



26 October 2010

To: **Members of the Hong Kong Institute of CPAs**  
**All other interested parties**

**INVITATION TO COMMENT ON IVSB DISCUSSION PAPER *VALUATION UNCERTAINTY***

***Responses to be received by 3 December 2010***

The Hong Kong Institute of Certified Public Accountants' (Institute) Financial Reporting Standards Committee (FRSC) is seeking comments from constituents to the International Valuation Standards Board (IVSB) Discussion Paper *Valuation Uncertainty* which can be downloaded from the Institute's website at:

<http://www.hkicpa.org.hk/en/standards-and-regulations/standards/financial-reporting/exposure-drafts/>.

The document has been issued in the light of growing calls from politicians and financial regulators, including the Financial Stability Forum and the Basel Committee on Banking Supervision for the degree of valuation uncertainty in financial statements to be better communicated. A lack of transparency in the valuations of banks' assets and liabilities under mark to market accounting requirements is seen as a particular area of concern.

Various studies into the causes of the financial crisis in 2007 and 2008 have concluded that many investors in financial instruments were placing unwarranted confidence in valuations that were being produced against a background of an inactive or dysfunctional market.

The Discussion Paper examines the nature and causes of valuation uncertainty and some of the solutions that have been suggested. It also highlights the Board's disquiet that not all of these will be operable in practice, and some may simply highlight uncertainty without explaining its causes.

The Discussion Paper concludes for a disclosure of material uncertainty to be useful it will normally require a commentary on the nature and causes of that uncertainty, and that attempts to rely solely on numeric expressions are at best unhelpful and at worst counterproductive if they imply a false precision.

Comments are invited from any interested party, which should be supported by specific reasoning and should be submitted in written form.

To allow your comments to be considered, they are requested to be received by the Institute on or before **3 December 2010**.



Hong Kong Institute of  
**Certified Public Accountants**  
香港會計師公會

Comments may be sent by mail, fax or e-mail to:

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Comments may be made available for public review unless otherwise requested by the contributor.