

<p>1940 ACT <i>Valuation Rule (Rule 2a-5) [and related Recordkeeping Rule (Rule 31a-4)]</i></p>	<p>Effective date is March 8, 2021. Compliance Date is September 8, 2022.</p>
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Rule is designed to clarify how fund Boards can satisfy their valuation obligations in light of market developments. The new rule establishes:

- Requirements for satisfying a Board’s obligation to determine fair value in good faith;
- Requirements for the Board or valuation designee to assess and manage material risks associated with fair value determinations;
- Guidelines for selection, application and testing of fair value methodologies; and
- Standards for evaluation and oversight of pricing services used.

Fair valuation is necessary when market quotations are not “readily available,” which is defined as when there is a reliable market quotation in active markets for identical investments that the fund can access at the measurement date.

The rule allows the Board to designate fair value determination to certain parties, subject to detailed conditions and [active] oversight requirements, including periodic/prompt reporting by the value designee to the Board. The valuation designee may be the fund’s investment adviser, but not the sub-adviser.

The rule also mandates the adoption and implementation of certain policies and procedures, including recordkeeping [new Rule 31a-4].

<https://www.sec.gov/news/press-release/2020-302>