of the Report, EFAMA would like to highlight the following elements.

From a legal and regulatory perspective, ETFs are collective investment schemes. This is universal across different jurisdictions, regardless of whether their shares are listed on a stock exchange or traded over-the-counter (OTC) at net asset value (NAV). Also from an EU regulatory standpoint, ETFs are treated in the same way as other (non exchange-traded) funds by falling within the tight confines of the UCITS regulatory framework. As such, they therefore fall under the same rules, including on valuation, as other non exchange-traded funds, and therefore there would not be a reasons to warrant a different approach.

In relation to some ETF specificities, in particular differences between a primary and secondary market. In this regard, what matters in terms of ETF valuation is not so much whether primary market transactions between an AP and an ETF issue are in-kind vs. cash based, but whether APs/MMs are able to calculate

the NAV regularly thereby accurately pricing the ETF shares and maintaining their value aligned with the ETF's portfolio or index.

Moreover, with reference to BOX I (in paragraph. 75) of the consultation report, it is stated that: *Where the shares of underlying funds are listed and actively traded (e.g. ETFs or listed closed-ended funds), the last available market price is normally used for fund valuation.* We observe in this regard that in reality it is the official NAV (as calculated by the ETF provider) that is and should be the primary reference point and not the last available market price. The latter could be relied upon in case the official NAV is not yet available, completely unavailable, or investors prefer to value using market price within their portfolios. These considerations are important as there are instances where investors – including e.g. funds-of-funds investing in ETFs – are obliged to value their ETF holdings at the market closing price on which the ETF shares are traded. Particularly for ETFs tracking non-European securities, (potentially with several underlyings trading between different jurisdictions and time zones), valuing these at market close *de facto* exposes investors to tracking error. Additionally, some ETFs may not trade regularly throughout the day and thus the last traded price may be stale and not reflective of the fair value of that particular ETF on any given day.

Policies and governance

Q7: Have the key elements of documented policies and procedures been captured?

In general, key elements have been captured. We would, however, point to the need for clear recognition of a risk-based approach to policies and procedures established by responsible entities. This would allow managers to tailor these elements to funds' underlying assets, operational set-up etc. Without it the list proposed in paragraph 34 risks creating a tick-the-box exercise, where due consideration of actual needs and best approach is necessary.

We would also question the language around the role of the board with regard to carrying valuation functions. As oversight bodies, the boards do not possess operational capacity, including dedicated staff and technical resources to perform these functions. Their role should be clearly limited to oversight.

Q8: Do you agree that a valuation committee or equivalent arrangements may be helpful?

EFAMA agrees that the existence of a valuation committee or equivalent arrangements may be helpful. What remains critical is that a sufficient level of flexibility is left to the market participants. The desired outcome of accurate, robust and independent valuations should guide market participants in choosing the best solution tailored to the needs of their organisation. For some managers, a dedicated valuation committee might be the best solution, while for others, "equivalent arrangements" may prove to better serve the purpose. The reasons for that might be connected to the size of the company, an existing group structure or specific needs connected to the asset classes. Therefore, maintaining this flexibility is crucial.

Q9: Have the key features for the structure and responsibilities of a valuation committee or equivalent been accurately described? If not, what changes or additions should be included? Are there any other good practice examples for a valuation committee that would be useful to include?

In general, EFAMA believes that the structure and responsibilities of a valuation committee were accurately described.

We would, however, note the need to recognise a possible reliance on group-level arrangements. It is common for asset managers to operate within multinational groups and, provided that valuation frameworks meet all the necessary criteria, they should be allowed to leverage that expertise among different entities being part of the group.

Q10: Do you agree with the proposed approach to stressed market conditions and exceptional circumstances?

EFAMA agrees with the proposed approach, and we see these measures as largely consistent with best practices applied by market participants. Governance frameworks should be designed to function effectively during both normal and stressed market conditions. It is important that valuation committees or equivalent arrangements are entrusted with the ability to convene as needed during periods of market stress and to make timely decisions to ensure valuations remain fair and accurate.

