

V OIV International Business Valuation Conference

**“Business Valuation: glocal (global
and local) profession? The Singapore
and IVSC experiences”**

presented by

Eric Teo KH

Adjunct Associate Professor, Nanyang Business School, NTU

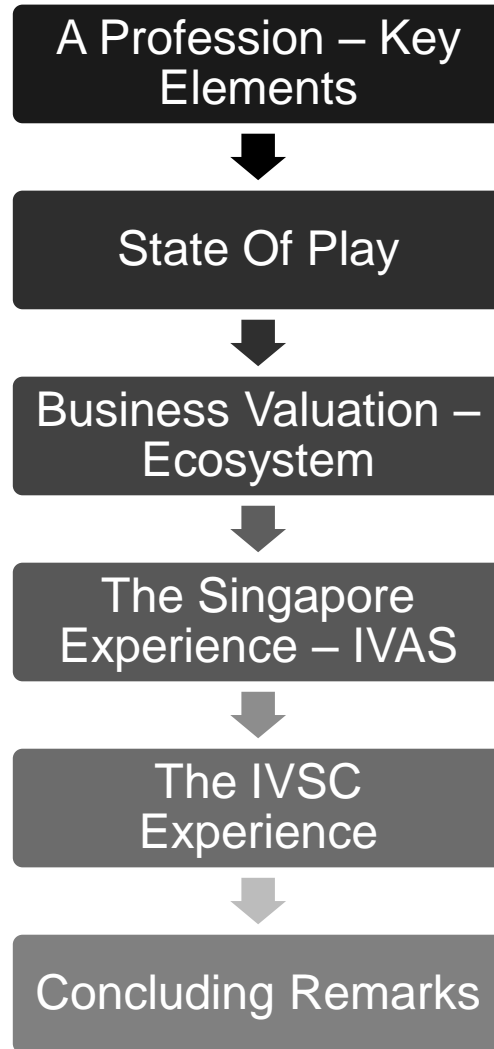
Chairman, IVSC Membership & Standards Recognition Board

Board Member, IVSC Professional Board

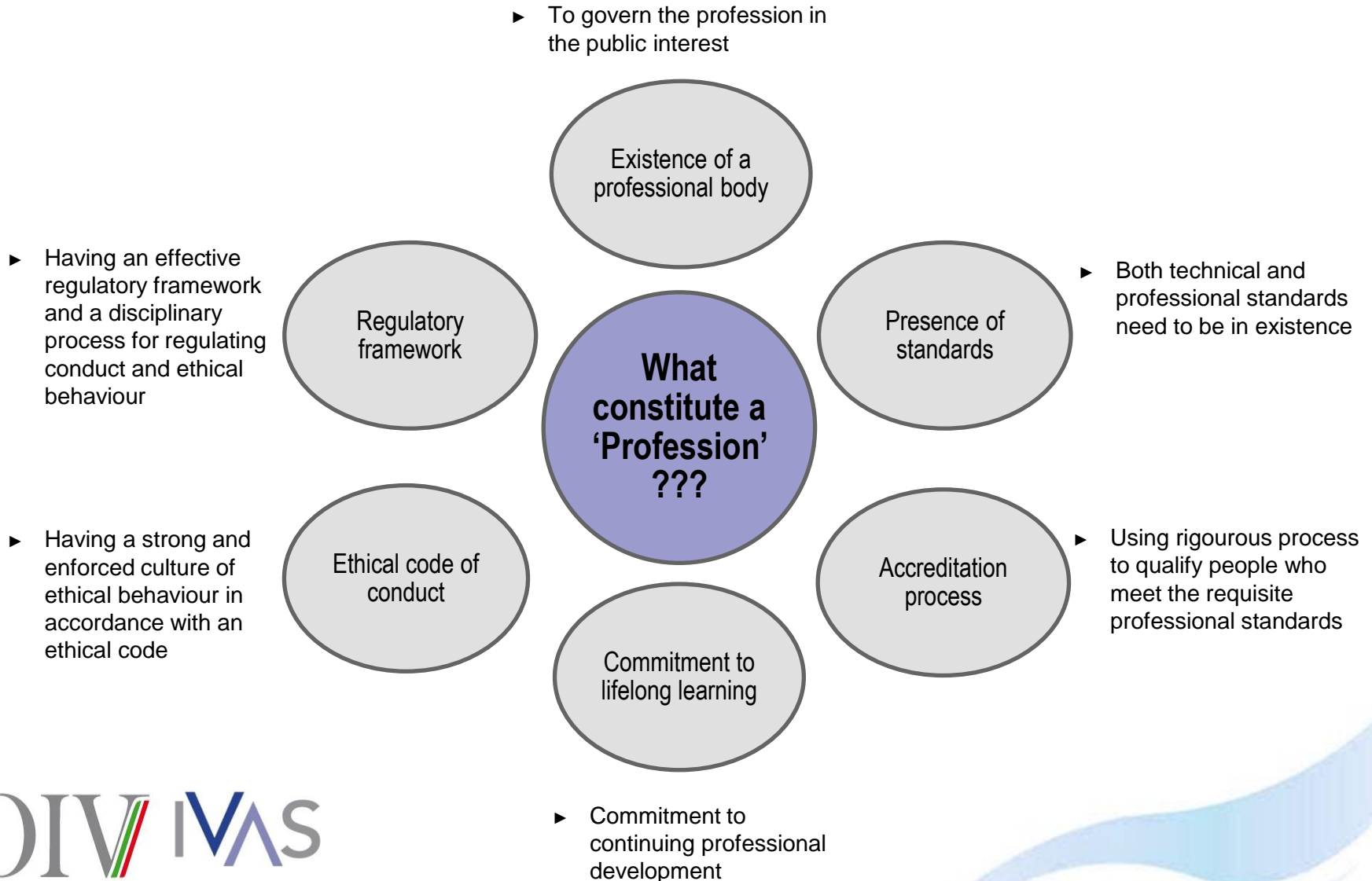
Chairman, Institute of Valuers and Appraisers of Singapore Council

