

# ESMA's Common Supervisory Action on Valuation of UCITS and Open-Ended AIFs

On 20 January 2022, the European Authorities and Securities Markets Authority ("ESMA") announced the launch of a common supervisory action ("CSA") with national competent authorities ("NCAs") on the valuation of UCITS and open-ended alternative investment funds ("AIFs") across the EU.

The CSA will be conducted in 2022 using a common assessment framework developed by ESMA. This will outline the scope, methodology, supervisory expectations and timeline for NCAs to carry out a simultaneous comprehensive supervisory assessment in their respective jurisdictions of the compliance of authorised managers of UCITS and open-ended AIFs ("Managers") with the relevant valuation provisions in the UCITS and AIFMD frameworks. It follows ESMA's announcement in September 2021 that the selected topic for a 2022 CSA in the investment management area is funds' assets valuation.

In particular, the CSA will focus on the valuation of less liquid assets including unlisted securities, unrated bonds, corporate debt, real estate, high yield bonds, emerging markets, listed equities that are not actively traded and bank loans.

A core objective is the consistent and effective supervision of valuation methodologies, policies and procedures of supervised entities to ensure that less liquid assets are valued fairly during

normal and stressed market conditions, in line with applicable rules.

Assuming that the CSA follows the process of the previous common supervisory actions covering UCITS liquidity risk management and the supervision of costs and fees in UCITS in 2020 and 2021 (for further details, see our prior client updates *UCITS Liquidity Review: ESMA and NCAs*<sup>1</sup> and *CBI Calls For UCITS Managers to Review Liquidity Risk Management Frameworks*<sup>2</sup>), the CSA will be carried out in two stages. In the first stage, NCAs will request quantitative data identified in scope from Managers to get an overview of valuation issues. In the second stage, it is likely that NCAs will perform an in-depth analysis of the valuation practices of a selected sample of these Managers.

## Further Information

For more information, please liaise with your usual Maples Group contact or any of the persons listed below.

### Dublin

**Eimear O'Dwyer**  
+353 1 619 2065  
[eimear.odwyer@maples.com](mailto:eimear.odwyer@maples.com)

<sup>1</sup> <https://maples.com/en/knowledge-centre/2020/2/ucits-liquidity-review-esma-and-ncas>

<sup>2</sup> <https://maples.com/en/knowledge-centre/2021/5/cbi-calls-for-ucits-managers-to-review-liquidity-risk-management-frameworks>

# UPDATE

**Caitriona Carty**  
+353 1 619 2157  
[caitriona.carty@maples.com](mailto:caitriona.carty@maples.com)

**Stephen Carty**  
+353 1 619 2023  
[stephen.carty@maples.com](mailto:stephen.carty@maples.com)

**Ian Conlon**  
+353 1 619 2714  
[ian.conlon@maples.com](mailto:ian.conlon@maples.com)

**Ronan Cremin**  
+353 1 619 2756  
[ronan.cremin@maples.com](mailto:ronan.cremin@maples.com)

**John Gallagher**  
+353 1 619 2073  
[john.gallagher@maples.com](mailto:john.gallagher@maples.com)

**Philip Keegan**  
+353 1 619 2122  
[philip.keegan@maples.com](mailto:philip.keegan@maples.com)

**Deirdre McIlvenna**  
+353 1 619 2064  
[deirdre.mcilvenna@maples.com](mailto:deirdre.mcilvenna@maples.com)

**Aaron Mulcahy**  
+353 1 619 2104  
[aaron.mulcahy@maples.com](mailto:aaron.mulcahy@maples.com)

**Niamh O'Shea**  
+353 1 619 2722  
[niamh.oshea@maples.com](mailto:niamh.oshea@maples.com)

**Emma Conaty**  
+353 1 619 2708  
[emma.conaty@maples.com](mailto:emma.conaty@maples.com)

## London

**Adam Donoghue**  
+44 20 7466 1711  
[adam.donoghue@maples.com](mailto:adam.donoghue@maples.com)

**Fearghal De Feu**  
+44 20 7466 1714  
[fearghal.defeu@maples.com](mailto:fearghal.defeu@maples.com)

## Cayman Islands

**Pádraig Brosnan**  
+1 345 814 5441  
[padraig.brosnan@maples.com](mailto:padraig.brosnan@maples.com)

## Hong Kong

**Michelle Lloyd**  
+852 3690 7504  
[michelle.lloyd@maples.com](mailto:michelle.lloyd@maples.com)

## Luxembourg

**Johan Terblanche**  
+352 28 55 12 44  
[johan.terblanche@maples.com](mailto:johan.terblanche@maples.com)

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