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Dear Alexander

### **Comments on Exposure Draft of proposed IVS effective from 2028**

Attached are our responses to the questions IVSC asked on the Consultation Draft, followed by our comments on a number of other problems that we found with the draft which we believe the Standards Board need to address.

Valuology was formed in 2015 by two former directors of the IVSC. Apart from having a combined experience of over thirty years with the IVSC, over the past decade we have had significant involvement advising valuation professional bodies on the development of their standards and assisting financial regulators investigating valuations commissioned or undertaken by firms within their jurisdiction. We also advise valuation firms on compliance and risk management. Our clients and experience ranges across Europe, the Middle East, and Asia, and we have also been involved in conferences or webinars in Africa. We therefore have significant insight into how valuations standards are used and applied in different jurisdictions and the issues that arise that affect their effectiveness or suitability.

From our examination of the Consultation Draft we have identified three fundamental issues which we believe the IVSC needs to consider carefully if it wishes the IVS to be more widely recognised and used.

#### **1. Who are the standards for?**

The Foreword to the IVS states that the primary objective of the IVSC is to “... *build confidence and public trust in valuation by producing transparent and consistent standards and securing their universal adoption and implementation for the valuation of assets across the world.*”

To achieve this, the standards need to be clear that they are written for the benefit of those who commission and rely on valuations at least as much as for those who provide them. The best known and most widely adopted international standards in the financial world are the IFRS. These specify what should be included in financial statements, not who should prepare them, how they should be audited nor how those involved should behave. Those are matters left to the regulators and accounting professional bodies.

The IVSC recognised in the 2000s that it needed to move from being a body representing professional organisations involved in valuation to one that was inclusive of those who rely on valuations and those who regulate financial markets. Following a restructuring in 2007 overall management was made the responsibility of Board of Trustees, members of which were mainly drawn from outside the valuation profession and with wider experience of the

financial markets that relied on valuation. They then appointed a Standards Board that included valuers and users, and which were not delegates of valuation professional organisations.

To achieve the required inclusivity the first few editions of the IVS produced after the restructuring did not give instructions to “the valuer” but instead stated what the valuation process should be from commissioning to completion.

Instead of progressing with this model, recent editions of the IVS have reverted to instructing the valuer what they must do or should do. This again gives the impression that the IVSC is a supra-national regulator of the valuation profession rather than one that is inclusive of those who rely on valuations or those who regulate them. We believe this is a mistake.

## **2. Compliance with Standards**

The role of the IVSC should be that of an independent standard setter. When and where the IVS are applied is a matter for others, whether that be a statutory regulator, a professional body or by agreement between a valuer and their client. It follows that any measures required for monitoring compliance are also a matter for those who determine when and where the IVS are to be used.

Crossing the line between setting and enforcement not only compromises the IVSC’s independence but also acts as a barrier to wider adoption where there are already statutory or membership regulations in place in a specific sector or jurisdiction.

We therefore disagree with the proposed IVS 107 in principle, and for that matter the provisions in the current IVS 100.20.

It may be helpful for IVSC to issue non-mandatory guidance indicating what is currently recognised as best practice in monitoring compliance, but this should not be part of the standards.

## **3. Relationship between General and Asset Standards**

The current Asset Standards are full of instructions indicating that the valuer “must” do or not do something. These instructions often repeat or paraphrase requirements in the General Standards. It is not good practice in standard setting to repeat the same requirement twice but using different words as this opens the door to misunderstanding and misapplication.

The requirements in the General Standards should be sufficiently widely drawn to cover all the major asset classes. If a modification or supplementary requirement is needed for a particular asset type or valuation purpose, then this can be put into an Asset Standard. Otherwise, the focus of the Asset Standards should be on providing illustrative examples of how the requirements in the General Standards can be applied to each of the main asset classes. Neither should the Asset Standards suggest that any of these examples are mandatory. They should make it clear that other means of compliance may be appropriate based on the facts and circumstances of a particular valuation assignment.

We therefore strongly urge the IVSC to revisit the tone and content of the Asset Standards generally. Creating too much prescription on how the General Standards may be applied can only serve to limit the adoption of the IVS.

Finally, we also consider that there needs to be a proper independent proof reading of the new standards, not just to spot grammatical errors but to avoid unnecessary repetition and inconsistency in the way words and terms are used.

We trust you will find our responses and comments helpful. We are available to discuss any points arising with the relevant Boards if required.

Yours faithfully,

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## **Comments on proposed IVSC Glossary and General Standards effective from 2028**

This document provides our responses to the questions in the Consultation Draft of the proposed International Valuation Standards issued on 31 January 2026.

We have set out the questions in the IVSC's Summary and Consultation Questions document and our draft answers in a tabular format, i.e. the IVSC question in bold followed by Valuology's response.

