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**INTERNATIONAL VALUATION STANDARDS BOARD RELEASES DISCUSSION
PAPER ON VALUATION UNCERTAINTY FOR CONSULTATION**

The International Valuation Standards Board (IVSB) has today released a Discussion Paper *Valuation Uncertainty*.

The document has been issued in the light of growing calls from politicians and financial regulators, including the Financial Stability Forum and the Basel Committee on Banking Supervision for the degree of valuation uncertainty in financial statements to be better communicated. A lack of transparency in the valuations of banks' assets and liabilities under mark to market accounting requirements is seen as a particular area of concern.

Various studies into the causes of the financial crisis in 2007 and 2008 have concluded that many investors in financial instruments were placing unwarranted confidence in valuations that were being produced against a background of an inactive or dysfunctional market.

Chris Thorne, the IVSB chairman, confirms the Board's support in principle for material uncertainty to be highlighted; *"An overriding purpose of the International Valuation Standards is to promote valuation transparency so that a reader of the valuation number is also aware of the underlying assumptions on which it is based and is informed as to any factors that could affect the level of confidence in that number. So we are right behind the regulators in this objective."*

The Discussion Paper examines the nature and causes of valuation uncertainty and some of the solutions that have been suggested. It also highlights the Board's disquiet that not all of these will be operable in practice, and some may simply highlight uncertainty without explaining its causes.

Thorne explains *"An element of uncertainty is inherent in most valuations. The concern arises where the uncertainty is material and abnormal in the context of the particular market. The problem is that while the valuer can identify the*

unknowns, by definition these cannot be reliably measured, so it is unrealistic to expect uncertainty to be quantifiable by purely numeric terms.”

The Discussion Paper concludes for a disclosure of material uncertainty to be useful it will normally require a commentary on the nature and causes of that uncertainty, and that attempts to rely solely on numeric expressions are at best unhelpful and at worst counterproductive if they imply a false precision.

The Discussion Paper is available on the IVSC website (www.ivsc.org). Comments are invited before 24 December 2010.

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NOTES TO EDITORS

About the IVSC

The International Valuation Standards Council (IVSC) is charged with developing robust and transparent procedures for performing international valuations through a single set of globally recognized valuation standards, acceptable to the world's capital markets organisations, market participants and regulators, which will meet the challenges of a fast-changing global economy.

The governance structure of the IVSC, a non-profit organisation incorporated in the US, includes two independent technical Boards – the International Valuation Standards Board and the International Valuation Professional Board – and a global Board of Trustees responsible for the overall strategic direction and funding of the IVSC. The IVSC works co-operatively with national professional valuation institutes, users and preparers of valuations, governments, regulators and academic bodies, all of whom can become members of the IVSC and have an important role to play in advising the Boards on agenda decisions and priorities in the work of the IVSC.

For more information please visit: www.ivsc.org