

International Valuation Standards Council
68 Lombard Street
London EC3V 9LJ
United Kingdom

10 October 2014

Dear IVSC Members,

Invitation to comment - Structure and Scope of the International Valuation Standards

Ernst & Young Global Limited, the central coordinating entity of the global EY organisation, welcomes the opportunity to offer its views on the Consultation Paper "Structure and Scope of the International Valuation Standards".

Please find in the attached appendix our responses to the specific questions raised in the consultation paper.

Should you wish to discuss the contents of this letter with us further information, please contact Sven Schieszl (sven.schieszl@de.ey.com) or Philipp Lindenmayer (philipp.lindenmayer@de.ey.com).

Yours faithfully

Ernst + Young Global Limited

Appendix: Responses to the specific questions in the Consultation Paper

Para 15.1 describes two alternative views on what constitutes a “standard”.

Q1: Please indicate whether you agree with either statement a) or b) below:

- a) the word standard in the context of the IVSs should be reserved only for rules or principles that have to be applied, or
- b) the word standard in the context of the IVSs means a required level of quality and will necessarily include not only rules and principles but also guidance and supporting information to assist consistent application of those rules and principles?

We agree with b).

Para 15.2 describes two alternative views on what is meant by the word “mandatory” in the context of standards.

Q2: Please indicate whether you agree with either statement a) or b) below:

- a) a satisfactory level of compliance with the IVSs can be achieved by following only the Requirements in the standards and that all other material issued by the IVSC is of no relevance in determining compliance, or
- b) a satisfactory level of compliance with the IVSs can only be achieved by following the Requirements and also having regard to the supporting information and guidance included in the standards.

We agree with b).

Para 15.3 describes confusion that has been identified by some around the purpose of the current TIPs. To assist the Board in considering whether changes are appropriate and if so what those changes should be. Please answer the following questions:

Q3a: Do you consider that the title “Technical Information Paper” is an appropriate description for the content of the TIPs issued to date and for those proposed TIPs for which public exposure drafts have been issued?

We believe the title “Technical Information Paper” suggests that the content of these papers is limited to technical guidance. However, as the TIPs serve a number of other purposes (e.g. they provide additional detail on matters identified in another standard), we suggest a broader title like “*Standard’s Guidance*”.

Para 15.3 describes confusion that has been identified by some around the purpose of the current TIPs. To assist the Board in considering whether changes are appropriate and if so what those changes should be. Please answer the following questions:

Q3b: Do you find the content of the current TIPs helpful in understanding and applying the IVSs? If you do not, please identify any other material that you rely on to support the interpretation and application of the IVSs.

In general, the content of the current TIPs has been helpful in to us in understanding and applying the IVSs. However, as only a limited number of TIPs has been issued, the benefit has been limited. We would need to see more TIPS to make a comprehensive assessment of their usefulness.

Para 15.3 describes confusion that has been identified by some around the purpose of the current TIPs. To assist the Board in considering whether changes are appropriate and if so what those changes should be. Please answer the following questions:

Q3c: Is there anything in the current TIPs that you consider should not be included, or that should not form part of the standards? If you believe there is please explain what should be excluded and why.

We believe the content of the current TIPs should be included and should form part of the standards. However, we believe the TIPs and the IVS in general should focus even more on issues of public interest, that are not covered in other standards rather than provide guidance on issues that are already covered in those other standards.

Q4: Do you agree that the board should issue commentaries, guidance and information to support the concepts, principles and requirements in the standards? If you disagree please explain what alternative sources providers and users of valuations can use and how diversity of application and interpretation across different jurisdictions and markets can be avoided.

In general, we welcome the board's intention to issue commentaries, guidance and information to support the concepts, principles and requirements in the standards. However, we encourage the IVSs to focus even more on issues of public interest that are not covered in other standards, rather than provide guidance on issues that are already covered in other standards.

This consultation paper highlights four other sets of international standards that are in use in the financial markets and the different types of pronouncement that fall within their scope. An overview of each is provided in the Appendices.

Q5: Please indicate if you consider that there are any aspects of the way these standards are presented that the Board should consider as a way of improving the presentation and clarity of the IVSs.

We have no specific comments.

When it adopted a structure for the standards that contained five different categories of pronouncement the Board was responding to requests for a clear distinction be made between those parts that included mandatory requirements and those that contained

supporting guidance. It also considered that a taxonomy that grouped similar types of pronouncement together would make it easier for users to navigate to the parts relevant to their needs.

However, some other standard setters do not make the same distinction. For example the IFRSs are simply numbered consecutively according to the date of their first issue, with no attempt to group by the type of topic each standard addresses.

Q6: Do you believe that the current structure of the IVSs that groups pronouncements into five different categories with distinct titles is easy to understand and use? If not, what alternative would you prefer?

We believe the current structure of the IVSs, that groups pronouncements into five different categories with distinct titles, is easy to understand and to use.

In the document *Scope and Content of the International Valuation Standards*, issued in August 2013, the Board explained that the scope and level of detail are examined during the consultation process for each new pronouncement. However, its general approach is to include all those concepts and principles which it can identify as being widely accepted across different geographic regions and that can be applied across different jurisdictions. Simple explanations or illustrations of how those concepts and principles can be applied to different genres of asset or for different valuation purposes may also be included. It also will ensure that there is sufficient detail to address any inappropriate practice that has been identified during the progress of the project.

The board will generally exclude from the IVSs any matter that reflects requirements arising from national law or regulation or from established practice in a particular jurisdiction but which either does not arise or that conflicts with those in other jurisdictions. The IVSs may refer to valuation methods or techniques, provide high level explanations of those methods or give examples of when their use may be appropriate. Finally, the paper confirms that the IVSs are not intended to provide educational material and will not examine methods defined or discussed in the standards at the level of detail necessary to apply them in practice.

Q7: Do you agree with these limitations on the scope of the IVSs? If not, please describe the types of additional material you believe should be included or matters currently included you believe should be excluded.

We agree with the limitations on the scope as outlined in the document *Scope and Content of the International Valuation Standards*, issued in August 2013. Furthermore, we encourage the IVSC to further pronounce their positive impact on national law and regulation to increase their recognition in international standards.