The IVSC document asks 13 questions on the Glossary and General Standards. We also have commented on matters that IVSC has not asked questions about or where what we consider to be a necessary change has not been proposed. These follow on from the IVSC's questions in a similar format.

### **IVSC questions**

1. **The IVS Glossary had been revised to include new definitions for business, financial instrument, non-financial liability, quality control and sustainability. Do you agree with the definitions of the newly added terms? If not, please provide your proposed revisions to the definitions contained within the Glossary.**

**Answer: No.** The Glossary needs a rethink. It has grown in recent years to include a selection of words that are not used, or should not be used, in a way that differs from their normally understood meaning in English in the context in which they are used. This acts as a hindrance in translation where using the defined meaning of a specific word may not clearly convey the required overall meaning of the sentence of which it is part. It also means that the standards are punctuated with italicised words which can also obfuscate the overall meaning by implying emphasis when this is not intended.

Unnecessary definitions in the proposed Glossary include:

Asset(s), Business, Client(s), Cost, Financial instrument, Jurisdiction, Liability, Must, Non-financial liability, Price, Quality control, Should, Significant, Specialist, Value

We also disagree with the definitions for **Liquidation Value**, see below, and **Valuation Risk**, see answer to Q3.

**Liquidation Value.** As proposed the definition is contradictory - if the sale is orderly (as per the first option) the seller cannot be compelled. Businesses can be liquidated voluntarily or compulsorily. In most jurisdictions, even if the liquidation is compulsory, there is neither an automatic presumption that the business is insolvent nor that the time limit for disposal is less than normal. Given the large variation in the facts and circumstances under which a business may liquidate its assets it is neither possible nor helpful to attempt to define "Liquidation Value". There is place for discussion of such scenarios in the standards, but simplistic and potentially misleading definitions should be avoided.

2. **The IVS Glossary had been revised to include minor revisions to the definitions of ESG, liability, liquidation value, professional scepticism, significant, tangible asset and valuation review to provide additional clarity. Do you agree with the revised definitions for the existing terms? If not, please provide your proposed revisions to the definitions contained within the Glossary.**

**Answer: No.** We have explained in our answer to Q1 that a number of amended definitions should not be in the standards as they are not used in any limited or special way that differs from their normally understood meaning. We also explain our disagreement with the definition for Liquidation Value in our previous answer and with how Valuation Risk is defined in our response to Q3.

3. **The definition of valuation risk has been revised within the IVS Glossary to provide additional clarity. Do you agree with the revised definition of valuation risk? If not, please provide your proposed revision to the definition of valuation risk contained within the Glossary.**

**Answer: No.** Between 2009 and 2013 a major project for the IVSC was to produce guidance on Valuation Uncertainty. This followed a request from the G20 via the Financial Stability Board to the "accounting standard setters" to develop guidance on valuation uncertainty following the Global Financial Crisis. Neither IASB nor FASB saw this as a matter for them as part of their concurrent Fair Value projects and therefore it was agreed that IVSC should deal with it. This involved significant engagement with significant global banks, financial regulators and advisors as well as liaison with the accounting standard setters. It quickly became clear that "Valuation Risk" was a metric used in the models used for valuing financial assets and was not the same as valuation uncertainty.

Valuation Risk is a measurement of any adjustment that a market participant would make to reflect the probability of the current value of a swap or derivative falling over its term. The current Market Value needs to reflect this. This is different from valuation uncertainty which arises from the lack of the data normally available to estimate the current value, and therefore adversely affecting its reliability. This was discussed and made clear in the IVSC's Technical Information Paper (TIP) Valuation Uncertainty published in 2013 paras 11-16. To redefine Valuation Risk as the risk of a valuation being wrong on a given valuation date is therefore incorrect.

For reasons that have never been explained the IVSC has removed reference to valuation uncertainty and this TIP from the standards, even though it remains available in the online bookstore. This is despite this being one of the very few, if not only, times it has responded to a formal request from a global financial regulatory body to produce guidance and the thorough consultations over an extended period with stakeholders outside of the valuation profession in producing it.

If it is deemed necessary to define an incorrect valuation the term used should be "Valuation Error". However, we would also disagree with including this since the purpose of the standards is to set criteria for doing valuations correctly. Having a definition for doing them incorrectly would be perverse.

