



Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

By email to director@fasb.org

7 September 2004

Letter of Comment No: 52
File Reference: 1201-100
Date Received: 9-8-04

Dear Sir

**Response to Exposure Draft
Technical Director File Reference No. 1201-100**

**FASB Proposed Statement of Financial Accounting Standards
Fair Value Measurements**

Thank you for the opportunity to comment on the Exposure Draft. The IVSC is not in a position to be able to provide detailed technical comments on the Exposure Draft. However, we make some general comments that you may find useful.

The IVSC is very supportive of the work to develop additional fair value guidance and it welcomes the efforts by FASB and the IASB to seek convergence in such guidance. If there is ambiguity and inconsistency between the usage of fair value as applied for different purposes in accounting standards, it create difficulties for valuation standard setters in creating definitive and unambiguous valuation standards for the measurement of assets for financial reporting purposes.

The IVSC seeks to develop internationally accepted standards and guidance on valuations to enhance the consistency of application of the requirements of International Financial Reporting Standards (IFRSs). Consistent interpretation and application of standards is important for effective implementation of International Financial Reporting Standards (IFRSs).

The current time is a difficult period for the IVSC to be attempting to formulate revised guidance for its members because of the different activities by accounting standard setters affecting valuation concepts and practices. Such activities include the Measurement Study being undertaken by the Canadian Accounting Standards Board on behalf of the IASB, together with the current FASB exposure draft and the joint FASB-IASB project on Business Combinations. However, the IVSC needs to provide guidance under the current standards. The IVSC will be issuing a revised International Valuation Application, IVA 1, Valuation for Financial Reporting shortly to reflect the requirements of the 2004 IFRSs and I would be happy to forward to you an early sight of the draft when available.

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It is evident that there are language or interpretation issues that must be clarified to bridge traditional and contemporary accounting and financial regulatory terms with the robust and well established terms that are commonly applied in the valuation field. The IVSC would urge FASB to ensure continuous dialogue with the national valuation institutes in the USA to assist in fostering greater understanding between the accounting and valuation/appraisal professions.

We provide some background information on the IVSC in an annex to this letter.

Yours faithfully,

Marianne Tissier
Executive Director, IVCS

International Valuation Standards Committee (IVSC).

1. The IVSC is a not-for-profit organisation incorporated in the State of Illinois, USA. Members of the IVSC are the leading professional valuation institutes from some 50 countries. The IVSC is an NGO (Non Government Organisation) member of the United Nations. IVSC maintains liaison with international agencies, such as the Organisation for Economic Co-operation and Development (OECD), the World Bank, the International Monetary Fund, the World Trade Organisation, the European Commission, and the Bank for International Settlements. The IVSC also maintains a close relationship with other international organisations that promulgate international standards and best practice guidance, notably the International Accounting Standards Board, the International Federation of Accountants, and the Basel Committee for Banking Supervision.

2. The IVSC has published International Valuation Standards (IVS) since 1985. The Standards, and accompanying Guidance, reflect the collective thoughts, experiences, and professional judgements of Valuers from some 50 countries. The International Valuation Standards are available to view on the IVSC web site – www.ivvsc.org. The USA is represented on the IVSC by the Appraisal Institute and the American Society of Valuers. The chairman of the Appraisal Standards Board, The Appraisal Foundation, is a member of the IVSC Standards Board.

3. A number of national standard setters have announced their intention to adopt the International Valuation Standards in place of current national standards and supplemented only by national specific guidance. To some extent this decision has been driven by the growing acceptance of International Financial Reporting Standards/International Accounting Standards within the countries concerned.

4. International valuation and accounting standards are now inextricably linked through the IAS 40, *Investment Property*. The 'fair value' as it relates to property is defined in substantial detail in IAS 40. In the appendix to IAS 40 the IASB states that it considers its concept of fair value to be similar to the IVSC concept of market value. It also acknowledges that the guidance on the measurement of fair value was developed with the assistance of the IVSC and that the guidance is in substance (and largely in wording as well) identical with guidance in International Valuation Standards.

5. Many auditing practices recommend use of IVS in their published guidance. For example:

Deloitte Touche Tohmatsu: Model IAS Financial Statements (Dec 2003)

"Land and buildings were revalued at 31 December 2002 by Messrs. Lacey & King, independent valuers not connected with the Group, on the basis of market value. The valuation conforms to International Valuation Standards."

PricewaterhouseCoopers: Applying IFRS (March 2003)

"Management should consider the guidance provided by International Valuation Standards (IVS) issued by the International Valuation Standards Committee."

6. In January 2004 the European Public Real Estate Association (EPRA) issued Best Practices Policy Recommendations. The Recommendations assist with compliance with IFRS and are intended to make the financial statements of public real estate companies in Europe clearer, more transparent and comparable across Europe. EPRA's members include most of the leading real estate companies and investment institutions in Europe. EPRA recommends "that the valuation of investments property held by real estate companies should be at market value, assessed in accordance with International Valuation Standards (IVS), as set out by the IVSC". Available on www.epra.com

7. Finally, the IVSC is pleased that the European Commission has adopted the IVSC definition of Market Value in its proposal for the amendment of the Consolidated Banking Directive (2000/12/EC) and the Capital Adequacy Directive (93/6/EEC) to introduce a new capital requirements framework for banks and investment firms issued 14 July 2004. This amends the definition of market value in the current directive.

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