16 January 2017

Agenda



A Profession – Key Elements



State Of Play

- Developments in
 - Americas
 - Europe
 - Middle East
 - Asia Pacific
 - International Arena

- Valuation standards and guidelines
- Valuation accreditation bodies
- Valuation training and education



And Many More

Business Valuation - Ecosystem

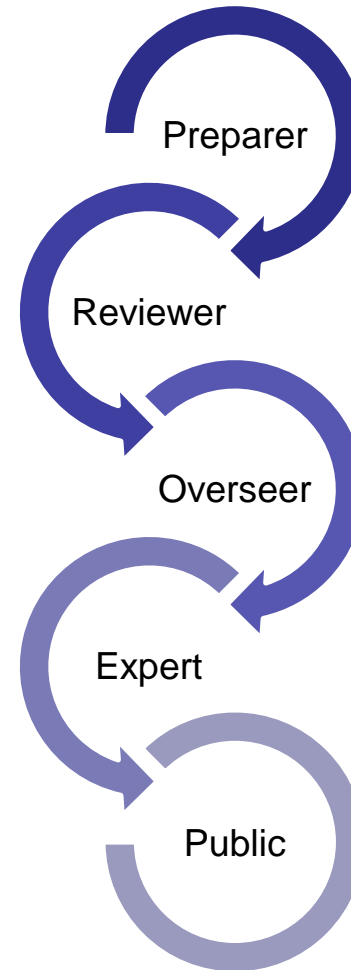


Business Valuation - Ecosystem

The Stakeholders



The Flow



The Singapore Experience – IVAS

The Beginnings.....

- 1) **Identified as one of the Key Thrust under the Committee to Develop the Accountancy Sector (CDAS) Report**
 - CDAS Recommendation 2:
 - “... development of specialisation pathways in ... business valuation expertise (especially in the areas relating to intellectual property, brands, corporate finance and arbitration proceedings) ...”

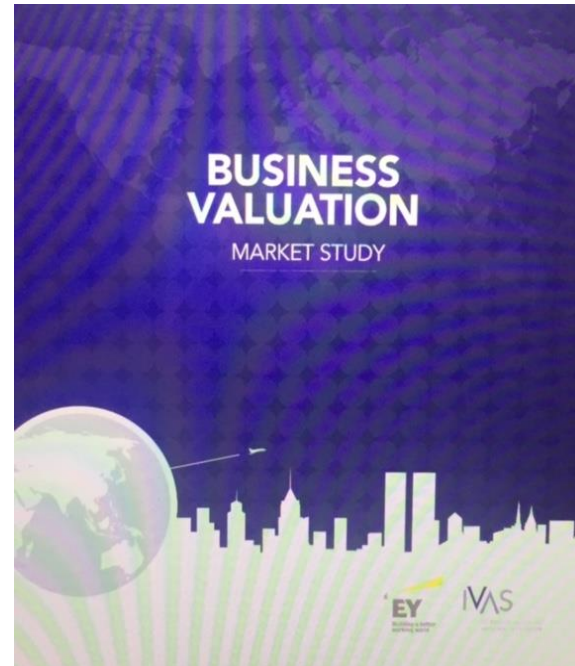
- 2) **Formation of IVAS Council to drive Business Valuation related initiatives**
 - Council adopted an open and inclusive view of Business Valuation as an important skill set for capital markets and not just limited to Accountancy professionals
 - Included stakeholders from Accountancy, Academia, Banking, Investment Management and Legal Sectors



The Singapore Experience – IVAS

The Business Valuation Market Study.....

