



The Need for International Valuation Standards

OIV Conference

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Disclaimer

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State of Valuation Standards

- Lack of cohesion across assets and across jurisdictions
- For some asset types (real estate) standards have developed
- Organisations with different backgrounds and varied membership have standards (auditors, valuers, analysts, ISO, etc.)
- Large disparity between standards in various countries (in Germany auditors have developed valuation standards)



The IVSC – our objective

To strengthen the global valuation profession by:

- Developing high quality international standards and supporting their adoption and use
- Facilitating collaboration and cooperation among its member bodies
- Collaborating and cooperating with other international organisations
- Serving as the international voice for the valuation profession



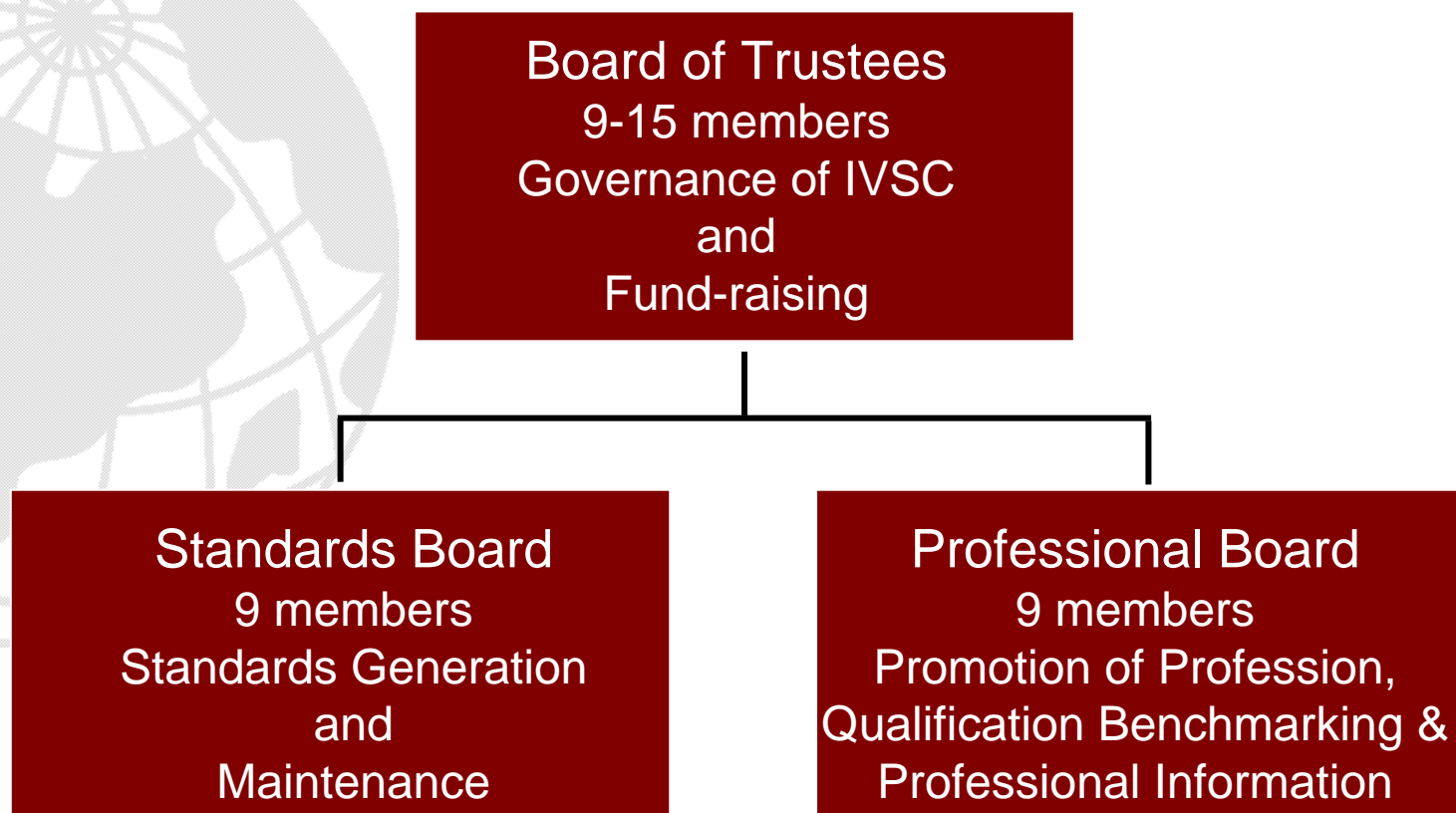
The IVSC – who are we?

A private sector organisation acting in the public interest.

- Founded in early 1980s by a number of professional bodies involved in real estate valuation
- Expanded during 90s and early 00s to include institutes dealing with business valuation
- 2008 restructured to move away from “organisation of organisations” model to independent boards under oversight of a Board of Trustees
- Funded partly from member subscriptions, partly by sponsorship



The IVSC – structure



The IVSC – how do we work?

