



# Global Valuation Round-up

Edition 1: Autumn 2013



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## Welcome from Sir David Tweedie, IVSC Chairman

Welcome to the first Global Valuation Round-up – an overview of news and views related to the valuation profession. The Global Valuation Round-up is intended to complement the more regular IVSC Enews.

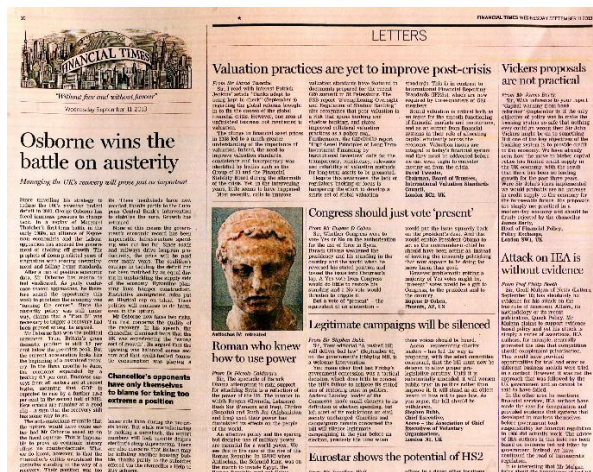


Valuation has never been more important or seemingly higher on the media agenda. This was reflected by an interesting piece by Patrick Jenkins in the *Financial Times*, 'Unfinished business in battle to fix the banks' (8 September) regarding the global reforms brought in to fix the causes of the global financial crisis. The IVSC is uniquely positioned to take up this challenge.

However, one area of unfinished business not mentioned in valuation and I noted this in a 'Letter to the Editor' published 11 September.

I explained that the plunge in financial asset prices in 2008 led to a much greater understanding of the importance of valuation. Indeed, the need to improve valuation standards, consistency and transparency was identified by bodies such as the G20 and the FSB during the aftermath of the crisis. Yet, in the intervening years, little seems to have happened.

Most recently, calls to improve valuation standards have featured in documents prepared for the G20 summit in St Petersburg.



The FSB report '[Strengthening Oversight and Regulation of Shadow Banking](#)' recognises that poor valuation is a risk that spans banking and shadow banking, and states improved collateral valuation practices as a policy goal. Furthermore, the G20/OECD report '[High-Level Principles of Long-Term Investment Financing by Institutional Investors](#)' calls for the transparency, consistency, relevance and reliability of valuation methods for long-term assets to be promoted.

Despite this awareness, the lack of regulatory backing or focus is hampering the effort to develop a single set of global valuation standards. This is in contrast to International Financial Reporting Standards (IFRSs), which are now required by three quarters of G20 members.

Sound valuation is critical both as an input for the smooth functioning of financial markets and institutions, as well as an output from financial systems in their role of allocating capital efficiently across the economy. Valuation issues are integral to today's financial system and they must be addressed before we can even begin to consider moving on from the crisis.

If you would like to respond to any of the items covered or contribute to future Round-ups, please get in touch by clicking the link below.

Best regards

Sir David Tweedie  
**IVSC Chairman**

[To contribute to the Global Valuation Round-up, please click here.](#)

## **News from IVSC members**

### **RICS**

The RICS has set up an Independent Commission to look at the challenges facing the UK valuation profession. The Commission called for evidence by 30 September 2013 from the insurance sector, the lending community, valuers and their clients, legal professionals, consumers and regulators on issues such as the availability of valuers in the market, level and transparency of fees and the availability and price of professional indemnity insurance. An interim report is expected to be issued in November 2013 with a final, independent report produced in early 2014. That report will aim to address all the main issues raised in evidence to the Commission and will contain recommendations to balance risk and reward and maintain high standards in valuation to underpin economic stability and consumer confidence.

### **The Appraisal Foundation**

The Appraisal Practices Board (APB) of The Appraisal Foundation has issued a concept paper, [Valuation Issues in Separating Tangible and Intangible Assets](#), to kick off a discussion that will lead to standardizing valuation practices in this area.

Rick Baumgardner, APB chair, says in a statement: "*The Board is aware of diversity in methods and techniques currently used in the valuation of property that includes both tangible and intangible components. The APB is also aware of the perception that some methods and techniques may be in conflict with one another. It is the intent of APB to begin a dialogue as a means of identifying these methods and techniques, discuss their similarities and differences, and offer voluntary guidance as to which methods and*

*techniques may be appropriate.”*

The deadline for written comments is 31 October 2013, which should be sent to [APBComments@appraisalfoundation.org](mailto:APBComments@appraisalfoundation.org) or by clicking [here](#).



## Valuation around the Globe

### Australia

Ms Lynn Wood, Chairman of the Australian Financial Reporting Council, in a speech to the Corporate Finance Leaders Forum, made reference to the IVSC and the relationship between different structures; saying *"in summary the IASB sets the measurement basis and the IVSC helps its members with the measurement method."*

To read the full report, please click [here](#).

### Bangladesh

The Bangladesh Securities and Exchange Commission is to make it mandatory to follow International Valuation Standards (IVS) while conducting revaluation of assets for listed entities.

### Bulgaria

The use of IVS will be compulsory in Bulgaria from 1 January 2014. Under the Act on Independent Valuers, the Chamber of Independent Appraisers (a member of the IVSC) is responsible for developing and implementing valuation standards. A decision was taken by the General Assembly of the Chamber to adopt the IVS rather than seek to develop national standards.

