BRINGING CERTAINTY TO UNCERTAINTY

PRESS ANNOUCEMENT

The International Valuation Standards Council (IVSC) has today released an Exposure Draft on valuation uncertainty. The proposed guidance looks at how valuation uncertainty can be identified, explained and disclosed in a way that is informative to those relying on valuations.

The Exposure Draft has been produced in answer to calls from the G20 and financial regulators around the world for improved standards of transparency and disclosure of valuation uncertainty factors. This is in recognition that too many institutions were placing wholly inappropriate confidence in valuations in the period leading up to the 2008 financial crisis, and that the sudden evaporation of that confidence was a major contributor to the subsequent crash.

The Exposure Draft makes a clear distinction between market risk, which is both generally understood and acknowledged by investors and reflected in the pricing, and uncertainty caused by disruption or dislocation in the market place. It also gives guidance to valuation providers on the principles that should be observed in measuring and disclosing uncertainty.

The project is being led by Standards Board member Ana Castañeda, also CEO of InterMoney Valora Consulting.

Ana comments:
"As all valuations are estimates there is always an element of uncertainty, but problems arose because people were relying solely on the reported numbers and not understanding the foundations on which they were based. It is vital that investors understand when there is material uncertainty in the valuation before they make any decisions based on that valuation."

The Exposure Draft is available to view on the IVSC website (www.ivsc.org) or by clicking here. Comments are invited before 15th February 2013 to CommentLetters@ivsc.org, or by post to IVSC, 41 Moorgate, London, EC2R 6PP.

16 November 2012

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