



21 November 2012

To: **Members of the Hong Kong Institute of CPAs**  
**All other interested parties**

**INVITATION TO COMMENT ON IVSC EXPOSURE DRAFT VALUATION  
UNCERTAINTY**

***Responses to be received by 11 January 2013***

The Hong Kong Institute of Certified Public Accountants' (Institute) Financial Reporting Standards Committee (FRSC) is seeking comments from constituents to the International Valuation Standards Council (IVSC) Exposure Draft *Valuation Uncertainty* which can be downloaded from the Institute's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/exposure-drafts/>.

The proposed guidance looks at how valuation uncertainty can be identified, explained and disclosed in a way that is informative to those relying on valuations. As stated in the IVSC's press release, accompanying the Exposure Draft, the ED has been produced in answer to calls from the G20 and financial regulators around the world for improved standards of transparency and disclosure of valuation uncertainty factors. This is in recognition that too many institutions were placing wholly inappropriate confidence in valuations in the period leading up to the 2008 financial crisis, and that the sudden evaporation of that confidence was a major contributor to the subsequent crash.

The Exposure Draft makes a clear distinction between market risk, which is both generally understood and acknowledged by investors and reflected in the pricing, and uncertainty caused by disruption or dislocation in the market place. It also gives guidance to valuation providers on the principles that should be observed in measuring and disclosing uncertainty.

The FRSC invites your comments on the proposal. Comments should be supported by specific reasoning and should be submitted in written form. To allow your comments to be considered, in developing its response to the IVSC, the FRSC requests your comments to be received by the Institute on or before **11 January 2013**.

Comments may be sent by mail, fax or e-mail to:

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Comments may be made available for public review unless otherwise requested by the contributor.