At the same time, we note the lack of proper recognition of liquidity management tools (LMTs) as the crucial mechanism to address stressed market conditions and exceptional circumstances. The recent AIFMD and UCITS review² introduced a set of LMTs available to asset managers, with an obligation to choose at least two for each fund (one for MMFs). These mechanisms were designed precisely to manage any liquidity risks, including those observed under stressed market conditions, and to ensure fair treatment of investors. Following the implementation of this new framework, funds will have in place the necessary procedures and operational capacities to activate selected tools if the circumstances so require. As such, they should be recognised as the primary mechanism for responding to stressed market conditions and exceptional circumstances before any changes to valuation principles are made.

Among those LMTs, suspensions of subscriptions, redemptions, and repurchases (mentioned in paragraph 49) represent a last-resort measure. Its activation requires careful consideration due to its far-reaching consequences, which can damage the relationship with investors and possibly threaten the fund's long-term survival. Therefore, the proper recognition of all other mechanisms that can help avoid such an outcome is necessary.

Q11: Are there any other good practices or examples of governance practices under stressed market conditions that would be useful to include?

Please see our response to Question no. 10.

Conflicts of interest

Q12: Do you agree with the overall framework that conflicts of interest should be identified and documented, and conflicts of interest that cannot be avoided are to be mitigated, managed and monitored, and disclosed?

² Directive (EU) 2024/927 of the European Parliament and of the Council of 13 March 2024 amending Directives 2011/61/EU and 2009/65/EC as regards delegation arrangements, liquidity risk management, supervisory reporting, the provision of depositary and custody services and loan origination by alternative investment funds (Text with EEA relevance) (Amending Directive 2024/927).

EFAMA agrees in general with the proposed framework. One caveat that we would make refers to the proposed full public disclosure of residual conflicts of interest to investors. As it might also contain sensitive information that should not be broadly and publicly disclosed (especially to competitors), we would suggest that full information be made available to the supervisor only. When it comes, however, to public disclosure, the responsible entity should be able to limit the scope of information as necessary.

Q13: Do you agree with the list of conflicts and mitigations?

EFAMA agrees in general with the proposed approach. A sound regulatory framework is already in place in the EU, both for UCITS and AIFs, which includes a list of checks, to address effectively conflicts of interest regarding funds' valuations. In relation to the possible mitigating actions referred to in the consultation paper under paragraph 54, we would caution against interpreting any single mitigant as a mandatory or exclusive control, as valuation approaches should instead be determined on a proportionate basis, taking into account the market structure, complexity, and liquidity of the underlying assets, *inter alia*.

We also believe that it would be helpful for the Recommendations to acknowledge that governance structures may vary between different jurisdictions as well as among companies, which does not preclude ensuring independence of the valuation function.

Methodology

Q14: Do you agree with the guidance set out in relation to fair value, methodology selection and use of amortised cost?

Yes, EFAMA broadly agrees with the Recommendations put forward.

That being said, we believe that an expectation of “*a review of the entire valuation report to determine whether the valuation derived from it is appropriate*”, as mentioned under paragraph 73, is excessive. The extent of due diligence and re-evaluation, if any, should be determined based on the risk-based approach. This will help avoid it becoming an additional compliance burden without real added value.

With regard to the examples provided in Box 1, we would like to reiterate our previous messages on ETFs. Regarding ETFs' valuation, the official NAV (as calculated by the respective index provider) should be used in the first place, and only in cases where this is incorrect or not available, the manager could turn to the last available market price. As the NAV is calculated every day, whether there are transactions or not, it remains the price reference for the fund. The NAV still represents a negotiable price to date, which can be very different from the last available price, as the latter does not necessarily reflect market activity across different time zones in the case of global indices.

Paragraph 59 of the Report notes that rules and guidance for determining the fair value may differ between jurisdictions. We would encourage examples under footnotes no. 16, 26 and 27 of the Report to equally refer to best practices across jurisdictions, including accounting standards such as the IFRS 13, the US GAAP, as well as other national GAAPs.

We agree that the indicators identified by IOSCO are useful factors to consider when assessing whether a market may be inactive, particularly for less liquid assets. That said, indicators such as wider bid-ask spreads, lower transaction volumes, or higher liquidity premia can also be present in markets that continue to function in an orderly way. For example, wider bid-ask spreads may simply reflect that market participants are factoring in higher volatility, uncertainty, or hedging costs, while still providing firm, executable prices and continuing to trade within those ranges.

Such indicators should not, on their own, lead to a conclusion that a market is inactive or that observable prices should automatically be replaced with model-based valuations. Instead, their presence should prompt further scrutiny and analysis, including other available pricing information and its corroboration across valuation sources.

