

MEDIA RELEASE



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/011/2007

19 November 2007

IOSCO finalizes Principles for the Valuation of Hedge Fund Portfolios

The International Organization of Securities Commissions (IOSCO) has today publicly released its Principles for the Valuation of Hedge Fund Portfolios. This follows the launch of a public consultation paper in March on valuation principles which IOSCO prepared with extensive input from industry experts.

Michel Prada, Chairman of the IOSCO Technical Committee, said

"Hedge fund asset management techniques are utilized in all asset classes and across numerous jurisdictions. The valuation issues relating to investment portfolios and their importance, particularly in current market conditions, to existing and potential investors are the same across a wide range of jurisdictions.

"The chief aim of the principles is to seek to ensure that a hedge fund's financial instruments are appropriately valued and, in particular, that these values are not distorted to the disadvantage of fund investors. IOSCO believes that investors will ultimately benefit if hedge funds follow these principles."

The Principles describe techniques which should strengthen the controls, oversight and independence of the valuation process. They emphasize the importance of written policies which are implemented consistently and regularly reviewed. These measures should strengthen the valuation process thereby making it more likely that the resulting valuation is appropriate. The Principles may also be helpful for institutional and sophisticated investors in assessing the quality of the valuation framework within hedge funds.

MEDIA RELEASE



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

The 9 Principles are:

1. Comprehensive, documented policies and procedures should be established for the valuation of financial instruments held or employed by a hedge fund.
2. The policies should identify the methodologies that will be used for valuing each type of financial instrument held or employed by the hedge fund.
3. The financial instruments held or employed by hedge funds should be consistently valued according to the policies and procedures.
4. The policies and procedures should be reviewed periodically to seek to ensure their continued appropriateness.
5. The Governing Body should seek to ensure that an appropriately high level of independence is brought to bear in the application of the policies and procedures and whenever they are reviewed.
6. The policies and procedures should seek to ensure that an appropriate level of independent review is undertaken of each individual valuation and in particular of any valuation that is influenced by the Manager.
7. The policies and procedures should describe the process for handling and documenting price overrides, including the review of price overrides by an Independent Party.
8. The Governing Body should conduct initial and periodic due diligence on third parties that are appointed to perform valuation services.

MEDIA RELEASE



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

9. The arrangements in place for the valuation of the hedge fund's investment portfolio should be transparent to investors.

NOTES FOR EDITORS

1. The IOSCO Principles for the Valuation of Hedge Fund Portfolios is currently posted on the [IOSCO website](#).
2. In July IOSCO published the [Responses to the Consultation Report entitled Principles For The Valuation Of Hedge Fund Portfolios, Report of the Technical Committee of IOSCO](#).
3. The initial IOSCO [Consultation Paper](#) was published in March.
4. IOSCO is recognized as the international standard setter for securities markets. The Organization's wide membership regulates more than 90% of the world's securities markets and IOSCO is the world's most important international cooperative forum for securities regulatory agencies. IOSCO members regulate more than one hundred jurisdictions and the Organization's membership is steadily growing.
5. The [Technical Committee](#), a specialised working group established by IOSCO's Executive Committee, is made up of fifteen agencies that regulate some of the world's larger, more developed and internationalized markets. Its objective is to review major regulatory issues related to international securities and futures transactions and to coordinate practical responses to these concerns. Mr. Michel Prada, Chairman of the Autorité des Marchés Financiers (AMF) of France, currently acts as Chairman of the Technical Committee.
6. IOSCO aims through its permanent structures:
 - to cooperate together to promote high standards of regulation in order to maintain just, efficient and sound markets;
 - to exchange information on their respective experiences in order to promote the development of domestic markets;
 - to unite their efforts to establish standards and an effective surveillance of international securities transactions;
 - to provide mutual assistance to promote the integrity of the markets by a rigorous application of the standards and by effective enforcement against offenses.

MEDIA RELEASE



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

MEDIA ENQUIRIES

David Cliffe + 34 91 787 0419
Outside office hours + 34 679 969 004
Email: d.cliffe@iosco.org

Website: www.iosco.org