

August 31, 2016

International Valuation Standards Council (IVSC)
1 King Street
London
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Via electronic mail: commentletters@ivsc.org

Re: Comments on the Exposure Drafts of:
A. IVS 200: Business & Business Interests
B. IVS 300: Plant & Equipment
C. IVS 400: Real Property Interests
D. IVS 410: Development Property
E. IVS 500: Financial Instruments

To Whom It May Concern:

As the body charged with the promulgation of the *Uniform Standards of Professional Appraisal Practice* (USPAP), the Appraisal Standards Board (ASB) of The Appraisal Foundation issues exposure drafts of proposed changes as the need arises. As a result, the ASB understands the importance of public exposure of proposed changes, and appreciates the opportunity to provide comment on the proposed revisions to the International Valuation Standards.

A special Working Group (WG) of ASB members was appointed by the ASB Chair to review the IVSC draft documents and prepare a response. This response has been based on opinions of the WG rather than the entire ASB. Review by the full ASB was not possible due to the current Board workload.

The ASB is pleased that the IVSC is considering revisions to the International Valuations Standards for 2017. We have previously expressed concerns about the use, or lack of use, of the terms “must” and “should.” The ASB has not provided any opinions related to IVS 105: *Valuation Approaches*, and IVS 210: *Intangible Assets*, as that subject matter would fall under the purview of the Appraisal Practices Board (APB) of The Appraisal Foundation. While USPAP does incorporate the use of three approaches to value (Cost, Income, & Sales Comparison), it does not establish Rules or Standards as to how and when these approaches are specifically required in valuation or review assignments.

USPAP sets forth the generally recognized ethical and performance standards for the appraisal profession in the U.S. As such, USPAP is both principles-based and prescriptive in nature. USPAP is not intended to, nor does it provide guidance on, recognized valuation

methods and techniques. It does recognize the three traditional “market based” valuation approaches: Cost, Income, and Sales Comparison, but does not suggest or prescribe the varied methods of application. USPAP does require appraisers to explain why any of these approaches are not applied in a specific assignment.

The first Standards Rule in each of USPAP’s appraisal development Standards requires the appraiser to *be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal*. USPAP does not specify which methods and techniques are appropriate or required for various assignment types. The APB was formed in 2010 as a source to help identify recognized valuation methods and techniques (which may apply to all appraisal disciplines) in the form of *Valuation Advisories*. These Advisories are not mandatory; therefore, according to The Appraisal Foundation, they are not Rules or Appraisal Standards.

The current drafts of IVS 200, 300, 400, 410, and 500 are suggesting they be mandatory rather than “commentary” as they currently exist in IVS. This direction is the opposite of the current USPAP philosophy. Since a vast majority of the above-referenced drafts involve valuation methods and techniques which are beyond what is governed in USPAP, we offer no other comments other than those stated above and those contained in our prior Exposure Draft comments from June 2016.

The ASB and the IVSC have worked together toward harmonization of standards and recently jointly issued a bridging document to show that practitioners who complete assignments under USPAP can also comply with IVSC. We hope that whatever changes to the IVS you adopt will maintain or advance the level of harmonization.

If any of these above comments require further clarification or explanation, please contact Aida Dedajic, Standards Administrator with The Appraisal Foundation, by calling (202) 624-3058, or via e-mail at aida@appraisalfoundation.org.

Respectfully submitted,



Maggie Hambleton
Chair
Appraisal Standards Board