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Contact **Chris Spall**

28 February 2014

Dear Sirs

Exposure Draft *Credit and Debit Valuation Adjustments*

We appreciate the opportunity to comment on the Technical Information Paper (TIP) Exposure Draft *Credit and Debit Valuation Adjustments* issued by the International Valuation Standards Council. We have consulted with, and this letter represents the views of, the KPMG network.

We have set out responses to the questions raised in the ED in Appendix 1 as well as other comments related to specific elements of the ED in Appendix 2. We offer our main comments on the ED below.

Objective of the ED

Generally, we support the IVSC's proposal to provide guidance on this topic and believe it may be helpful in applying the judgement required in reaching a valuation conclusion.

In particular, we support the specific objective of the ED to "assist valuation and risk professionals by identifying principles of best practice and not to produce a comprehensive training manual." This is because we believe that the IVSC TIPs should provide principles-based guidance and general information on appropriate valuation methods and their application in order to support the judgement required in reaching a valuation conclusion, rather than providing detailed prescriptive guidance.

Unit of account and portfolio-level measurement adjustments

The guidance on determination of CVA and DVA is written in the context of the measurement of portfolios of derivatives. For example, it refers to master netting agreements and other netting and collateral agreements as agreements that should be considered when assessing and pricing credit risk, such that the calculation of CVA and DVA should be based on the net exposure at a counterparty level (e.g. in paragraphs 25 and 42).

However, under IFRS 13 *Fair Value Measurement* and FASB Accounting Standards Codification (ASC) Topic 820 *Fair Value Measurement*, even when master netting or similar agreements are in place, in many cases the unit of account for measuring fair value is the standalone financial instrument. Therefore the valuation, including the determination of CVA and DVA, should be made at the instrument level rather than at the counterparty level.

Under IFRS 13.48–49 and ASC 820-10-35-18D–18E, an entity is by exception permitted, but not required, to measure the fair value of a group of financial assets and financial liabilities on the basis of its net exposure to credit risk. IFRS 13.56 and ASC 820-10-35-18L state that when applying this exception to a group of financial assets and liabilities entered into with a particular counterparty, the entity shall include the effect of the entity’s net exposure to the credit risk of that counterparty or the counterparty’s net exposure to the credit risk of the entity in the fair value measurement when market participants would take into account any existing arrangements that mitigate credit risk exposure in the event of default. This exception is available only if specific conditions (detailed in IFRS 13.49 and ASC 820-10-35-18E) are met. Therefore, in some cases taking into account master netting and related credit support arrangements in the valuation would not be consistent with IFRS 13 or ASC Topic 820.

Therefore, we believe that the final TIP should specifically address this issue and explain that the determination of CVA and DVA for accounting purposes should be consistent with the unit of measurement applied under the applicable accounting framework. If this is not done, then the guidance in the ED may lead to confusion and to potential misstatements in valuations intended for accounting purposes.

In addition, if the measurement of CVA and DVA is made at a counterparty level in accordance with IFRS 13.48 and ASC 820-10-35-18D, then IFRS 13.50 and ASC 820-10-35-18F clarify that it does not apply to financial statement presentation. In many cases, the basis for the presentation of derivative financial instruments in the statement of financial position is different from the basis for measurement that would be used in applying the portfolio measurement exception.

For example, under IAS 32 *Financial Instruments: Presentation* financial assets and liabilities, even if subject to a master netting agreement, are required to be offset and presented net only if specified criteria are met and may not be offset if those criteria are not met. Under US GAAP, net presentation is elective if an enforceable master netting agreement is in place and is not permitted otherwise. Therefore, as required by IFRS 13.50 or ASC 820-10-35-18F, when the presentation basis differs from the measurement basis, an entity is required to allocate the portfolio-level adjustments, including CVA and DVA, to the individual assets and liabilities that make up the portfolio on a reasonable and consistent basis using a methodology appropriate in the circumstances. A similar issue arises when applying hedge accounting to an individual derivative instrument within a portfolio that an entity has designated as a hedging instrument.

IFRS 13 and ASC Topic 820 do not include examples of reasonable allocation methods. We are aware that several methods are used in practice (e.g. allocation based on relative fair values of the individual instruments or based on the relative standalone credit risk adjustments of the individual instruments). Therefore, we believe that it would be helpful if the TIP discusses what methods can be considered reasonable and are most commonly used in practice. This would help to achieve the objective of International Valuation Standards and may reduce diversity in practice.