EFAMA supports IOSCO's objective that valuation models be subject to effective independent oversight, and agree that appropriate governance, challenge, and documentation are critical to achieving reliable valuation outcomes, particularly for illiquid assets or models involving significant judgement. However, this objective should be applied on a proportionate, outcomes-based basis, recognising that strict organisational separation between model development and validation may not always be practicable, and that independence can be achieved through alternative safeguards such as oversight by a valuation committee or senior management body, second-line review by risk or compliance functions, or the use of third-party valuation opinions.

In relation to external valuation providers, while scrutiny of reliance on manager-provided information is appropriate, for private or bespoke assets, such reliance is often unavoidable due to the absence of independent data sources. In such cases, effective governance should focus on the review of key assumptions, methodologies and sensitivities, rather than an expectation that external valuers replicate the investment manager's informational advantage.

Q15: Do you agree that back testing and calibration can be important tools to test the appropriateness and accuracy of fair value methods and processes?

Yes, EFAMA broadly agrees with the Recommendations put forward. We would nevertheless caveat the application of back testing methods in particular for private assets. In this regard, it is unusual for comparable assets to be available to base back testing on and often the only available back testing is the realisation of the actual asset. The assets are moreover long term in nature, with infrequent realisation events. Lastly, back testing should be performed at a portfolio level, verifying the integrity of the methodologies, rather than on an asset-by-asset basis.

Q16: What other tools should be highlighted in this report that responsible entities could use to review their valuation methodologies?

We do not believe further tools are necessary, but we would like to refer to our response to Q14.

Q17: Are there any other good practice examples, including in applying fair value adjustments that would be useful to include here?

We do not believe further tools are necessary, but we would like to refer to our response to Q14.

Q18: Are there any other considerations for pricing overrides?

The consultation suggests that repeated overrides should trigger a review of the policies and procedures. While this can be a valuable prompt, repeated overrides might not always point to a failure in the policies

and procedures, especially in stressed market conditions. Overrides in such instances would prove that the governance structure is being appropriately followed, rather than signal a deficient policy.

Consistent application and periodic review

Q19: Are there any other considerations for consistent application of valuation policies and procedures?

We have no further considerations to add.

Q20: Are there any other key considerations for periodic review of valuation policies and procedures that should be addressed?

In general, EFAMA supports the considerations put forward.

We would, however, note that the periodic scrutiny of the valuation process by a third party, as mentioned in paragraph 93, might not always be relevant. Its application should be subject to the risk-based approach that would allow for the analysis of whether the complexity and scale of valuation activity warrant such an additional element. If not, requiring it in each case would create additional cost and burden for the responsible entity, without much added value.

Use of third party valuation service providers

Q21: Do you agree with the overall framework for the use of third party valuation service providers, including specifying the use of third party valuation service providers in the valuation policies and procedures, undertaking due diligence and exercising appropriate oversight?

EFAMA, in general, supports the approach proposed for the use of third-party valuation service providers. At the same time, we would like to highlight two instances which can have an impact on the extent to which a responsible entity will be able to apply full-fledged due diligence:

1. If the third party makes use of sub-providers to support its services, the responsible entity should not be obliged to carry out due diligence on those sub-providers, and such responsibility should lie with its direct contractor.
2. As some third-party valuation service providers may show reluctance to provide full transparency on their operations, the proposed Recommendations could incentivise them to do so by putting the responsibility on them, if the full due diligence cannot be conducted.

We would also like to take this question as an opportunity to reflect on the understanding of less liquid and illiquid assets presented in the proposed Recommendations. In paragraph 95, it is mentioned that “*Valuation can be especially challenging for less liquid and illiquid assets (...)*” which corresponds with the definition of illiquid assets, citing the “*difficulty*” of such assets being sold. We believe that language used around the notion of illiquid assets should be revised to avoid subjective terms and unnecessarily overstating difficulties in areas which are well-known to the market participants and operate on well-established, international principles. The valuation of illiquid or less liquid assets needs to be tailored to the specificities of those underlying assets, and if done properly, would not create any specific challenges. Similarly, the selling of illiquid assets may take time, but would not necessarily be difficult to do. We believe it is important that the proposed Recommendations reflect this reality and do not create a more negative

narrative for one segment of the market over the other. We would therefore propose to delete the adjective “difficult” from the definition of “Illiquid Assets” in the Terminology section of the consultation report, and replace it with “usually”. As a result the definition would read: “Illiquid assets – Assets including those for which there is little or no secondary market trading and buying and selling assets is usually time consuming (i.e. weeks or months, not days) even in normal market conditions. Individual transactions of “illiquid” assets may, therefore, be more likely to affect market values.”

