3. The valuation policies and procedures shall describe the review process including sufficient and appropriate checks and controls on the reasonableness of individual values. Reasonableness shall be assessed in terms of the existence of an appropriate degree of objectivity. Such checks and controls shall include at least:

(a) verifying values by a comparison amongst counterparty-sourced pricings and over time;
(b) validating values by comparison of realised prices with recent carrying values;
(c) considering the reputation, consistency and quality of the valuation source;
(d) a comparison with values generated by a third party;
(e) an examination and documentation of exemptions;
(f) highlighting and researching any differences that appear unusual or vary by valuation benchmark established for the type of asset;
(g) testing for stale prices and implied parameters;
(h) a comparison with the prices of any related assets or their hedges;
(i) a review of the inputs used in model-based pricing, in particular of those to which the model’s price exhibits significant sensitivity.

4. The valuation policies and procedures shall include appropriate escalation measures to address differences or other problems in the valuation of assets.

Article 72
Calculation of the net asset value per unit or share

1. An AIFM shall ensure that for each AIF it manages the net asset value per unit or share is calculated on the occasion of each issue or subscription or redemption or cancellation of units or shares, but at least once a year.

2. An AIFM shall ensure that the procedures and the methodology for calculating the net asset value per unit or share are fully documented. The calculation procedures and methodologies and their application shall be subject to regular verification by the AIFM, and the documentation shall be amended accordingly.

3. An AIFM shall ensure that remedial procedures are in place in the event of an incorrect calculation of the net asset value.

4. An AIFM shall ensure that the number of units or shares in issue is subject to regular verification, at least as often as the unit or share price is calculated.

Article 73
Professional guarantees

1. External valuers shall provide upon request professional guarantees to demonstrate their ability to perform the valuation function. Professional guarantees to be furnished by external valuers shall be in written form.

2. The professional guarantees shall contain evidence of the external valuer’s qualification and capability to perform proper and independent valuation, including, at least, evidence of:

(a) sufficient personnel and technical resources;
(b) adequate procedures safeguarding proper and independent valuation;
(c) adequate knowledge and understanding of the investment strategy of the AIF and of the assets the external valuer is appointed to value;
(d) a sufficiently good reputation and sufficient experience with valuation.

3. Where the external valuer is subject to mandatory professional registration with the competent authority or another entity of the state where it is established, the professional guarantee shall contain the name of this authority or entity, including the relevant contact information. The professional guarantee shall indicate clearly the legal or regulatory provisions or rules of professional conduct to which the external valuer is subject.

Article 74
Frequency of valuation of assets held by open-ended AIFs

1. The valuation of financial instruments held by open-ended AIFs shall take place every time the net asset value per unit or share is calculated pursuant to Article 72(1).

2. The valuation of other assets held by open-ended AIFs shall take place at least once a year, and every time there is evidence that the last determined value is no longer fair or proper.

SECTION 8
Delegation of AIFM functions
(Article 20(1), (2), (4) and (5) of Directive 2011/61/EU)

Article 75
General principles

When delegating the task of carrying out one or more functions on their behalf, AIFMs shall comply, in particular, with the following general principles:
(a) the delegation structure does not allow for the circumvention of the AIFM’s responsibilities or liability;

(b) the obligations of the AIFM towards the AIF and its investors are not altered as a result of the delegation;

(c) the conditions with which the AIFM must comply in order to be authorised and carry out activities in accordance with Directive 2011/61/EU are not undermined;

(d) the delegation arrangement takes the form of a written agreement concluded between the AIFM and the delegate;

(e) the AIFM ensures that the delegate carries out the delegated functions effectively and in compliance with applicable law and regulatory requirements and must establish methods and procedures for reviewing on an ongoing basis the services provided by the delegate. The AIFM shall take appropriate action if it appears that the delegate cannot carry out the functions effectively or in compliance with applicable laws and regulatory requirements;

(f) the AIFM supervises effectively the delegated functions and manages the risks associated with the delegation. For this purpose the AIFM shall have at all times the necessary expertise and resources to supervise the delegated functions. The AIFM shall set out in the agreement its right of information, inspection, admittance and access, and its instruction and monitoring rights against the delegate. The AIFM shall also ensure that the delegate properly supervises the performance of the delegated functions, and adequately manages the risks associated with the delegation;

(g) the AIFM ensures that the continuity and quality of the delegated functions or of the delegated task of carrying out functions are maintained also in the event of termination of the delegation either by transferring the delegated functions or the delegated task of carrying out functions to another third party or by performing them itself;

(h) the respective rights and obligations of the AIFM and the delegate are clearly allocated and set out in the agreement. In particular, the AIFM shall contractually ensure its instruction and termination rights, its rights of information, and its right to inspections and access to books and premises. The agreement shall make sure that sub-delegation can take place only with the consent of the AIFM;

(i) where it concerns portfolio management, the delegation is in accordance with the investment policy of the AIF. The delegate shall be instructed by the AIFM how to implement the investment policy and the AIFM shall monitor whether the delegate complies with it on an ongoing basis;

(j) the AIFM ensures that the delegate discloses to the AIFM any development that may have a material impact on the delegate’s ability to carry out the delegated functions effectively and in compliance with applicable laws and regulatory requirements;

(k) the AIFM ensures that the delegate protects any confidential information relating to the AIF, the AIF affected by the delegation and the investors in that AIF;

(l) the AIFM ensures that the delegate establishes, implements and maintains a contingency plan for disaster recovery and periodic testing of backup facilities while taking into account the types of delegated functions.

Article 76

Objective reasons for delegation

1. The AIFM shall provide the competent authorities with a detailed description, explanation and evidence of the objective reasons for delegation. When assessing whether the entire delegation structure is based on objective reasons within the meaning of Article 20(1)(a) of Directive 2011/61/EU the following criteria shall be considered:

   (a) optimising of business functions and processes;

   (b) cost saving;

   (c) expertise of the delegate in administration or in specific markets or investments;

   (d) access of the delegate to global trading capabilities.

2. Upon request by the competent authorities, an AIFM shall provide further explanations and provide documents proving that the entire delegation structure is based on objective reasons.

Article 77

Features of the delegate

1. A delegate shall have sufficient resources and shall employ sufficient personnel with the skills, knowledge and expertise necessary for the proper discharge of the tasks delegated to it and have an appropriate organisational structure supporting the performance of the delegated tasks.