

October 8, 2014

Sent via email to commentletters@ivsc.org

IVSC Standards Board  
International Valuation Standards Council  
41 Moorgate  
London EC2R 6PP  
United Kingdom

Dear Sirs:

**Re: Comments on IVSC Standards Board Agenda Consultation**



The Canadian Institute of Chartered Business Valuators is pleased to provide our comments on the above-noted IVSC consultation paper.

We have one overarching comment which pertains to Questions 2-6. Many business valuers in North America will often rely on the work of another professional for the valuation of specialized assets (e.g., mining, forestry, real estate, etc.). It is part of a CBV's professional and ethical responsibilities to consider the reputation and qualifications of other professionals upon whose work they rely. We are uncertain as to how VPOs (whose members rely on the work performed by other professionals) will be able to claim adoption of, or compliance with, the standards, when the IVS address matters which are dealt with by professionals other than the VPO members. That is, when a VPO is (predictably) unable to force a "non-member" professional to adopt or comply with certain IVSC standards, will that VPO still be able to adopt or claim compliance with the IVS as a whole?

We would like to point out that Question 6b appears to be incomplete. It mentions "listed underlying asset classes", but a list does not appear to follow the question.

We would like to point out that there was no Question 9 in the paper, and in Question 10 when the paper refers to "paragraph 42 above", we have assumed that the paper means paragraph 41, which refers to paragraph 9, but should actually refer to paragraph 7.

**Responses to Questions posed in the Exposure Draft**

**Question 1a)**

**Should the IVSC supplement its current standards with additional standards for subsets of assets that fall within the high level categories currently covered in IVS 200 – IVS 250?**

**CICBV Response**

No. In our view, the IVSC should not supplement its current standards covered in IVS 200 – IVS 250 we believe that principle-based standards are preferable to prescriptive standards so that the professionalism required to address the ever-changing nature of valuation users and uses can be captured.

**Question 1b)**

**Should the IVSC create additional standards to deal with the application of the principles in the existing IVSs to valuations for different purposes?**

**CICBV Response**

No. In our view, the purpose of the valuation does not change the approach to the value determination, nor the nature of the report disclosure required.

**Question 2a)**

**Do you or your organisation encounter valuations of assets in the Extractive Industries?**

**CICBV Response**

Some CICBV members value (or encounter valuations of) assets in the Extractive Industries. We understand that the purposes for such valuations are as varied as for other business valuations.

**Question 2b)**

**Do you have experience of problems or inconsistency in the way in which assets in the Extractive Industries are valued? If so please also indicate whether, in your experience, these are:**

- i) specific to a particular country or jurisdiction or are common across borders,**
- ii) arise across all the extractive industries, or**
- iii) are specific to a particular sector (eg mining) or subsector (eg metal ores).**

**CICBV Response**

As a VPO, we offer no comment on this practice-specific question.

**Question 2c)**

Please indicate whether you believe that this should be a high, medium or low priority for inclusion on the Board's agenda.

**CICBV Response**

We recommend that in order to better understand and prioritize issues that the IVSC have round-tables with topic subject matter experts. The CICBV would solicit from its membership such experts to participate and assist in this regard.

**Question 3a)**

Do you or your organisation encounter valuations of forests or woodland used primarily for timber production?

**CICBV Response**

Some CICBV members value (or encounter valuations of) forest or woodland assets used primarily for timber production. We understand that the purposes for such valuations are as varied as for other business valuations.

**Question 3b)**

Do you have experience of problems or inconsistency in the way in which commercial forests or woodlands are valued? If yes please indicate whether, in your experience, these are:

- i) specific to a particular country or jurisdiction or are common across borders,
- ii) broadly applicable across all the types of commercial forest; or
- iii) specific to a particular sector or type of forest.

**CICBV Response**

We recommend that in order to better understand and prioritize issues that the IVSC have round-tables with topic subject matter experts. The CICBV would solicit from its membership such experts to participate and assist in this regard.

**Question 3c)**

Please indicate whether you believe that this should be a high, medium or low priority for inclusion on the Board's agenda.

**CICBV Response**

We recommend that in order to better understand and prioritize issues that the IVSC have round-tables with topic subject matter experts. The CICBV would solicit from its membership such experts to participate and assist in this regard.

**Question 4a)**

**Do you or your organisation produce or rely on valuations of real property that is normally bought and sold at a price which reflects the potential earnings that can be made from operating a particular type of business from the property?**

**CICBV Response**

CICBV members regularly rely on the conclusion of other professionals in such matters, as the valuation of such assets is outside the scope of our organization.