Hedging CVA

Paragraphs 30–35 discuss methods that can be used by an entity to hedge CVA. It is not clear why this section is included or presented in the way it is, and it may be confusing. The ED should provide clear guidance on how to measure fair value and this should be segregated from any background information that might be useful as to how entities might carry on hedging activities.

Paragraph 30 appears to imply that an entity's measurement of CVA would depend on its approach to hedging CVA. Similarly, paragraph 39 seems to imply that the inputs used for the calculation of CVA depend on whether the entity plans to hedge CVA. However, fair value measurements under IFRS and US GAAP generally should not be affected by the specific plans of the entity because fair value is measured from the perspective of a third party market participant acting in its economic best interest (IFRS 13.22 and ASC 820-10-35-9).

Also, we do not believe that paragraphs 30 and 31 explain in the clearest way how changes in market underlyings drive CVA and DVA and the difficulties that this gives rise to for hedging. This could be more clearly explained by saying:

- The primary driver of credit exposure (and hence CVA/DVA) is the current pre-CVA/DVA replacement cost and maturity profile based on current market underlyings.
- This credit exposure is subject to potentially large changes as a result of future changes in market underlyings – these have a much larger proportionate impact on derivatives than how changes in interest rates impact the present value of a loan exposure.
- These credit exposures are difficult to hedge using vanilla CDSs because:
 - a vanilla CDS is referenced to debt instruments that may have a different recovery rate; and
 - a vanilla CDS has a fixed principal amount and maturity that may not match the current credit exposure and will not respond to future changes in the credit exposure as a result of changes in market underlyings.

Use of historical default rates

Paragraph 39 also states that use of a “historical estimation approach” may be acceptable if an entity does not plan to hedge CVA even if historical realised rates of default are significantly less than those implied in observable CDS spreads.

Under IFRS 13.67 and ASC 820-10-35-36, valuation techniques used to measure fair value should maximise the use of the relevant observable inputs and minimise the use of unobservable inputs. Therefore, if there are relevant observable market inputs, they should be used for the measurement and cannot be ignored in favour of historical information. Most modern pricing models assume a martingale process that assumes historical information is reflected in CDS spreads and historical data is not included in these valuation models, making the use of historical data difficult to justify.

Even if historical information on default rates were used as an input, it should not lead to an amount of CVA that is different from a valuation that is calibrated using observable CDS spreads because the objective of a fair value measurement is the same regardless of the valuation method used. The difference in this case may be reconciled by the fact that, when using historical information, the calculation may also need to include an appropriate risk premium that a market participant would charge above historical and expected loss rates for the risk of bearing future unexpected losses.

Complexity of methodologies and materiality

Paragraphs 84-94 suggest that entities with less complex or smaller derivative holdings in relation to their overall business should adopt less complex methodologies. We do not believe that the TIP should suggest methodologies that are not best practice because it is not consistent with the objective of the IVSC or of this TIP. However, it may be helpful to discuss how materiality and the information available to an entity may impact the valuation techniques and inputs it uses. For more details, please see our response to question 7 in Appendix 1.

Please contact Chris Spall at +44 (0)20 7694 8871, or David Britt at +1 (212) 954 3074 if you wish to discuss any of the issues raised in this letter.

Yours faithfully

KPMG IFRG Limited

Appendix 1

Question 1 – Scope

Do you agree that the proposed scope is appropriate? If you disagree, please indicate changes that you would recommend.

We agree with the proposed scope of this TIP.

We suggest amending the title of the TIP to better reflect the scope by adding at the end “on derivative instruments.”

In addition, the last sentence in paragraph 7 states that “other financial instruments held at fair value follow a similar process, but are not specifically referenced here.” We do not believe that it is necessarily true that a similar process would apply to measure credit risk adjustments for non-derivative instruments because in many cases a more straightforward methodology would be used (e.g. by using the credit spread derived from similar debt instruments quoted in a market). Furthermore, comments on valuing non-derivative instruments are not within the scope. Therefore, we suggest removing this sentence.

Question 2 – Definitions

Do you agree with these definitions? If you consider an alternative or additional definition is appropriate then please provide this in your response.

We agree with most of the definitions in the TIP. However, we believe that some of the proposed definitions are not sufficiently precise. Therefore, we suggest the following changes to definitions:

Definition of basis risk. The proposed definition refers to “offsetting instruments.” However, basis risk is the risk that changes in the values of instruments do not offset. Therefore, we suggest the following alternative definition.