### Singapore

The Ministry of Finance has announced its ambition of transforming Singapore into a Global-Asia Financial and Business Hub by 2020. A number of recommendations to achieve this have been agreed, one of which is to develop Singapore into a Centre of Excellence in business valuation expertise (especially in areas relating to intellectual property, brands, corporate finance and arbitration proceedings). In particular, a Singapore-based valuation qualification is to be developed to enhance the standing of business valuation experts in Singapore and help promote Singapore as a centre of excellence for the development and training of such professionals.

A Business Valuation Institute is to be created under the Singapore Accountancy Commission. Sir David Tweedie was invited to meet with those charged with developing the Institute on a recent visit to Singapore, when it was confirmed they wish to work closely with the IVSC going forward. In this article, Mr Eric Teo, Chairman of the Business Valuation Institute Work Group and Executive Director of Ernst & Young Singapore's Transaction Advisory Services Group, expresses concern that the current multiplicity of valuation standards, guidelines and guidance notes in the global space can potentially lead to market confusion as a result of inconsistent valuation outcomes. Ultimately, Eric Teo openly calls for unified global standards.

For more details, please click [here](#).

## Sri Lanka

The Institute of Accountants of Sri Lanka has issued Draft Guidelines on Property Valuation for the purpose of Financial Reporting. The Guidelines aim to promote accuracy in valuation by providing a framework for the delivery of credible and consistent valuation opinions and to assist valuers and users to understand certain valuation requirements under Sri Lanka Accounting Standards, which will enable them to arrive at a Fair Value for assets which is consistent with accounting principles. Under the Guidelines valuers are expected to follow International Valuation Standards (IVS).

To view details online, click [here](#).

## Saudi Arabia

The Authority for Accredited Valuers was established in Saudi Arabia in 2012 and has been delegated the responsibility for all valuations including real estate, business entities, machinery and equipment, and personal property. The Authority is chaired by the Minister of Commerce and Industry. Permission has been granted to the Authority by the IVSC to translate the International Valuation Standards.

## The Philippines

The Philippines Securities and Exchange Commission has issued revised guidelines on property valuations intended to enhance the reliability and quality of valuation reports. The new rules which took effect on 1 September 2013 require the valuer to indicate whether or not the International Valuation Standards were used, including the year and edition of the IVS.

For further information please click [here](#).

## Qatar

Qatar is planning to introduce a new law to regulate real estate valuations in order to prevent buyers and sellers from under quoting market values. A draft law should be ready shortly, following the formation of a committee last year to frame an effective law based on the experiences of other countries. The Minister of Justice, Hussain bin Abdullah Al Ghanem, said that the importance of property valuation regulations had become apparent amid the wealthy Gulf state's construction boom, which began a few years ago.

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## **News from Government, regulatory bodies, and other international organisations**

### International Accounting Standards Board (IASB)

The IASB is to undertake a post-implementation review of IFRS 3 Business Combinations. During Phase I the IASB will undertake targeted outreach to identify areas in which implementation problems or unexpected costs with IFRS 3 were encountered. The IVSC has been identified as the organization representing valuation specialists from whom input will be sought. The areas identified during this phase will be included in a Request for Information (RFI), which will be published for public comment and which will lead to Phase II of the [review](#).

### IFRS Regional Policy Forum

The IFRS Regional Policy Forum is one of the key platforms in the Asian-Oceanic region for standards setters, policymakers, regulators and government bodies to deliberate on broader topics in relation to the diverse roles of financial reporting and how financial reporting could influence policy formulation and execution. IVSC Trustee, Nick Brooke, spoke at the 7th IFRS Regional Policy Forum held in Hong Kong in June 2013 and discussed the interaction between valuation and financial reporting. The Communiqué issued following the Forum stated, "*Participants agreed that the IASB can liaise closely with valuation standard setters, such as the International Valuation Standards Council. Clearer accreditation and governance structures in the valuation profession would assist preparers, users and auditors in engaging with valuers and understanding fair value measurements in financial reports.*"

For more information, please click [here](#).

## **Ministry of Land, Infrastructure, Transport and Tourism (MLIT), Japan**

Standards for the valuation of real estate in Japan are issued by the MLIT. The MLIT has been working to bring the Japanese standards closer to the International Valuation Standards and has recently published amended standards that come into effect end 2013.

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### **Important dates**

#### **10 October – 4e Journée de l'Evaluation, Paris. Organised by La Compagnie Nationale des Commissaires aux Comptes, Paris, France**

Sir David Tweedie and IVSC Technical Director, Chris Thorne, are speaking at this valuation conference in Paris. Please click [here](#) for more information.

#### **13-16 October – American Society of Appraisers 2013, San Antonio, Texas**

IVSC Professional Board member, Chris Mercer, is speaking at the Joint International Appraisers and Advanced Business Valuation Conference. Please click [here](#) for more information.

#### **6 November – Asian Valuation Conference, Tokyo, Japan**

A number of IVSC Board members will be speaking at this conference before the IVSC meetings. Please click [here](#) for more information.

#### **7 November – Meeting of the IVSC Standards and Professional Boards, Tokyo, Japan**

Both meetings are open to observers subject to prior registration.

#### **8-9 November – Meeting of the IVSC Advisory Forum, Tokyo, Japan**

Attendance restricted to IVSC member delegates.

#### **9 November – IVSC 2013 Annual General Meeting, Tokyo, Japan**

Attendance restricted to IVSC member delegates.

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