

ALERT MEMORANDUM

SEC Staff Issues Statement on Fair Value Measurement and Disclosure Considerations for Private Assets

September 30, 2026

On September 28, 2026, the U.S. Securities and Exchange Commission's (the SEC) Office of Chief Accountant Kurt Hohl and Division of Investment Management Director Brian Daly (collectively, the Staff), issued a joint statement on fair value measurement and disclosure considerations for private assets, with a particular focus on private credit. This joint statement reflects the SEC's continued focus on valuation issues with respect to private credit and other private assets and the guidance set forth in the statement is likely to be reflected in future SEC examinations and enforcement activity. The statement is focused on registered closed-end funds, interval funds, tender offer funds, business development companies (BDCs) and private funds registered under the Securities Exchange Act of 1934; however, the principles set forth in the statement are applicable to all private funds.

The statement responds to the continued growth of private asset investment, including through registrants that are required to measure these investments at fair value, such as registered closed-end funds, interval funds, tender offer funds, BDCs, and private funds registered under the Securities Exchange Act of 1934. The Staff notes that private credit investment within registered fund portfolios alone has grown nearly 60%, from \$170 billion in December 2020 to \$270 billion in December 2025, and frames the statement as a reminder that registrants must maintain rigor over how these assets are valued and how those valuations and related risk characteristics are disclosed to investors.

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Because private credit assets are typically illiquid, individually negotiated loans that do not trade on established secondary markets, their fair value determinations generally require significant unobservable inputs and are therefore typically categorized as Level 3 measurements under Financial Account Standards Board (FASB) Accounting Standards Codification (ASC) Topic 820, Fair Value Measurement. The statement underscores that the judgment inherent in selecting valuation techniques, identifying relevant inputs, and weighting assumptions under ASC 820 calls for thoughtful policies and procedures, together with clear investor disclosure.

Valuation Reminders

The statement identifies several areas of significant judgment under ASC 820 that the Staff believes warrant particular attention:

Information quality and management's responsibility. A lack of timely borrower-provided information does not relieve management of its responsibility to estimate fair value. Management should consider whether the reporting provisions negotiated in a lending arrangement are sufficient, including as to the cadence of information, to support ongoing monitoring and financial reporting.

The market participant perspective. ASC 820 requires management to take into account the characteristics of an asset that market participants would consider in pricing it at the measurement date, which may require supplementing or adjusting borrower-specific data (such as payment history and covenant compliance) with broader market information, including prevailing credit spreads and liquidity conditions, to the extent that information is reasonably available and consistent with a market participant's perspective.

Calibration. Where subsequent measurement relies on unobservable inputs, ASC 820 requires management to calibrate its valuation technique so that, at initial recognition, the technique's output equals the transaction price, facilitating evaluation of any subsequent divergence between model output and market conditions. The Staff observes that periodic

reassessment of model outputs against available market information (such as comparable transactions, public market equivalents, secondary market indications, or relevant credit indices) may be an important element of a well-functioning valuation process.

Disclosure Reminders

The statement also highlights disclosure obligations under ASC 820 and Regulation S-X, again framed as reminders rather than new requirements:

Fair value measurement disclosures. For material, recurring Level 3 fair value measurements, ASC 820 requires registrants to disclose the valuation technique(s) used, the inputs significant to the measurement (e.g., discount rates, credit spreads, or comparable transaction data), and how changes in those inputs might produce a significantly different fair value at the reporting date. The Staff cautions that disclosures using "boilerplate" language or presented on an overly aggregated basis may not give investors sufficient context regarding the judgments underlying private credit valuations.

Portfolio risk characteristics and performance. U.S. Generally Accepted Accounting Principles (U.S. GAAP) and Regulation S-X already require disclosure of investment types, industry and geographic concentration, and certain asset characteristics (interest rates, maturity, income-producing status, and payment-in-kind (PIK) status). The statement notes that clear disclosure regarding loan modifications, restructurings, extensions, and non-accrual status, as well as PIK interest recognition and prevalence, can be material to investors' understanding of income quality, fair value impacts, and evolving credit risk within a portfolio.

NAV as a practical expedient. U.S. GAAP permits use of net asset value (NAV) reported by an investee fund as a practical expedient to estimate fair value, subject to specified conditions, including that the NAV is calculated as of the measurement date and in a manner consistent with ASC Topic 946, Financial Services — Investment Companies, and that a sale at a different amount is not probable. The statement reminds registrants that use of the expedient is optional

on an investment-by-investment basis, that management retains ultimate responsibility for concluding the criteria are satisfied, and that this assessment should be an iterative, evidence-based process informed by all reasonably available information, an observation the Staff connects to the continued growth of the secondary market for private fund interests.

Audit Considerations

The statement separately addresses the role of auditors, emphasizing that the complexity and judgment inherent in private credit fair value estimates, and their susceptibility to management bias, heighten the importance of professional skepticism under the Public Company Accounting Oversight Board's (the PCAOB) Auditing Standards (AS), including AS 2110 (risk assessment), AS 2501 (auditing accounting estimates, including fair value measurements), and AS 1105 (audit evidence). Where management relies on investee-reported NAV, the statement notes that auditors should evaluate the reliability of investee financial statements and any adjustments management makes to reported NAV.

Key Takeaways

1. The statement reflects an increased focus by the Staff on valuation considerations around private assets, following the significant uptick in products targeting private asset investments. The statement's emphasis on private credit, and its explicit citation of the growth in private credit exposure within registered fund portfolios and in secondary market activity for private fund interests, is also notable and likely reflects the significant increase in private credit investments since 2020.
2. The Staff is leaning in on existing accounting rules and disclosure requirements, rather than suggesting enhanced or different disclosures around valuation considerations. The statement is framed throughout as a set of "reminders" grounded in ASC Topic 820, ASC Topic 946, Regulation S-X, Rule 2a-5 under the Investment

Company Act of 1940, and existing PCAOB auditing standards.

3. The statement could foreshadow a deeper focus on valuation considerations from both the exam and enforcement side going forward. Coming from the Chief Accountant and the Director of the Division of Investment Management jointly, and addressing both valuation methodology and the sufficiency of related disclosures, the statement may signal increased attention to these issues in filing reviews, examinations, and, potentially, enforcement matters involving registrants and funds with material private credit or other private asset exposure.
4. Registrants and advisers with private credit or other private asset exposure (including BDCs, closed-end funds, interval funds, tender offer funds, and private funds relying on the NAV practical expedient) should consider reviewing their valuation policies and procedures, calibration practices, and the specificity of Level 3 and portfolio risk disclosures in light of the areas the Staff has flagged to ensure alignment with the Staff's views.
5. While the statement does not focus on private funds (other than the limited number of private funds that are registered under the Exchange Act), private fund sponsors should consider the general principles underlying the statement in evaluating their own valuation procedures, including (i) ensuring receipt of timely information and not relying on "stale" information in the valuation process, (ii) considering market data and not focusing solely on the data from the portfolio company, (iii) regular reviews of the accuracy of valuation methods, (iv) disclosure of valuation methods and material assumptions (and avoidance of "boilerplate" language), and (v) the requirement for auditor scrutiny of the reliability of the data underlying the audited financial statements.

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