4. **IVS 101 Scope of work has been revised to include mandatory requirements, where applicable, in relation to:**
- **The use of a range,**
  - **the proposed significant use of artificial intelligence or other technology-based tools and resources,**
  - **service organisations,**
  - **sustainability considerations, and**
  - **the IVS asset standards to be considered within the valuation.**

**Do you agree with the inclusion of these additional mandatory requirements? If not, why not, and what specific changes would you make?**

**Answer: See below:**

- The use of a range: **No**. Most valuation users require a single figure, as do virtually all regulated valuations, e.g. for financial reporting or bank lending. The IVSC TIP on Valuation Uncertainty was clear that a range was not recommended as a way of disclosing material uncertainty. The only time where a range may be appropriate is if advising on the likely outcome of current negotiations, but this should never be confused with a formal valuation under IVS, and IVS should not suggest that it does.
- the proposed significant use of artificial intelligence or other technology-based tools and resources: **Yes**.
- service organisations: **Yes**.
- sustainability considerations: **Yes**
- the IVS asset standards to be considered within the valuation: **No**. It is sufficient to refer only to the fact that the IVS have been complied with. Providing a list of all specific provisions complied with would be unnecessary and simply adds complexity for valuer and user.

5. **IVS 104 Data and Inputs now include mandatory requirements in relation to the significant use of artificial intelligence or other technology-based tools. Do you agree with the inclusion of these additional mandatory requirements? If not, why not, and what specific changes would you make?**

**Answer: Yes**

6. **IVS 104 Data and Inputs: Appendix has been revised to include sustainability considerations in addition to the consideration of ESG factors. Do you agree with the inclusion of sustainability considerations within the IVS 104 Data and Inputs Appendix? If not, why not, and what specific changes would you make?**

**Answer: Yes**

7. **IVS 105 Valuation Models<sup>1</sup> now includes mandatory requirements in relation to the significant use of artificial intelligence or other technology-based tools. Do you agree with the inclusion of these additional mandatory requirements? If not, why not, and what specific changes would you make?**

**Answer: Yes.** However, effectively all the requirements set out in IVS 105 also apply to any valuation method or input, so we see no purpose in a separate standard for “models”. It would simplify the standards if IVS 103, 104 and 105 were merged, with the current extensive Appendix to IVS 103 with prescriptive “how to value” instructions removed – see later comment on Page 8 for detail.

8. **IVS 106 Documentation and Reporting now includes mandatory documentation requirements in relation to the significant use of artificial intelligence or other technology-based tools. Do you agree with the inclusion of these additional mandatory requirements? If not, why not, and what specific changes would you make?**

**Answer: Yes** – but it would be better if 20.03 was worded “... must also include a record of any significant use...”

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<sup>1</sup> The Consultation paper refers to “Valuation Approaches” which we assume is an error.

9. The reporting section within IVS 106 Documentation and Reporting has been revised to include mandatory requirements, where applicable, in relation to;
- reporting requirements, where applicable, in relation to the use of a range
  - the proposed significant use of artificial intelligence or other technology-based tools and resources,
  - service organisations,
  - sustainability considerations, and
  - the IVS asset standards considered within the valuation.

**Do you agree with the inclusion of these additional mandatory requirements? If not, why not, and what specific changes would you make?**

**Answers:**

- reporting requirements, where applicable, in relation to the use of a range. **No, See answer to Q4 for our reason.**
  - the proposed significant use of artificial intelligence or other technology-based tools and resources. **Yes.**
  - service organisations. **Yes**
  - sustainability considerations. **Yes**
  - the IVS asset standards considered within the valuation. **No – see answer to Q4 for reason.**
10. The section on "Allocation of Value" previously contained within IVS 102 Bases of Value has been moved to IVS 106 Documentation and Reporting. Do you agree that this section should now be contained within IVS 106 Documentation and Reporting? If not, why not, and where would you place this section?

**Answer: Yes.**

11. Do you agree that quality controls should be mandatory within IVS? Do you agree with the level of standards as proposed, or are they too weak or too stringent? If you do not agree that quality controls should be mandatory within IVS, why not, and please provide your reasoning?

**Answer: No.** The IVSC's role is that of an independent standard setter. It is not to regulate those who provide valuations. Ensuring that it stays independent from professional bodies that regulate individual valuers or firms is important for its credibility to valuation users and regulators in the financial sector. As an example, the IASB does not issue standards for IFRS compliance monitoring by either reporting entities or their auditors. Auditors are subject to the International Auditing Standards, issued by an entirely separate body, the IAASB.

Just as the IVSC has no power to decide when or where its standards are used, neither should it mandate what quality controls are in place to monitor compliance. These must be a matter for the body that has the power to determine if the IVS are used and for what valuation purposes. This is likely to differ across different jurisdictions.

This section also repeatedly misuses the term "valuation risk", see answer to Q3

12. Do you have any other comments or observations in relation to IVS 107 Quality Controls? Please provide your reasoning for any additional comments or observations.

**Answer: No** but see above

13. Do you have any other comments or observations on topics not covered by the questions above

**Answer: Yes** – see next page

## **Additional Comments**

### **IVS 102 “Premise of Value” 10.03, 10.04 and A90 – A120**

The term “premise of value” was introduced a few years ago but it remains unclear what this means. 10.03 describes it as the circumstances of how an asset or liability is used, but of the four examples in 10.04 only two relate to use.