Basis Risk – The risk that the values of instruments that have risks that are similar and tend to offset will not change by equal and opposite amounts.

Definitions of expected positive exposure and expected negative exposure. These definitions refer to “unrealised gains” and “unrealised losses” respectively as if these were separate from and additional to contractual receipts/payments whereas the contractual receipts/payments include the realisation of those gains/losses. These exposures, as used later in the formulas, should refer to the expected contractual cash flows before losses arising from default. Therefore, we suggest the following alternative definitions.

Expected Positive Exposure – The discounted contractual receipts (ie. excluding losses arising from the counterparty’s default) an entity expects to receive from the counterparty.

Expected Negative Exposure – The discounted payments (ie. excluding losses arising from the entity’s default) an entity expects to pay to the counterparty.

Definition of one-way collateral agreement. This definition suggests that one-way collateral agreements are always covered by a CSA, but this is not necessarily true. Therefore, we suggest the following alternative definition.

One-way Collateral Agreement – An agreement where one party is required to post collateral to its counterparty when the value of the trade is in the counterparty’s favour, but the counterparty is not required to post collateral in the reverse situation.

In addition, the definition of CVA refers specifically to derivative assets although adjustment for CVA may be needed for some derivative liabilities (ie. for derivatives that might change from being an asset to a liability– e.g. an interest rate swap or a forward contract). The converse issue arises for the definition of DVA which refers specifically to derivative liabilities.

Therefore, we suggest replacing the terms “derivative assets” and “derivative liabilities” in these definitions with simply “derivatives.” We also suggest making a similar change to the first sentence in paragraph 3. This point is discussed in paragraph 14, but we believe that it can be better explained by saying that, in contrast to loans, some derivatives might change from being an asset to a liability or vice versa because: (1) there may be a mixture of expected net cash inflows and expected net cash outflows for different settlement dates; and (2) the amounts and direction of cash flows may change as a result of changes in market underlyings. Therefore, the credit risk of both the entity and the counterparty may be relevant in measuring the fair value of those derivatives regardless of their current classification as assets or liabilities. This is because the calculation of the credit risk adjustments would need to consider all expected cash flows and the potential for the other classification.

Question 3 – Accepted methods

Do you believe that other methods should be considered in addition to the Monte Carlo, such as binomial and trinomial trees?

We believe that other methods such as binomial and trinomial trees should be considered in addition to the Monte Carlo method because these other methods may also be used in practice.

The Monte Carlo method is used in many cases as a practical solution as it uses a discrete number of simulation scenarios. However, it is also common in practice to use other methods or to use two-stage processes in which the Monte Carlo method is used to determine the inputs to be included in a calculation that is performed using other methods such as binomial trees. In

addition, as mentioned in paragraph 40(a), semi-analytical models that are based on a formula rather than on simulation scenarios are sometimes used to calculate CVA and DVA.

Therefore, we do not believe that the TIP should mandate using one method and the term Monte Carlo should be used carefully when discussing valuation methodologies and processes.

Question 4 – Netting sets

Do you believe that netting sets have been discussed to an appropriate level of detail?

Generally, we believe that the netting sets are discussed with an appropriate level of detail in the ED.

However, we believe that the discussion is not always consistent with IFRS 13 and ASC Topic 820. For more details, please see our comments under *Unit of account and portfolio-level measurement adjustments* in the main body of our letter. Also, in this respect, we believe that the discussion on netting sets should also refer to the question of whether the entire population of trades with the counterparty should be included in the netting set, or whether it should be limited to only financial instruments within the relevant portfolio (covered by IFRS 13.48–49 and ASC 820-10-35-18D –18F). Similarly, we believe that the discussion on netting sets should refer to the question of when the related collateral should be considered as part of the netting sets (see below).

For example, a loan received from a counterparty may be considered by the entity as part of a netting set with the counterparty that also includes derivative assets and liabilities. However, the loan would not be allowed to be considered in the valuation for accounting purposes under IFRS 13.49 and ASC 820-10-35-18F if it is not measured at fair value in the statement of financial position.

In respect of collateral agreements, under IFRS 13 and ASC Topic 820, the requirement to provide collateral may affect the amount of CVA and DVA if it is part of the contractual terms of the individual financial instrument (even if the portfolio measurement exception, as discussed above, does not apply), but it would not affect the CVA and DVA if it is a separate arrangement that is not part of the contractual terms of the derivative being measured, unless the portfolio measurement exception applies.

