SMV
Superintendencia del Mercado de Valores

21 de mayo de 2013
Circular No. SMV-03-2013

Señores
Ejecutivos Principales
de Administradoras de Inversiones

Tema: Comunicado de Prensa y Principios para la Valoración de Sociedades de Inversión, publicado por la Junta Directiva de IOSCO.

Estimados señores:

La Superintendencia del Mercado de Valores desea remitir, para su conocimiento y fines consiguientes, el Comunicado de Prensa y Principios para la Valoración de Sociedades de Inversión (*Principles for the Valuation of Collective Investment Schemes*), publicado por la Junta Directiva de la Organización Internacional de Comisiones de Valores (*IOSCO Board*)

Adjuntamos a esta circular el Comunicado de Prensa y el Apéndice C con la Lista de los Principios. El reporte completo se puede obtener en las direcciones indicadas a continuación:

Comunicado: *IOSCO Publishes Principles for CIS Valuation*
http://www.iosco.org/news/pdf/IOSCONEWS280.pdf

Reporte con comentarios: *Principles for the Valuation of Collective Investment Schemes*
http://www.iosco.org/library/index.cfm?section=pubdocs&publicDocID=413

Cordialmente,

Alejandro Abood Alfaro
Superintendente

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International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores

IOSCO/MR/18/2013

MADRID, 3 May 2013

IOSCO Publishes Principles for CIS Valuation

The Board of the International Organization of Securities Commissions published today the final report on *Principles for the Valuation of Collective Investment Schemes,* containing a list of *Principles* intended to serve as a basis for both industry practitioners and regulators to assess the quality of regulation and industry practices regarding the valuation of collective investment schemes (CIS).

The final report revises IOSCO's *Principles for CIS Valuation*, originally developed in 1999, to take into account subsequent regulatory, industry and market developments. Many complex and hard-to-value assets are now eligible for CIS portfolios, including some that did not exist a decade ago. The value of such assets cannot be determined by using quoted prices (so- called mark-to-market), but instead CIS may rely on internal techniques which imply management's judgment (so-called mark-to-model). The difficulty and subjectivity needed for certain valuations increases regulatory risks and calls for a set of principles to guide the identification of policies and procedures designed to ascertain the proper valuation of CIS assets.

The revised *Principles* contained in the report also take into account the IOSCO 2007 *Principles for the Valuation of Hedge Fund Portfolios*, as well as other relevant *Principles* elaborated for investment managers more recently. The implementation of comprehensive policies and procedures for the valuation of CIS assets is a fundamental principle underpinning investment management. It is critical that a CIS properly value all assets in its portfolio, including those instruments for which market quotations are not readily available. CIS valuations are extremely important because if portfolio securities and assets are incorrectly valued, investors may unfairly end up paying more for their shares or receive less upon redemption. Remaining investors also may be adversely affected.

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The final report also emphasizes the importance of independent oversight in the establishment and application of the policies and procedures in order to mitigate the conflicts of interests that CIS operators face. The key objective underlying the CIS valuation *Principles* is that all investors should be treated fairly.

Generally, the *Principles* aim to reflect a level of common approach and to be a practical guide for regulators and industry practitioners. They are addressed to the entity/entities responsible for the overall operation of the CIS, and in particular its compliance with the legal / regulatory framework in the respective jurisdiction, but do not provide directly applicable standards to firms. When being implemented, the principles have to be transposed taking into account the local regulatory framework.

NOTES FOR EDITORS

1. Consultation report on *Principles for the Valuation of Collective Investment Schemes,* February 2012
2. *Regulatory Approaches to the Valuation and Pricing of Collective Investment Schemes,* May 1999.
3. *Principles for the Valuation of Hedge Fund Portfolios,* November 2007
4. IOSCO is the leading international policy forum for securities regulators and is recognized as the global standard setter for securities regulation. The organization's membership regulates more than 95% of the world's securities markets in more than 115 jurisdictions and it continues to expand.
5. The IOSCO Board is the governing and standard-setting body of the International Organization of Securities Commissions (IOSCO), and is made up of 32 securities regulators. Mr. Greg Medcraft, chairman of the Australian Securities and Investments Commission, is the chair of the IOSCO Board. The members of the IOSCO Board are the securities regulatory authorities of Argentina, Australia, Belgium, Brazil, Chile, China, France, Germany, Hong Kong, India, Italy, Japan, Korea, Malaysia, Mexico, Morocco, the Netherlands, Nigeria, Ontario, Pakistan,

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Portugal, Quebec, Romania, Singapore, South Africa, Spain, Switzerland, Trinidad and Tobago, Turkey, United Kingdom and the United States.

6. The Emerging Markets Committee is a specialized working group, representing the world's emerging financial markets. It seeks to promote the development and improvement in efficiency of emerging securities and futures markets by establishing principles and minimum standards, preparing training programs for the staff of members and facilitating exchange of information and transfer of technology and expertise.

7. IOSCO aims through its permanent structures:

- to cooperate in developing, implementing and promoting adherence to internationally recognized and consistent standards of regulation, oversight and enforcement in order to protect investors, maintain fair, efficient and transparent markets, and seek to address systemic risks;

- to enhance investor protection and promote investor confidence in the integrity of securities markets, through strengthened information exchange and cooperation in enforcement against misconduct and in supervision of markets and market intermediaries; and

- to exchange information at both global and regional levels on their respective experiences in order to assist the development of markets, strengthen market infrastructure and implement appropriate regulation.

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Appendix C – List of Principles for the Valuation of CIS

Principle 1: *The Responsible Entity should establish comprehensive, documented policies and procedures to govern the valuation of assets held or employed by a CIS.*

Principle 2: *The policies and procedures should identify the methodologies that will be used for valuing each type of asset held or employed by the CIS.*

Principle 3: *The valuation policies and procedures should seek to address conflicts of interest.*

Principle 4: *The assets held or employed by CIS should be consistently valued according to the policies and procedures.*

Principle 5: *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 CIS investors should be addressed promptly, and investors fully compensated.*

Principle 6: *The Responsible Entity should provide for the periodic review of the valuation policies and procedures to seek to ensure their continued appropriateness and effective implementation. A third party should review the CIS valuation process at least annually.*

Principle 7: *The Responsible Entity should conduct initial and periodic due diligence on third parties that are appointed to perform valuation services.*

Principle 8: *The Responsible Entity should seek to ensure that arrangements in place for the valuation of the assets in the CIS's portfolio are disclosed appropriately to investors in the CIS offering documents or otherwise made transparent to investors.*

Principle 9: *The purchase and redemption of CIS interests generally should not be effected at historic NAV.*

Principle 10: *A CIS's portfolio should be valued on any day that CIS units are purchased or redeemed.*

Principle 11: *A CIS's NAV should be available to investors at no fee.*