Highest and best use (HABU) is a concept inherent in Market Value when applied to tangible assets since the parties are deemed to be knowledgeable about the actual and potential uses and will seek the price most favourable for their respective positions (see A10.02 (h)).

Current/existing use may involve a departure from MV if the HABU is more valuable. In some jurisdictions a valuation on a basis that disregards HABU may be required for certain purposes, but there is normally a definition in the applicable statute, regulation or legal agreement that applies, as indicated in 10.02. There are many purposes where a bases or definition of value different from those in the IVS is required but the IVS correctly does not insist that one of its defined bases is used.

“Orderly liquidation” and “forced sale” are the two other examples of “valuation premises” but have nothing to do with use but the circumstance under which the assumed sale/transfer takes place. “Liquidation Value” is also incorrectly referred to in 20.02 in the Appendix as a basis, so also referring to it as premise compounds the confusion. Forced Sale is also discussed in the Appendix and correctly states it is a description of the situation under which the sale takes place. This could be a situation that is compatible with the use of Market Value or not but calling a forced sale a “premise of value” serves no purpose and just creates an unnecessary obstacle to the clarity of the standards, not least because of the alternative meaning of “premises” to refer to a piece of real property in many English speaking countries.

We recommend that the term “premise of value” is removed from the IVS. The concepts which are currently labelled as “premises” should be included in discussion about the application of bases to different scenarios, e.g. HABU should be an extension of the conceptual framework for MV not a standalone concept.

### **IVS 102 - Liquidation Value**

This is listed as a bases of value in 20.02 but it is not a definition of a particular type of value but of the circumstances under which the assumed sale takes place. While it may be true that the value in a liquidation scenario may differ from that obtainable if the owner was selling the same assets as part of a going concern, any of the bases in 20.02 (a) to (e) could be the type of value required. A60 goes on to explain that the seller is deemed to being compelled to sell as of a specific date but then confuses the issue by says that there are two alternative “premises” of value, an orderly transaction and a forced transaction.

We have had significant experience of advising sellers, and more recently of reviewing valuations, in liquidation situations. In many jurisdictions the seller, whether that be the owner, a lender in possession or an insolvency practitioner is required by statute and/or civil law to act reasonably and obtain the best price they can. It is usual for there to be a duty of care to any residual creditors or guarantors. For this reason, it is also usual for sellers to require confirmation of the current Market Value to demonstrate that a sale is at the best price obtainable in the circumstances.

There can be situations where a specific asset has to be sold by a given date because, if not, the overall outcome would be worse, but until the consequences of not selling by that date are known it is not possible to confirm what would be a reasonable price to accept to achieve that. This point is correctly made in A120.01 on “Forced Sales”. Such is the range of circumstances that may exist in such situation that it is wrong to assert that there can just one or two applicable valuation

definitions. If the reason for liquidation is known on the valuation date, MV or another of the bases listed in 20.02 (a) – (e) should be appropriate. If the reason for the need for liquidation is not known, then a specific scenario needs to be agreed with the client/user and made as special assumption.

We recommend that Liquidation Value is not included as a separate basis of value (or a “premise” see 13a). It could be replaced by guidance on matters that a valuer should consider if instructed to provide a valuation in either a current liquidation or on the special assumption that the seller was in liquidation on the valuation date.

### **IVS 102 Other Bases of Value A70 and A80**

There will be hundreds or even thousands of different valuation bases or definitions in statutes, regulations or private contracts around the world. Including just IFRS 13 / Topic 820 Fair Value and then a vague reference to other types of “fair value” serves no useful purpose and is potentially misleading as it implies these are the only other valuation bases which may be required in an IVS compliant valuation. When the IVS included guidance for valuers on valuations for financial reporting (developed in conjunction with the IASB and IFRS staff who saw the benefit of guidance for those who were valuation rather than accounting experts) there was some relevance in including the Fair Value definition in the IVS but not now the definition stands in isolation. We recommend these two sections are removed.

### **IVS 102 50.04 Assumptions**

The limitation of this requirement to only “significant” assumptions is inappropriate. It is also important to state that any assumption must be something that it is reasonable to accept as true without specific verification, e.g. you cannot assume that no repairs are needed to a building if it is clear from the most limited of inspections that it is dilapidated. Likewise, suggesting it must be supported by evidence suggests it must be something that is verified and is therefore not an assumption. We suggest 50.4 is replaced with:

“An assumption is something it is reasonable to accept as true without specific investigation or verification. It must be relevant having regard to the nature of the asset or liability and the intended use of the valuation.”