Therefore, as discussed in the main body of our letter, we believe that the discussion on netting sets should refer to these issues.

Question 5 – Code of Ethical Principles

Do you consider that there is a need for the IVSC to augment this with more specific guidance on governance and controls in the financial sector?

No. The adequacy of governance and controls over valuation processes in the financial sector is an important topic, especially because of the significance of fair values to the financial statements of financial institutions and the complexity of many of the products entered into.

However, we do not believe that it is the IVSC's role to address these issues as it is not part of the objective of the IVSC or of its TIPs. Also, these issues are much broader in scope than CVA and DVA and relate to the entirety of a financial institution's valuations.

Therefore, we do not believe that the TIP should include more specific guidance on these issues.

Question 6 – Code of Ethical Principles

Do you consider that there is a particular issue or issues that arise when considering a suitable governance and control protocol for calculating CVA or DVA that does not otherwise give rise to concern?

Please see our response to question 5 above.

In addition, we do not agree with or understand the statement in paragraph 81 that an adequate control environment should have “adequate barriers to avoid functions that have conflicting incentives having influence over the final adjustment.” As explained elsewhere in this paragraph, an adequate control environment involves separating responsibilities between different functions. Also, as explained in paragraph 82, prime responsibility will lay with the group that transacts external business – ie. the front office. Therefore, it seems appropriate that several functions should have influence over the calculation – including appropriate oversight and validation by control functions that are independent of the front office.

Question 7 – Complexity of methodology

Do you agree that it is appropriate to suggest that entities with less complex or smaller derivative holdings in relation to their overall business should adopt less complex methodology, or instead should all entities be expected to implement equally rigorous methodology?

No. We do not believe that the TIP should suggest methodologies that are not best practices because it is not consistent with the objective of the IVSC to “increase transparency of valuation and to reduce diversity in practice across borders”, or of this TIP to “assist valuation and risk professionals by identifying principles of best practice...”

However, we believe that entities should consider materiality and may apply judgement in determining the appropriate valuation methodology to use. In some circumstances using a less complex methodology that is much easier to apply may lead to a result that would not be materially different from that which would result from a more complex methodology.

The decision as to whether it might be appropriate to use a more or less complex or “rigorous” practice is not necessarily dependent solely on the volume or complexity of an entity’s derivative holdings. For example, even for an entity that only entered into a few derivative transactions, the effects of applying different methodologies could be material to the entity’s financial statements.

Therefore, we suggest removing paragraphs 93–96 from the TIP and replacing them with a general statement that an entity should consider materiality in determining the methodologies to apply and that in some cases using less complex methodologies than those illustrated as best practice may be appropriate if the entity determines that this would not give rise to a material difference. In addition, it may be helpful to note that different entities may have access to different sources of pricing information and may have access to different markets, and the availability and reliability of inputs, as well as the pricing practices of participants in the relevant market, may also be factors in determining the appropriate methodology to use.

Question 8 – Cost of funding

Does the discussion about the cost of funding contribute to the objectives of the TIP outlined in the “Scope and Purpose” section on p3?

We do not believe that the suggested discussion about the cost of funding contributes to the objective of the TIP. Issues as to the appropriateness and calculation of funding valuation adjustments (FVA) in the determination of fair values have been the subject of much debate in the financial sector over recent years. There are a number of different views on these issues and there is still no consensus. The text included in the ED would not reduce diversity in practice and is unlikely to be influential.

Therefore, at this stage we suggest removing this guidance and replacing it with a brief statement noting the following: the cost of funding is an area of debate; there is no consensus at this stage; but regardless of the method used, it is important to avoid or correct any double-counting between FVA and DVA or CVA.

Going forward, we recommend that the IVSC continue to monitor the debate and practices in relation to FVA and, once there is more consensus on the issues, consider whether publication of a separate TIP would be beneficial.

Question 9 – Cost of funding

Given the current debate in this area, do you believe it is appropriate for this TIP to outline the main issues, or should this be removed altogether until there is greater consensus?

Please see our response to question 8 above.

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*International Valuation Standards Council
ED Credit and Debit Valuation Adjustments
28 February 2014*

Question 10 – Aid to professionals who are not specialists

Are there any key principles that have been omitted or not fully explained?

Please see our main comments in the main body of our letter.

