



U.S. Securities and Exchange Commission

By email to rule-comments@sec.gov

13 November 2008

Dear Sirs,

**SEC Study on Mark to Market Accounting - File No 4-573**

The IVSC appreciates the opportunity to comment on the SEC study. The IVSC is concerned with the development of valuation standards. It does not presume to comment on accounting concepts and standards. However, it believes that it is important that the current value of an entity's significant assets and liabilities are disclosed in financial statements, and that to be useful and credible those valuations must be prepared in accordance with globally recognised valuation principles and practice.

**Development of global valuation infrastructure**

Concern at the inadequate infrastructure in the US to support valuations for financial reporting was expressed recently in the report to the SEC from the advisory committee on improvements to financial reporting. In discussing fair value reporting, it states "*such estimates are often made even more subjective by the lack of a single set of authoritative generally accepted valuation standards like US GAAP for financial reporting purposes and the use of inputs to valuation models that vary from one company to the next....*"The report recommended that there should be a plan to strengthen the infrastructure that supports fair value reporting.

As the established international standard setter for valuation, the IVSC wholeheartedly agrees with the importance of developing and maintaining standards for the reporting and disclosure of valuations, especially those that will be relied upon by investors and other third party stakeholders. It also supports the need to develop a framework of guidance on best practice for valuations of the various classes of assets and liabilities and for the consistent delivery of the standards by properly trained professionals around the globe. Valuations for inclusion in financial reports must be reported in a consistent manner and in accordance with fundamental principles of best practice if the markets are to have confidence in them. Additionally, it is clear that there is significant commonality between the process of valuing an intangible asset, a financial instrument, tangible assets or even a whole business enterprise, and the IVSC cautions against allowing parallel standards to develop for different asset classes.

A review by the IVSC of the draft report of the IASB Expert Advisory Panel: *Measuring and disclosing the fair value of financial instruments in markets that are no longer active*, showed that the Panel's conclusions were consistent with wider valuation practice, that many of the principles discussed in the paper represent good generic valuation practice, and confirmed that financial instruments are not a "special" case that warrants valuation approaches that are fundamentally different to the valuation of other asset classes.

Although IVSC was supportive of the content of the IASB paper, it does have some concern that it has been developed by a group in isolation from "mainstream" valuation practice. The IVSC believes that valuation standards and guidance should be developed and maintained following due process, in similar fashion to the IASB's own standards.

IVSC also believes that if fair value measurements in IFRS (and national accounting standards) generally are to be credible, and achieve the desired objective of the IASB, the supporting valuation guidance should reflect general valuation practice in the relevant markets. If valuations under IFRS were developed under discrete rules, it would perpetuate the commonly held belief that there is an "accounting value" and a "real value".

#### **IVSC – its background**

The IVSC was established in 1981. Its origins were in the need, identified by a number of professional bodies from around the world, for uniformity in the valuation approaches used in real estate markets. Over the past decade it has evolved and expanded and now produces standards for many types of assets, including plant and equipment, intangible assets and businesses.

As a result of the IVSC's work over the last 27 years, an acceptable international valuation platform of standards and guidance now exists and the International Valuation Standards (IVS) are recognised and accepted by a wide range of organisations including the UK Financial Services Authority, the Hong Kong Securities and Futures Commission, the Securities and Exchange Board of India, the Spanish Comisión Nacional del Mercado de Valores (CNMV), the European Commission and the European Public Real Estate Association amongst many others.

The IVSC maintains regular liaison with IASB in order to achieve its goal of consistently improving its standards to meet reporting objectives under IFRS and to advise the accounting standard setters of the valuation implications of its various pronouncements. The IVSC is also the only non-US organisation to be represented on the US Financial Accounting Standards Board (FASB) Valuation Resource Group.

While these developments amount to good progress towards the objective of having a single set of high quality valuation standards used throughout the world, much work remains to be done.

**IVSC - a new structure**

As demand has increased for valuation standards in different sectors and markets, it became clear to IVSC that its previous constitution and structure no longer could provide it with the legitimacy or resources required to meet the challenges provided by the global markets and the pace at which they change. The challenge was similar to that faced by accountants a few years ago. The present International Accounting Standards Board evolved from this process, and as a subsequent success the International Accounting Standards Board (IASB) provided a good model for IVSC to follow.

In 2007, the membership of IVSC agreed a restructuring plan that has resulted in a fundamental change in the organisation following the annual general meeting held at the end of October 2008.

The governance structure of the IVSC, a non-profit organisation incorporated in the US and to be headquartered in London, now includes two independent technical Boards – the International Valuation Standards Board (IVSB) and the International Valuation Professional Board (IVPB). The IVSB has the responsibility of working toward a single set of international valuation standards while the key role for the IVPB will be to promote educational and professional standards for valuation across the globe. An independent global Board of Trustees is responsible for the strategic direction and funding of the IVSC. The IVSC works co-operatively with national professional valuation institutes, users and preparers of valuations, governments, regulators and academic bodies, all of whom can become members of the IVSC and have an important role to play in advising the Boards on agenda decisions and priorities in the work of the IVSC.

The public announcement on membership of the new Board of Trustees has yet to be made pending a final decision on the chairman but those elected to the Board at the IVSC October 2008 AGM are:

**Nicholas Brooke (Hong Kong)**

Chairman, Professional Property Services Limited. Chairman,  
Hong Kong Coalition of Service Industries

**Roel Campos (USA)**

SEC Commissioner from August 2002 until September 2007

**Brad Dalgliesh (Canada)**

Senior partner of KPMG Canada's Valuation Services and senior member of KPMG's  
Global Valuations Committee

**Patrick Gounelle (France)**

Global Managing Partner, Ernst & Young, responsible for the integration of the new  
structure EMEIA (Europe, Middle-East, India, and Africa)

**Lee Hackett (USA)**

Executive Vice President, Global Operations, American Appraisal Associates Inc.

**Lim Swe Guan (Singapore)**

Managing Director and Regional Head for Asia Pacific Investments, Government of Singapore Investment Corporation (GIC) Real Estate Pte Ltd.

**Madame Ping Liu (P R China)**

Secretary General of the China Appraisal Society

**Carlos Avenillas Lorente (Spain)**

Recently retired as vice-chairman, Comisión Nacional del Mercado de Valores (CNMV)

**Jens Røder (Denmark)**

Senior partner PricewaterhouseCoopers, Denmark. Senior advisor to the IASCF Board of Trustees International Accounting Standards Committee Foundation

**Conclusion**

The IVSC understands that the SEC was mandated to conduct a study on mark-to-market accounting in the context of FAS 157. The IVSC would encourage the SEC to strive for global solutions rather than run the risk of the development of possibly conflicting national or regional responses to the current crisis.

The restructured IVSC is in the position to be able to respond to the global market demand for an improved infrastructure to support valuation for financial reporting and it would welcome SEC support.

Sincerely,

A handwritten signature in black ink, appearing to read 'Marianne Tissier', written over a light blue circular stamp.

**Marianne Tissier**

Executive Director, International Valuation Standards Committee

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