- 1) In 2014, IVAS and Ernst & Young conducted a market study to capture the opinions of stakeholders in Singapore in performing business valuation.
- 2) The study provides an analysis of stakeholders' view on the state of business valuation practice, insights into key challenges faced by the profession and the outlook of the profession in Singapore. In particular, the stakeholders highlighted the complexity of business valuation as a subject matter and indicated the need for education and training in business valuation.



The Singapore Experience – IVAS

Drivers of Growth.....

1. Identifying the Drivers of Growth

- Senior Minister of State for Finance and Transport, Ms. Josephine Teo, cited 4 trends that are driving the growth of Business Valuation during the inaugural Business Valuation Conference in 2014:
 - Increased in merger and acquisition (M&A) activities
 - Rise in arbitration and litigation proceedings
 - More prevalent use of fair value measurement in financial reporting framework
 - Growing importance of intellectual property in business

Boutique financial advisers ride on M&A boom



IN KUBARK, Ripeport Capital's CEO, says his firm has advantages over large investment banks, such as total transparency on staff remuneration and a client-first approach. The Singapore-based firm has made a name for itself on the M&A scene. ST PHOTO: JAMIE KOH

PUBLISHED: JUL 4, 2016, 5:00 AM SGT

Building on IP and franchise model to drive growth: Filtec managing director Jimmy Neo



Mr Neo (above) says Filtec is looking into the idea of creating an e-commerce platform for industrial spare parts. ST PHOTO: CHEN SENG CHEN



Positioning Singapore as Asia's legal capital



—ST ILLUSTRATION: HANNY FRANCISCO

C4 BUSINESS

Business valuation becoming vital in financial reporting

Wong Wei Hin

Business valuation is becoming a more vital part of corporate accounting and driving the need to enhance the skills and standards around this speciality.

As ongoing focus on this front is now being put through initiatives such as a new programme being launched this week to nurture chartered valuers and appraisers, KPMG managing partner Thuan Sin Chay told The Straits Times.

Business valuation is an aspect of accounting and auditing that estab-

lishing an increasingly significant part of financial reporting said Mr Thuan, who is also a board member of the Singapore Accountancy Commission.

"A recent survey by us found that some 80 per cent of the balance sheets now comprise estimates of fair value. The more objective cost-based accounting of any generation is giving way to the more complex world of financial instruments, multiple currencies and cross-border businesses," he added.

"It is also a relatively new trend where we see more companies seeking growth through mergers and ac-

quisition. The financial industry has to be relied on services offered across providers offering different types of valuations.

It does a quite reasonable job of not being ambiguous, and there is a lot of understanding on how (valuations) should be used. The industry and international standard setters are still working on enhancing these rules," Mr Thuan added.

The complexity of business valuation has come to the fore in recent months as public scrutiny centres on the fair value awarded of companies such as Noble Group.

Mr Thuan said the new programme for chartered valuers and appraisers will boost quality and consistency.