The word assumption is used well over 100 times in the proposed IVS 2028. Sometimes it is used correctly but is also frequently used to refer to an input into a valuation method. An example is in IVS 104 which states “The valuer is responsible for assessing and selecting the data, assumptions and adjustments to be used as inputs in the valuation based upon professional judgement and professional scepticism.” This is an oxymoronic statement. To comply with IVS all data and inputs should be subject to review and verification by the valuer. They can use their professional judgment to estimate an input but should never assume an input without any verification, or at least proper consideration. This needs to be corrected. Assumptions should be reserved for facts about the subject asset or liability that it is reasonable to accept as true without specific investigation or verification. That cannot apply to any input into the valuation itself which should **NEVER** be assumed without specific investigation or verification.

This needs to be carefully checked and corrected throughout the standards.

## **IVS 102 60 Special Assumptions**

60.01 (a) is not a special assumption. If a property is freehold and with vacant possession that is a fact not an assumption. Other examples are also unclear. The paragraph also muddles assumptions and special assumptions which are completely different. The first relates to the scope of investigations; the second to what the value reported represents. We suggest that 60.01 is replaced with:

“When facts are assumed that differ from those existing on the Valuation Date, they are referred to as “special assumptions.” Special assumptions are often used to illustrate the effect on value of possible changes in the factual situation on the valuation date. They are designated as “special” to highlight to the intended user that the valuation is contingent upon the change described having occurred or that it reflects something that would not be considered by a typical market participant on the valuation date. Examples of such special assumptions include but are not limited to:

- (a) that an occupied property is vacant,
- (b) that a current lease of the property had been terminated,
- (c) that a proposed building had been completed on the valuation date,
- (d) that a proposed contract had been completed on the valuation date, and
- (e) that a different yield curve from that which would be used by a typical market participant has been used to value a financial instrument. “

## **IVS 103 Valuation Approaches 10.10**

Why “reconsider”? Surely the valuer should have considered 10.04 already?

## **IVS 103 Appendix**

This Appendix has twenty pages describing different methods of valuation and goes as far as mandating that they be applied as described. However, we consider that this is misplaced in the standards, which should be confined to identifying the fundamental steps that should be followed in accepting, undertaking and reporting a valuation on which others will rely. The standards should not, and cannot, become a set of instructions on how every type of asset or liability in every market should be valued, and even less mandate how selected methods are applied.

There are many other methods or detailed variations in use in different markets and for different purposes than those identified and discussed in this Appendix. For example, we recall a professor at leading US University explaining at an IVSC conference over 15 years ago that there were more than 100 textbooks advocating detailed differences in how an “equity risk premium” should be calculated when valuing shares. Methods are continually evolving as markets develop and change. There are probably hundreds of different variations on DCF models in use across different markets and asset types. The IVS should not mandate just a sample. There is a real danger that if the IVS mandate how a specific method should be applied the market will move on and render the IVS irrelevant.

There is also an irony in proposing stronger requirements in IVS 104 and 105 for the valuer to exercise professional scepticism and to verify inputs and models used when these are generated by AI while IVS 103 Appendix takes away valuer judgement and oversight by saying that the “appendix must be followed when using the applicable valuation method.” Mandating that a method can only be applied as stated in the IVS and excluding valuer judgement and discretion opens the door to AI.

We **strongly recommend** that this Appendix be withdrawn from the standards and issued as standalone, non-mandatory information.

### **IVS 103 Appendix A10.05**

Notwithstanding our preference to see the whole of this Appendix removed, A10.05 is poorly worded. How does a valuer consider the “level of commitment inherent in the price”? It also concludes by saying that an offer that represents a binding commitment to purchase or sell can be given more weight. This is true but if there is a “binding commitment” then it is no longer a listing or offer. Better would be:

“When considering the weight that can be given to advertised prices to sell or offers to buy, consideration should be given to factors such as how long these have been listed, the level of activity in the relevant market and overall economic trends since any previous verified transactions.”

### **IVS 104 30 Use of Data provided by management or client**

Who or what is “management” in this context? We agree that the reasonableness and credibility of data provided by the client must be considered. However, the use of the word “or” indicates that it is not the client’s management that is meant here. We cannot see that this applies to anyone other than the client since AI tools and Service Organisations are already covered.

### **IVS 106 30 Valuation Reports**

In 30.06 (o) the distinction between an assumption and a special assumption (see comments 13d and 13e above) is again obfuscated. These should also be separated in a report as they relate to different parts of the valuation process. We recommend the following rewording:

(o) all agreed assumptions limiting the investigations made.

(r) the value and rationale for the valuation, including any special assumptions made.

### **IVS 106 30 Valuation Reports**

30.08 – We disagree with this inclusion – see answer to question 4 above.

