



Developing the Global Valuation Profession

OIV Conference

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Disclaimer

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Introduction

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- Comments from the Regulators
- IFRSs across the G20
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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



What is a profession?

A learned and respected body of individuals

- Training - university level
- Code of Ethics
- An organised body to create and uphold standards for the above
- Continuing Professional Development
- Monitoring and Oversight

What of Valuation?

- Developed as secondary specialisation by experts in different types of asset
- Led to fragmentation by asset type
- Unintended consequences of legislation
- Always a grudge purchase
- Regarded as technique rather than profession
- Who cares about valuation?

What do others think?

- G20 - in 2009 recognised valuation as being contributory factor to financial crisis...
- ...but asked accountants (IASB) to fix it!
- Scepticism around fair value measurements under IFRS
- SEC comments 2005 and 2011

Valuation needs a voice

- Limited understanding of valuation by financial regulators, e.g.:
 - Basel Committee on Banking Supervision
 - European Union
 - IOSCO - CIS proposals
- Input to IASB and FASB so that they can focus on when value is an appropriate accounting measure, not how value is determined

State of the Profession

- Lack of cohesion across sectors and across borders
- Automation and commoditisation of valuation product limits earning potential for traditional services
- Lack of global recognition by regulators, other professions and prospective recruits
- Low image - e.g. “industry” not “profession”
- SEC’s comments on U.S. BV profession

Comments from the SEC Illustrate the Concern (Dec 2011)

“The broadening application of fair value ...and the 2008 financial crisis have cast the spotlight on valuation professionals. At last count, valuation professionals in the US can choose among five business valuation credentials available from four different organizations, each with its own set of criteria for attainment..... Risks created by the differences in valuation credentials that exist today range from the seemingly innocuous concerns of market confusionto the more overt concerns of objectivity of the valuator and analytical inconsistency.

Comments from the SEC Illustrate the Concern (continued)

“One potential solution to consider is whether there should be, similar to other professions, a single set of qualifications with respect to education level and work experience, a continuing education curriculum, standards of practice and ethics, and a code of conduct. One could also contemplate whether a comprehensive inspection program and a fair disciplinary mechanism should be established to encourage proper behavior and enforce the rules of the profession in the public interest.”

Use of IFRSs for public companies in G-20 countries

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- Argentina (2012)
 - Australia (2005)
 - Brazil (2010)
 - Canada (2011)
 - France (2005)
 - Germany (2005)
 - Italy (2005)
 - Korea (2011)
 - Mexico (2012)
 - Required for domestic listed companies
 - Saudi Arabia
 - Required for certain domestic listed companies
 - South Africa (2005)
 - Turkey (2005)
 - United Kingdom (2005)

IFRSs permitted

- China
 - Permitted for HK listed companies, also convergence of China GAAP with IFRSs
- Japan
 - Permitted in 2010 for certain companies, considering a requirement in 2015 or 2016
- India
 - Permitted in 2011 for domestic listed companies, considering a requirement, date TBD

IFRSs not allowed

- United States (Except foreign private issuers may use IFRSs)
- Indonesia
- Russia

IVSC Professional Board

The IVSC Professional Board is responsible for promoting the development of the valuation profession around the world. Working in conjunction with the valuation professional bodies in membership of the IVSC it promotes common professional, education and ethical practices for professional valuers, and seeks to encourage the development of the profession in sectors or markets where there is currently no professional infrastructure.

Valuation Professional Organizations Advisory Forum

The Valuation Professional Organizations (VPOs) in membership of the IVSC are automatically members of the Advisory Forum. The Forum has two objectives:

1. To provide the facility for VPO members of the IVSC to meet and discuss matters of common interest.
2. To give VPO members an opportunity to provide advice and counsel to the IVSC Boards.

The current chairman of the Forum is John Martin of the Australian Property Institute

Valuation Professional Organizations Advisory Forum (cont.)



- There are 50+ VPOs.
- The Forum now has a Leadership Group focused on enhancing connectivity between the Professional Board and the VPOs.
- This should enable greater awareness of global valuation needs, and the ability to leverage resources.

Professional Board Example Projects

| Project | Reason | Status |
|--|--|--|
| Code of Ethical Principles for Professional Valuers | Expectations template to assist in developing the profession | Document published December 2011 |
| Professional Valuer Competency Framework 1 | To promote awareness of valuation profession and attributes of a professional valuer. | Principles-based framework finalized September 2012 |
| Fairness Opinions | Evidence of diversity in practice in different states and world regions, notwithstanding different regulatory regimes | Guidance paper – Exposure comment letters under review |
| The Role of the Professional Valuer in the Audit Process | Guidance for professional valuers who may be engaged to provide specialist advice to either an auditor or a reporting entity | Guidance paper exposure issued June 2012. Comment period closed September 15 |

Professional Board Example Projects

| Project | Reason | Status |
|--|---|--|
| Professional Valuer Competency Framework 2 | Develop expectations sample common curriculum | Project in early stage of development |
| Illustrative Examples | Need to develop practical illustrations of principles in IVS to different situations to aid understanding and application | Project in early stage of development. It is anticipated that this will be a rolling project |
| Valuers' Reliance on Information | Need for clarity regarding duties of valuation professional when relying on information provided by client or a third party | Project in early stage of development |

Wrap-up



- Get Involved
- www.ivsc.org
- Subscribe to IVSC E-Newsletter
- Questions?