**Question 4b)**

**Do you consider that it would be beneficial for the Board to produce guidance on the method of valuation of a real property interest that uses the income that can be generated by a business in occupation as an input?**

**CICBV Response**

Many types of specialized assets, such as nursing homes and hotels for example, are businesses and need to be valued as such. Guidance on these issues would be useful given the debate that exists..

**Question 4c)**

**If you have answered yes to question 4b, please indicate the issues that commonly cause difficulty or inconsistency in applying this approach.**

**CICBV Response**

We recommend that in order to better understand and prioritize issues that the IVSC have round-tables with topic subject matter experts. The CICBV would solicit from its membership such experts to participate and assist in this regard..

**Question 4d)**

**Please indicate whether you believe that this should be a high, medium or low priority for inclusion on the Board's agenda.**

**CICBV Response**

We recommend that in order to better understand and prioritize issues that the IVSC have round-tables with topic subject matter experts. The CICBV would solicit from its membership such experts to participate and assist in this regard.

**Question 5a)**

**Do you or your organisation encounter valuations of real property, plant and equipment held in the public sector?**

**CICBV Response**

CICBV members regularly rely on the conclusion of other professionals in such matters, as the valuation of such assets is outside the scope of our organization.

**Question 5b)**

Do you have experience of problems or inconsistencies in the way in which these assets are valued? If yes, please indicate whether these:

- i) arise from the nature of the asset,
- ii) arise or are likely to arise across borders,
- iii) arise because of the need to comply with specific legislation or regulation.

**CICBV Response**

As a VPO, we offer no comment on this practice-specific question.

**Question 5c)**

Please indicate whether you believe that this should be a high, medium or low priority for inclusion on the Board's agenda.

**CICBV Response**

As a VPO, we offer no comment.

**Question 6a)**

Do you or your organisation value or rely on valuations of derivatives?

**CICBV Response**

CICBV members often value or rely on valuations of derivatives.

**Question 6b)**

Please indicate which of the listed underlying asset classes you believe should be given priority in the next phase of the Derivatives project.

**CICBV Response**

With respect to prioritizing guidance on credit, foreign exchange, and commodity derivatives, in our view, the order should be as follows:

1. Credit derivatives
2. Foreign exchange derivatives
3. Commodity derivatives

**Question 7a)**

**Please indicate whether you have encountered problems or inconsistencies in the way in which funding valuation adjustments are applied**

**CICBV Response**

We recommend that in order to better understand and prioritize issues that the IVSC have round-tables with topic subject matter experts. The CICBV would solicit from its membership such experts to participate and assist in this regard.

**Question 7b)**

**Please indicate whether you believe that this should be a high, medium or low priority for inclusion on the Board's agenda.**

**CICBV Response**

We recommend that in order to better understand and prioritize issues that the IVSC have round-tables with topic subject matter experts. The CICBV would solicit from its membership such experts to participate and assist in this regard.

**Question 8a)**

**Please indicate whether you or your organisation has to value or rely on valuations to support restructuring or corporate recovery.**

**CICBV Response**

CICBV members value or rely on valuations to support restructuring or corporate recovery. We would like to point out that this type of work may fall under the "limitations of the scope of the IVSCs" with respect to "requirements arising from national law or regulation, or from established practice in a particular jurisdiction" (Question 7 from the IVSC Consultation Paper – Structure and Scope of the International Valuation Standards), so we question whether it would be appropriate for the IVSC to issue standards on this topic.

**Question 8b)**

**If yes, please indicate any valuation issues that you currently experience or anticipate arising under emerging regulations.**

**CICBV Response**

We recommend that in order to better understand and prioritize issues that the IVSC have round-tables with topic subject matter experts. The CICBV would solicit from its membership such experts to participate and assist in this regard.

**Question 8c)**

Please indicate whether you believe that this should be a high, medium or low priority for inclusion on the Board's agenda.

**CICBV Response**

We recommend that in order to better understand and prioritize issues that the IVSC have round-tables with topic subject matter experts. The CICBV would solicit from its membership such experts to participate and assist in this regard.

**Question 10)**

Do you wish to suggest any additional projects for inclusion in the Board's agenda?

**CICBV Response**

We offer no comment.

We hope that this submission is helpful to you. If you have any questions regarding our comments, please do not hesitate to contact Robert H. Boulton, CPA, CA, CBV, CICBV Director, Education and Standards.

Yours truly,

A handwritten signature in black ink, appearing to read "Richard Ginsberg".

Richard Ginsberg, CPA, CA, CBV  
Chair, Professional Practice and Standards Committee