## **Comments on proposed IVSC Asset Standards effective from 2028**

The purpose of the Asset Standards should be to explain how the General Standards can be applied to each specific type of asset (or in some cases liability). While cross references are obviously needed to the General Standards, the General Standards themselves should not be partially repeated or paraphrased otherwise users of the standards interested in only one asset class may consider the relevant Asset Standard to be self-contained and ignore the General Standards. The focus of the Asset Standards should be on how valuations for each asset type can comply with General Standards. i.e. fewer “musts” and many more “how to’s”.

In our comments below we provide a few examples of where there are unnecessary instructions on what “must” be done which just reiterate provisions in the General Standards. However, we recommend that all the Asset Standards are looked at critically to remove paraphrasing and replacing it with simple cross references to the relevant General Standard. Not only would this avoid misapplications of the mandatory elements of the IVS but also usefully shorten and simplify the Asset Standards.

### **Answers and Comments on IVSC’s questions**

#### **Business Valuation Standards**

14. **The Exposure Draft proposes introducing additional sections aiming to provide for better alignment of the Business Valuation asset standards with the General Standards. These sections also seek to improve comparability between Business Valuation asset standards and other Asset Standards, most notably with IVS 300 and IVS 400. These sections include Valuation Framework (Section 30), Scope of Work (Section 40), Data and Inputs (Section 100), Valuation models (Section 110), and Documentation and Reporting (section 120). The introduction of those sections has resulted in the reallocation of some text to those new sections.**
- a. **Do you find that these additional sections improve the structure and intelligibility of the Standards?**
  - b. **If you disagree, please explain your reasoning.**
  - c. **Where relevant, please provide specific suggestions for changes that you believe would enhance these standards.**

**Answer:**

- a) We agree with the changes which align the structure with the General Standards. However, as with the other Asset Standards there is some unnecessary recital of some, but not all, of the applicable requirements in the General Standards. If a requirement in the General Standards is NOT applicable that should be highlighted as an allowable departure, but otherwise the Asset Standard should provide examples of how the requirements of each General Standard may be applied to each particular asset class.

15. **Across the Business Valuation Standards (IVS 200, IVS 210, IVS 220, and IVS 230), the text was streamlined.**
- a. **Do you find that the proposed Exposure Draft includes an appropriate level of detail for valuation professionals?**
  - a. **Do you find that the rephrasing of the Standards to include more direct sentences that emphasise what the valuer “must” or “should” implement to abide by the principles of the IVS is appropriate?**
  - b. **if you disagree, please explain your reasoning.**
  - c. **Where relevant, please provide specific suggestions for changes that you believe would enhance these standards.**

**Answer:**

- a) Yes
  - b) No, see answer to 14. For example, stating that the valuer must comply with the requirements of valuation IVS 101 Scope of Work when valuing a Business or a Business Interest is superfluous. The Asset Standards are part of the standards and therefore it is a sine qua non that all the General Standards must be followed. The focus should be on examples of how this may be achieved.
  - c) See b)
  - d) Remove the “Musts” and focus on the “Hows”, i.e. providing examples of how a mandatory requirement in the General Standards can be complied.
16. **In IVS 200 Businesses and Business Interests, several paragraphs (?) on “Scenario Based Methods (SBM)” replaces the current text on “Probability-Weighted Expected Return Method (PWERM)” found in 130.23 to 130.27.**
- a. **Do you agree that this change is appropriate?**
  - b. **If you disagree, please explain your reasoning.**
  - c. **Where relevant, please provide specific suggestions for changes that you believe would enhance these standards.**

**Answer:** We have no experience of the practical application of either of these methods. However, we have observed that different sectors of the business valuation community use different terms for methods that only have minor differences in the inputs and techniques used. The IVS should focus on globally recognised methods that have broad application and avoid diving into defining or describing applications of those methods that are used in a limited number of markets.

17. **IVS 200 Businesses and Business Interests introduces a new section on Calibration, which is a technique widely used in the valuation of certain assets for specific bases of values, for example, when the intended use of the valuation is financial reporting.**
- a. **Do you agree that the introduction of this section is appropriate?**
  - b. **If you disagree, please explain your reasoning.**
  - c. **Where relevant, please provide specific suggestions for changes that you believe would enhance these Standards.**

**Answer: No.** While we are not familiar with the use of “Calibration” in this context, the principle that the valuer needs to ensure that metrics obtained from prior transactions are updated to reflect either observable factual changes or changes in market sentiment at the valuation date applies across all asset classes and methods. IVS 104 requires professional judgement being used to balance the characteristics of relevant data, including how well the data reflects market conditions on the valuation date. A short additional paragraph in IVS 105 10 would be sufficient. We see no need for the level of detail or a specific title being given to a principle that should be universal in valuation.