Timely valuation

Q22: Do you agree with the incorporation of a defined process for addressing stale valuations into the policies and procedures?

Yes. We agree with the general principle that valuations should reflect the current fair value to protect investors from arbitrage.

Q23: Are there other aspects of timely valuation that this Recommendation should address?

Yes. Firstly, we would like to emphasise the need to properly distinguish instances where genuinely stale valuations occur and cases of assets with certain investment characteristics, which may result in them not being actively traded or requiring extended marketing periods. The considerations laid out in Paragraphs 102 et seq. seem to be based on the assumption that OEFs invest solely in liquid assets for which regular market prices are available. They do not account for the specificities of other funds.

Most importantly, we disagree with the sweeping requirement enshrined in paragraph 106 to always “align” the valuation of OEF portfolio assets with the NAV calculation and the fund’s dealing frequency. While this standard fits into the concept of OEFs investing in financial instruments subject to daily trading on capital markets, it is incompatible with the business model of OEFs offering investment opportunities in less liquid assets such as real estate. Valuation of real estate is a complex and costly process requiring the involvement of external experts, on-site visits and weighing of several different factors for each individual property. It cannot be reasonably expected that real estate OEFs allowing for daily redemptions by investors run this process for all portfolio assets on a daily basis. Moreover, the value of real estate is much less prone to volatility compared to financial instruments, which are continuously exposed to fluctuations in supply and demand. Hence, there is also no objective reason to require equally frequent valuations in this case. These considerations show that the term “stale” requires a specific, asset-class-dependent definition. In particular, we strongly caution against equating “not stale” with “daily updates” since real estate lacks daily liquid markets. Forcing daily updates would necessitate using proxy indices or mathematical extrapolations, leading to spurious precision that does not reflect the actual value of the asset. The same considerations are valid for other illiquid “real” assets. While we agree that a robust process is necessary, it must be tailored to the illiquid nature of the underlying assets. Therefore, we see the need for a differentiated approach to the frequency of asset valuation.³

Disclosure

Q24: Are there other aspects of valuation-related disclosure that should be addressed in this Recommendation?

³ Please see Art. 74 of the Commission Delegated Regulation (EU) 231/2013 which can serve as a blueprint.

We do not believe there are any further elements to address. We would only underscore that the frequency at which NAV will be available to investors should depend on the relevant provisions set in the fund's legal documentation. In this regard, we would proposed to amend draft Recommendation 10 as follows (see addition *italics*): “Recommendation 10: An OEF’s NAV should be available to investors at no fee and on a frequency set in the relevant fund legal documentation.”

Pricing errors

Q25: Are there other aspects of pricing errors that should be addressed in this Recommendation?

No. We do not see other aspects that should be addressed in this Recommendation.

Record keeping

Q26: Do you agree with the creation of a new Recommendation on record keeping?

Yes, we agree with the creation of this Recommendation. Requirements around record-keeping were already well recognised under the EU legislation in a similar fashion. In particular, we believe that the proportionate approach chosen is appropriate. The exact record-keeping practices should take into account the circumstances of a particular fund, its structure, strategy, asset types, investor profile, and valuation complexity.

Q27: Are there other aspects of recordkeeping that this Recommendation should address?

No. We do not see other aspects that should be addressed in this Recommendation.



ABOUT EFAMA

EFAMA is the voice of the European investment management industry, which manages about 28.5 trillion of assets on behalf of its clients in Europe and around the world. We advocate for a regulatory environment that supports our industry's crucial role in steering capital towards investments for a sustainable future and providing long-term value for investors.

Besides fostering a Capital Markets Union, consumer empowerment and sustainable finance in Europe, we also support open and well-functioning global capital markets and engage with international standard setters and relevant third-country authorities. EFAMA is a primary source of industry statistical data and issues regular publications, including Market Insights and the EFAMA Fact Book.

More information is available at www.efama.org

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