

## DISCIPLINARY ACTION RELATED TO LIMITED CRITIQUE REPORTS

CBV Institute's Conduct and Discipline Committee would like to bring to the attention of Members and Students an area of non-compliance with Practice Standards it has noted concerning **the inappropriate expression of a valuation conclusion within a Limited Critique Report**. The Institute's Standard No. 410 defines a Limited Critique Report as a written communication that "does not itself contain a valuation conclusion or conclusion as to the quantum of financial gain/loss, or any conclusion of a financial nature in the context of litigation or dispute." While a statement on the directional impact of differing calculations or assumptions on the original report's conclusion is appropriate, revised calculations which may reasonably be seen to constitute a valuation conclusion are not appropriate.

Regardless of the disclaimers included in a Limited Critique Report that the revised calculations are "illustrative", or that the revised calculations are not intended to provide an opinion or conclusion, the Conduct and Disciplinary Committee is of the view that **the provision of revised calculations of the FMV of a business in a report's appendices exceeds what is reasonably contemplated by Practice Standard No. 410, and the practitioner will then be considered to have issued a valuation report**.

Practice Standard No. 410 limits the practitioner to comments only or to expressing a directional (up or down) impact.

Furthermore Practice Bulletin No. 1 – Guidance on Limited Critique Reports, recommends that practitioners carefully consider the substance and effect of any comments contained in a Limited Critique Report to ensure that such communication does not contain, or may reasonably be considered to contain, a valuation conclusion or conclusion as to the quantum of financial gain/loss or any conclusion of a financial nature in the context of litigation or dispute.

Practice Bulletin No. 1 also addresses that if the comments presented, or their application, may reasonably be considered to be a conclusion as to the value of shares, assets or an interest in a business, the quantum of financial gain/loss or a conclusion of a financial nature in the context of litigation or dispute, then the Practice Standards pertaining to Limited Critique Reports are not appropriate, and that the Practice Standards pertaining to Valuation Reports or Expert Reports are applicable.

The Conduct and Discipline Committee will consider all requirements of the applicable practice standards in making a determination as to whether a charge of professional misconduct should be laid against the CBV or Student.

In these circumstances, failure to issue a Valuation Report or an Expert Report poses a risk that a user of the Limited Critique Report will place reliance on the revised or illustrative calculations when such reliance is not warranted.

This issue can arise where CBVs provide calculations in a Limited Critique Report that are meant to be illustrative in nature in support of their critiques.

If there are any practice-related questions about Limited Critique Reports or the concept of illustrative calculations generally, or any of the contents of the Institute's practice bulletins, practitioners are encouraged to contact Catalina Miranda, Director, Professional Practice at [catalina.miranda@cbvinstitute.com](mailto:catalina.miranda@cbvinstitute.com).