We also note other examples of the misuse of “assumptions” in paragraph 170.07. (see our Comment on IVS 102 50.04). The correct word here should be inputs. To comply with IVS 104 professional judgement must be used in selecting all inputs into a valuation calculation. **Making an assumption, i.e. accepting something without investigation or verification, should never be done in relation to an input into a valuation and is contrary to the IVS.**

## Financial Instrument Standards

18. **The revised IVS 500 Financial Instruments include requirements on data and inputs incremental to those proposed in IVS 104 in the General Standards. Do you agree that these additional requirements are needed for Financial Instruments? If not, why not and what specific changes would you make?**

**Answer: Yes, but with conditions.** We again point out the repeated references in section 40 “Data and Inputs Overview” to “appropriate data, **assumptions** and adjustments...” This is a further example of “assumptions” being misused, see comments on IVS 102 and IVS 200 above.

19. **The revised IVS 500 Financial Instruments include requirements on valuation models incremental to those proposed in IVS 105 in the General Standards. Do you agree that these additional requirements are needed for Financial Instruments? If not, why not and what specific changes would you make?**

**Answer: Yes.** We note that the previous generic list of model characteristics appearing in IVS 105 is no longer repeated, to be replaced by a short supplemental paragraph specific to Financial Instruments. Similar removal from the Asset Standards of the repetition of provisions in the General Standards is needed throughout the IVS, see also our answer to Q14.

20. **The revised IVS 500 Financial Instruments include requirements on quality controls incremental to those proposed in IVS 107 in the General Standards. Do you agree that these additional requirements are needed for Financial Instruments? If not, why not and what specific changes would you make?**

**Answer: No**

We have previously indicated in our answer to Q11 that we do not consider that the IVSC should be setting standards for Quality Control. It is a matter for those who decide to adopt IVS and when they apply to determine who is responsible for their correct application and what sanctions there should be for non-compliance.

Notwithstanding the above, the provisions in the proposed IVS 500 140 are mainly not “incremental” to IVS 107 but just present the requirements in a different order with slightly different words. For example:

- IVS 500 140.2 repeats IVS 107 10.01 and 20.03
- IVS 500 140.03 repeats IVS 107 20.01
- IVS 500 140.05 repeats IVS 20.04

21. **IVS 500 Financial Instruments include requirements to address the use of artificial intelligence and other technology-based tools incremental to those proposed in the General Standards. Do you agree that these additional requirements are needed for Financial Instruments? If not, why not and what specific changes would you make?**

**Answer: No.** All the references to artificial intelligence in IVS 500 simply repeat requirements already appearing in IVSs 101, 105 and 106

## Additional Comments

### IVS 300 Plant, Equipment and Infrastructure.

- a) We must repeat our objection to Infrastructure being merged with plant and equipment. Infrastructure is generally used to describe systems for the delivery of services such as power, energy, communication and data, transport pathways (e.g. road and rail), environmental services, water and waste management. All such systems require real estate interests as well as plant and equipment. Indeed, acquiring land, or rights over or under land, is a prerequisite for any infrastructure project.

Another issue that needs consideration is that in many jurisdictions the provision of infrastructure is subject to significant regulation or regulatory oversight, which can have a fundamental difference on when or how it is valued.

The current IVS 300 makes just one comment that is specific to infrastructure. 50.05 states that for infrastructure, *“selling an asset on a removed (ex-situ) or piecemeal basis may or may not be possible”*. We cannot think of any examples of where infrastructure can be removed from either the land it occupies or the land it serves. Throughout the rest of IVS 300 it is just presumed to be another type of plant and equipment. This has to be incorrect.

While we agree that it may be useful for the IVS to examine providing some guidance on how its principles can be applied to valuing infrastructure, this should stand alone from guidance on either Real Property or Plant & Equipment. It must also consider the extent to which any valuation of infrastructure is affected by any laws and regulations that apply to its ownership, construction and operation in different jurisdictions.

- b) What is meant by the second sentence of 10.02 *“Valuations of PEI must also follow the applicable standard for that type of asset and/or liability (see IVS 400 Real Property)”*. The previous sentence already explains that this standard contains additional requirements and examples applicable to PEI so how can it also be necessary to follow an equivalent standard for another asset class?
- c) We also draw attention to 40.05 which again fails to properly distinguish between assumptions and special assumptions. In the list of examples, a) to e) it is unclear whether the conditions described are current on the valuation date or not. For example:
- if the business is currently operating the P&E, a valuation of the individual items for removal would require the special assumption that production using that P&E had ceased.
  - if the valuation is required assuming the business has closed when it is still operating that would be a special assumption.

As we have previously highlighted, this is another example of the confusion caused by *“assumptions”* and *“special assumptions”* being neither adequately defined nor used consistently throughout the standards.

- d) We note the addition of 40.09 – 40.11 relating to inspections and agree with this addition as providing more clarity.
- e) We also highlight another example of needless near repetition of the General Standards in 40.13 – 40.15.