Appendix 2

This appendix includes comments on specific issues noted during our review of the ED not covered elsewhere in our letter.

Page	Paragraph	Issue
Introduction to ED	First paragraph	We suggest replacing “financial assets” with “financial assets and liabilities.”
6	10	We believe that the word “par” is not appropriate in this context as “par” usually refers to the actual principal amount of a non-derivative instrument that is payable at maturity whereas derivative instruments generally are not settled at their stated principal amounts. We believe it would be better to replace it with a term such as “risk-free price” or similar.
6	13	The formula is stated to measure the credit risk exposure of a loan but instead refers to “CVA” which is an adjustment to the value of a derivative instrument to reflect credit risk. In addition, the terms “T” and “t” in the formula are not defined.
6	14	We suggest adding the words “with the same principal amount” at the end of the second sentence after the word “loan.”
7	14	The second bullet point explains that for derivatives, the potential variability of cash flows can be much greater than those of a loan because the derivative cash flows are “usually linked to a much larger notional amount.” We believe this may be confusing because it is unclear whether the comparison of the notional amount is with the actual principal amount of a loan or the fair value of the derivative. We believe it would be better explained by saying that the fair values of derivatives tend to be much more volatile than those of loans because derivatives are leveraged positions such that their value is proportionately more sensitive to a change in an underlying than the volatility of the underlying itself. It may also be helpful to add that the notional amounts of an institution’s portfolio of derivatives may be much larger than the principal amounts of its loan book or non-derivative investment portfolio.
7	15	In the first bullet point there is a statement that if a loan is not offset with other exposures with the same counterparty, then in the event of bankruptcy, the claimants will rank alongside other creditors for any recovery as a percentage of the loan outstanding. However, this is not necessarily true nor particularly helpful since it will depend on the specific terms of the transactions as to seniority or subordination and collateral.
7	15	In the second bullet, the word “offset” should be changed to “set off” as in the ISDA Master Agreement.
7	17	The second bullet point refers to the following as a difference between derivatives and loans: “For derivatives, the events of default and termination events are predefined events which lead to the termination of transactions prior to their originally intended maturity.” However, the same is often true also for loans which frequently contain terms that allow the lender to demand early repayment in the event of predefined breaches of covenant or events of default, including terms similar to those listed in the ED. Therefore, we do not believe this bullet point highlights a major difference between loans and derivatives.
7	18	The term “CVA charges” is not defined and its meaning is not clear. This term is also included in other paragraphs in the TIP. See the first comment on page 8 below.
7	18	This paragraph refers to “accounting requirements.” We suggest explaining to which accounting requirements it refers.
8	19	This first bullet point refers to CVA that a bank charges a counterparty. However, CVA is defined in paragraph 8 as an adjustment to the measurement of a derivative rather than an amount being charged. Therefore, we suggest changing the wording to “The amount a bank charges to reflect counterparty credit risk.” Similarly, we suggest changing the second sentence to “As such the amount charged for counterparty credit risk will vary from bank to bank.” and adding the words “amount for” before the word “CVA” in the second bullet point.
8	19	It is not clear to us why the bank’s own credit risk would be included in the calculation of CVA as suggested in the third bullet point. If the intention is to refer to a calculation of DVA in addition to CVA, this should be clarified.
8	20	The first sentence refers to CVA that can be implied from traded levels. It is not clear as to what “levels” are being referred to – e.g. trade prices or