The IVSC has no powers. Its authority comes from:

- Consulting with valuation users and regulators to identify their concerns
- Working with professional valuers to identify solutions
- Developing and promoting those solutions

Enforcement of and compliance with IVS is by those adopting the standards, e.g. regulators, professional bodies, clients.



The IVSC – who do we know?

- Established relationships with IASB and FASB, collaboration on fair value guidance
- Securities and Exchange Regulators, e.g. IOSCO, ESMA, SEC, FSA, AMF, etc
- Prudential Regulators?
- Member of G20 Private Sector Task Force on Regulatory Convergence in Financial Professions and Industries



The IVSC – IVS 2011

Current IVS published 07/11:

- Establish and promote consistent protocols for valuation delivery
 - Reducing diversity by enabling convergence of different standards
 - Increase users understanding of and confidence in valuations
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- Copies exclusively available at www.ivsc.org.
 - IVSONline for electronic subscription coming soon.



The International Valuation Standards (IVS)

Objective of Standards:

- To create greater confidence in the valuation process by those who rely on valuations for investment and other financial decisions

Achieved by:

- Promoting generally accepted concepts and principles to improve the understanding of users
- Specifying procedures that bring transparency to the valuation process



New IVS 2011

Twelve standards approved

- **IVS Framework:**
 - Contains generally accepted concepts and principles
- **Three General Standards:**
 - IVS 101 - Scope of work
 - IVS 102 - Implementation
 - IVS 103 - Reporting



New IVS 2011

- **Six Asset Standards:**

- Standard: requirements additional to General Standards for specific asset types
- Commentary: background including matters affecting value and identifying common methods

- **Two Valuation Applications:**

- Standard: requirements additional to General Standards for the relevant purpose
- Guidance: information on external requirements, e.g. IFRS, and appropriate valuation approaches to meet them



Other Publications – Standards Board

Technical Information Papers

Provide guidance to valuation professionals on application of valuation approaches and methods to different practical situations.

TIPs currently published:

- Discounted Cash Flow
- Cost Approach
- Intangible Assets



Standards Board – current technical projects

- Valuation Uncertainty - identification, measurement and disclosure
- Financial Instruments - derivative valuation methods
- Extractive Industries
- Commercial forests
- “Trade related” property
- Liabilities
- Investment Property
- Valuer’s reliance on information
- Valuation Reviews



Summary

International Valuation Standards support the valuation profession globally because they:

- Provide guidance to valuers in all asset categories and for all applications
- Create consistency and reliability of valuations worldwide
- Address the concerns of regulators and users of valuations
- Focus the profession



Thank You!

- Thank you for your attention!
- Please ask questions.
- Arrivederci!



Appendix



Details on the IVS 2011



IVS Framework

Describes principles and concepts used in applying the standards. Topics covered include:

- Independence and Objectivity
- Price, Cost and Value
- Markets, Market Activity and Market Participants
- Valuation Bases
- Additional Assumptions and Special Assumptions
- Valuation Approaches



Scope of Work

Foundation of Assignment

- Important to credibility that client understands criteria on which valuation is to be provided before receiving it
- Requirements include:
 - What is to be valued; who is to value; what is the purpose of value; what investigations will be made; what assumptions will be made; who may rely on it; what form will the report be; what are the exclusions?
- Does NOT have to be completed before work starts but before valuation is finalised



IVS 102 – Implementation

Matters that have to be done or considered in conduct of valuation

- Investigations appropriate for purpose
- If Scope of Work inadequate - renegotiate!
- Consider which valuation approach or approaches is appropriate
- Keep record of all investigations and material computations



IVS 103 – Reporting

- Confirmation that Scope of Work followed
- Confirmation of assumptions and special assumptions
- Provide details of approach(-es) and material inputs (unless excluded by Scope of Work)
- Valuation basis used
- Valuation number
- Signature



IVS 200 series – Asset Standards

Separate Asset Standards for:

- Businesses and Business Interests
- Intangible Assets
- Plant and Equipment
- Real Property
 - Historic Property
 - Investment Property under Construction
- Financial Instruments



IVS 300 series – Application Standards

IVS 300 Valuations for Financial Reporting:

Standard:

- Sets out additional requirements for this type of valuation. Applicable to IFRS but also other accounting standards

Guidance:

- Provides guidance on main purposes for which valuations are required under IFRS
- Confirms that for most purposes IFRS “Fair Value” gives the same result as IVS Market Value
- Annexe for Property, Plant and Equipment in Public Sector



IVS 300 series – Application Standards

IVS 310 Valuations of Real Property for Secured Lending:

Standard:

- Additional requirements, e.g. specific disclosure of any material involvement with borrower, market value is default basis

Guidance:

- Typical additional information lender can reasonably expect on proposed security to aid proper risk assessment