- f) With regard to section 50, we have pointed out the problems associated with the terms “premise of value” and “liquidation value” in our comments on IVS 102. This section illustrates the confusion caused by these labels, not least whether so called “liquidation value” is a “premise of value” or a “basis of value” (we consider it is neither).

### **IVS 400 Real Property Interests**

- a) We **strongly disagree** with the proposal to merge the current IVS 400 on Real Property Interests with IVS 410 Development Property. The information required, investigations undertaken and the valuation methods used for Development Property are quite distinct from those for valuing other types of real estate. The proposal to merge the two removes clarity between the requirements which relate only to Development Property from those for valuing other real estate. This makes it more difficult for a user to identify all the specific considerations required when valuing Development Property. Given the quite specific risks faced by lenders financing development property, having a dedicated standard assists both lenders and those advising them.

Neither has the proposed merger resulted in any overall shortening of the text. Indeed, the proposed merged standard is 23 pages whereas the two current standards take up 22 pages of IVS 2025.

We urge the IVSC to retain the two distinct standards. The IVS 200 series has **four** separate standards relating to different types of asset that may be owned by or be part of a business so there is no inconsistency in having a distinct standard for different types of real property asset which have distinct valuation requirements.

Neither is there any lack of clarity as to what constitutes a Development Property to which the provisions of IVS 410 apply. This is clearly set out the start of the existing standard, and reference is also made to these being in addition to those in IVS 400 (and somewhat bizarrely IVS 300 although we are unaware of valuations being required for plant and equipment in the course of construction).

- b) What is meant by the second sentence of 10.02 “*Valuations of real property interests must also follow the applicable standard for that type of asset and/or liability (see IVS 300 Plant, Equipment and Infrastructure)*”. The previous sentence already explains that this standard contains additional requirements and examples applicable to Real Property so how can it also be necessary to follow an equivalent standard for another asset class?
- c) 40.12 purports to give examples of special assumptions that may be needed when valuing real property. However, examples d), and e) do not describe special assumptions. We have commented on this in other standards, in particular in our comments on IVS 102.60. A special assumption is an assumption that there has been a change in the facts or circumstances on the valuation date of the asset being valued. It is used to illustrate a “what if” scenario. In the examples here:
- d) is only a special assumption if the property is currently contaminated or affected by other environmental risks.
  - e) is only a special assumption if the current economic activity is not going to continue in perpetuity.
- We have already recommended slight changes to the explanation of a special assumption and the examples in IVS 102.60.
- d) In 60.04 it states that “the valuer should apply a minimum of two appropriate and recognised methods...”. While sometimes more than one method may be possible, in many cases either one will clearly be more relevant than another or only one method is

possible given the nature of the property and the development. The current wording is therefore unrealistic as well as being verbose. We recommend 60.04 be replaced by:

*“When valuing development property, the valuer should consider using more than one method wherever this is possible since there are often insufficient factual or observable inputs for a single method to produce a reliable conclusion. (see IVS 103 para 10.06).”*

- e) 60.05 says the valuer should provide both an “as is” and an “as proposed” (i.e. a special assumption) value). This is inappropriate. There are many reasons why the client may require only one or the other figure. The basis or bases required will depend on the purpose for which the valuation is required and should be consistent with the agreed Scope of Work. Since IVS 101 already requires the basis or bases to be covered in the Scope of Work and IVS 102 requires the basis/es and any special assumptions to be appropriate for the intended purpose, we consider this paragraph should be deleted.
- f) The examples of units of comparison in 70.02 includes “megawatts”. While this also highlights the inappropriateness of bundling “infrastructure” with plant and equipment, there must be less arcane example of units of output from certain types of specialised property that do not emanate from plant or equipment, such as the number of licenced residents allowed in a care home or beds in a hospital.
- g) Since no reason is given for any of the proposed changes to IVS 400 or 410, we cannot understand why it is proposed to delete the current section 150 (following new section 130.48) dealing with Rent and the importance of considering the terms of any lease in place when providing a Market Rent or the rental input when using the Income Approach to estimate the Market Value of Real Property. We disagree with this change.
- h) It is proposed to delete from the current 410.100.22 (proposed 400.130.34) the conditions under which it may be appropriate to reflect the cost of engaging a new contractor rather than rely on a building contract in place. We disagree. This example of the circumstances when this is not only prudent but also necessary is needed. We have been involved in investigations of lending on high-profile development properties where lenders and their valuers were relying on the prices in contracts agreed before the rapid inflation in building costs during 2022 and 2023, even when the borrower was either in dispute with the contractor or where the contractor was insolvent. This resulted in over valuation and lenders not correctly identifying the probability of default or the loss given default as required by banking and accounting regulations. Excluding this example will not help lenders or their valuers understand when contracted costs should not be relied on.