Page	Paragraph	Issue
		trade volumes. In addition, it is not clear what the word “this” in the second sentence refers to. We also suggest deleting the word “materially” in the second sentence because we do not believe that specific recommendations should reference materiality when describing best practices, rather the need to consider materiality is a general theme – see our response to question 8 above. Finally, paragraph 19 notes differences in how entities build credit risk into trade pricing. Given that most derivative trades are initially transacted at the money with no or little initial fair value or net investment, we believe that it is very difficult to derive implied levels of CVA or DVA from the pricing of trades. We recommend that the TIP acknowledge these difficulties.
8	21	The second sentence refers to “unobservable parameters.” It is not clear what these are.
8	21	We do not believe that the topic of risk management should be introduced here. It is a broad topic that may be best left to another paper.
8	21	The last sentence states that CVA is based only on expected losses. We do not believe that this is necessarily true since the calculation should also include any premium for the risk of bearing unexpected losses that would be demanded by a market participant.
9	25	We suggest deleting the word “internationally”. The word is not meaningful if there is no international dimension and might be read as meaning that legal advice should be sought only if there is an international dimension. We would suggest explaining further that the advice should consider the laws of all relevant jurisdictions as these may differ.
10	29	We suggest that this paragraph should also explain the effect of the CCP’s credit risk on the measurement of CVA. In addition, it may refer to IOSCO’s suggested recovery tool (see Consultative Report <i>Recovery of financial market infrastructures</i> from August 2013) that, in the event of default of a clearing member of a clearing house, the losses would be absorbed by the other clearing members, and how this would affect the measurement of CVA.
11	31	The second bullet point should be better explained, e.g. that the recovery rate of a CDS would generally not be the same as the actual loss of the specific entity because it is determined independently, and therefore a mismatch may arise.
11	34	This paragraph refers to “the cost of protection for example against jump-to-default risk for the counterparty, for which additional adjustments to CVA are required.” However, the paragraph does not explain why such additional adjustments are required or how they might be calculated. Furthermore, it is not clear whether the intended meaning is that such adjustments are required only for “jump-to-default risk” or more generally for “the cost of protection.”
11	35	This paragraph states that the CVA in a portfolio is measured by “simulating a transfer due to counterparty default.” We do not believe this is correct because the measurement of CVA is based on facts and circumstances at the reporting date and not the price in a default event that has not occurred. The calculation of CVA takes into account the probability of future default but it does not assume default has occurred or necessarily will occur.
12	38	From this paragraph it seems that it is assumed in the ED that CDS markets are liquid, even though liquidity has declined in many cases in the last few years. Therefore, we believe this latter fact should be addressed in the guidance.
12	38	The first bullet point states that single name CDS protection can be bought to hedge counterparty risk in an amount “commensurate with the exposure profile.” However, we do not believe this is accurate given that the exposure profile is not fixed but a volatile amount that changes over time. See our comments under <i>Hedging CVA</i> in the main body of our letter.
12	38	We suggest adding cross references to paragraphs 47-50 from the last sentence in the first bullet point.
12	38	The term “macro surface” in the second bullet point is not a common term and not defined in the ED.
12	40	Sub-paragraph (b) mentions that simulation methods are the most sophisticated approaches and generally viewed as a standard requirement for production level processing of CVA/DVA at large financial entities. We believe it should be explained who believes and in which cases this is a standard requirement (as paragraph 40(a) explains when semi-analytical methods are used).
12	41	The term “collateral adjusted” is not defined in this ED.
14	45	It is not clear what regulatory rules this paragraph is referring to. Also, we recommend that it is clarified that these regulatory discounting

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Page	Paragraph	Issue
		requirements are not necessarily consistent with fair value measurement.
14	46	We suggest changing the words “Structured or exotic derivative entities” to “Entities with structured or exotic derivatives.”
15	49	The last sentence states that judgements in respect of LGD should be based on market data that is observable to market participants. However, it is not explained how this should be done and it remains unclear since paragraph 47 states that it is very difficult to view LGD on an implied basis.
16	58	This paragraph discusses calibrating CVA and DVA to market value. However, such calibration is difficult to do in practice and therefore we believe the TIP should explain how calibration may be performed and the difficulties involved.
17	60	This paragraph states that “it could be argued that higher rated sovereigns should have a smaller CVA than theoretical levels would imply.” This does not convey any useful information as it does not explain the nature of these possible arguments or whether they have any merits.
19	77	We do not believe that the discussion in this paragraph on limited liability or alternative accounting conventions is relevant or helpful in terms of providing guidance on the determination of DVA. In particular the reference to “shares” is potentially confusing.
21	83	We do not believe that the first sentence of this paragraph is accurate or helpful. We believe that ensuring appropriate segregation of duties, including adequate controls over valuations, is important also for non-financial entities that enter into derivative transactions.
21	90	“T” is not defined in the formula.
22	91	The word “account” may be confusing here as accountants and auditors may be an important part of the audience. Therefore, we suggest replacing the word “account” with the word “reflect.”
22	92	“BScall” is not defined in the formula.
25	114	We suggest mentioning the FASB standard (ASC 820 Fair Value Measurement).
26	114	The last sentence refers to “many” financial assets but, under IFRS 9, all derivative financial assets within its scope are measured at fair value. Therefore, we suggest changing the last sentence to “IFRS 9 requires all financial derivative contracts to be measured at fair value”.