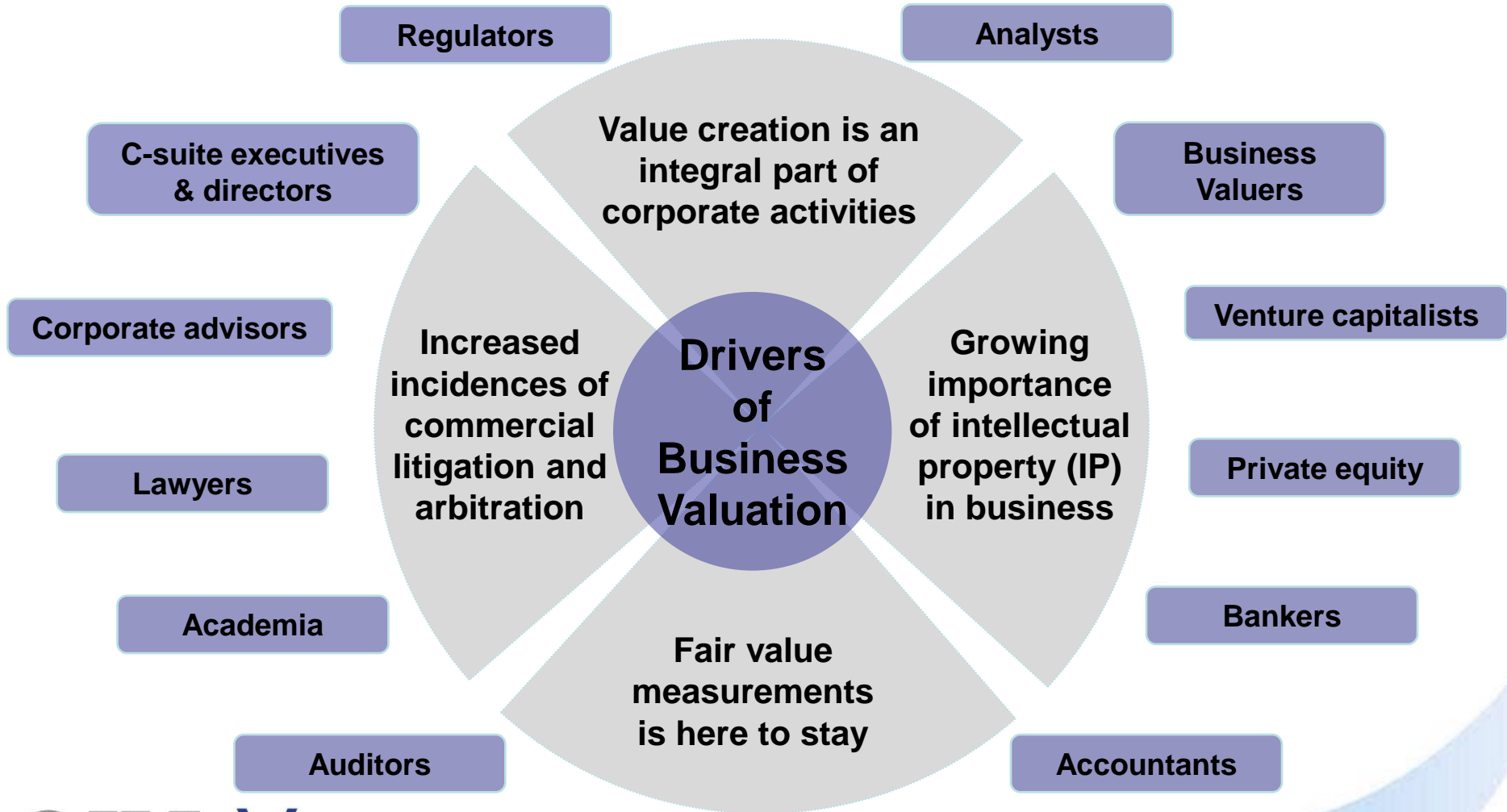
The programme, by the Institute of Chartered Valuers and Appraisers of Singapore, will offer structured training and national certification to those in the valuation services, as a bid to improve consistency and quality.

Singapore Polytechnic University Business School will conduct the training courses, which will begin in August. KPMG is one of the programme's industry partners.



THE STRAITS

The Singapore Experience – IVAS



The Singapore Experience – IVAS

The First Steps.....

1) Launch of the Chartered Valuer and Appraiser (CVA) Programme

- Senior Minister of State for Finance and Law, Ms. Indraneel Rajah, officiated the launch of CVA programme in Apr 2016 with the appointment of NTU as a training partner.
- Participants who complete the 18 months programme and accumulate 3 years of relevant experience will be conferred the CVA title.



2) Launch of Grandfathering for Existing Professionals

- IVAS wanted to recognise the high standards of ethics and professionalism amongst existing professionals.
- Undertook a grandfathering exercise to certify existing professionals in ASEAN with the CVA title.



The Singapore Experience – IVAS

The Next Steps.....

1) Developing Specialist Tracks

- IVAS has identified biological assets, financial instruments and intellectual property as areas of specialization.

2) Fostering Research and Thought Leadership

- IVAS will be working with Institutes of Higher Learning and international organisations to conduct research on business valuation topics and to raise awareness of issues as well as trends and developments relating to business valuation.



The IVSC Experience

- International Valuation Standards Council (IVSC)
 - The international voice of the valuation profession.
 - A membership organisation and its members comprised of stakeholders which includes professional organisations, valuation providers, standard setters, regulators and academia.
 - Plays the role of the standards setter
 - International valuation standards (IVS)
 - International professional standards (IPS)



IVSC is the global standard setter for valuation practice and the valuation profession.

It serves the public interest by promoting consistent compliance with, and implementation of, high-quality, internationally accepted standards in the preparation and presentation of valuations around the world.

The IVSC Experience

Board of Trustee

Remit:

- Strategic direction of IVSC
- Funding (Sponsors)
- Securing recognition of Standards
- Mission Statement
- Write job specification
- Establish Terms of Reference
- General governance

Standards Review Board

- Tangible Assets (Real Estate, Plant & Machinery)
- Business Valuation
- Financial Instruments

Remit:

- Updating & issuing quality International Valuation Standards

Membership & Standards Recognition Board

Remit:

- Securing recognition of IVS
- Use of Standards
- Professionalising valuation globally (involved VPO representatives)

The IVSC Experience

- Initiatives going forward
 - Publish IVS (2017)
 - Market recognition and adoption of IVS
 - Development of an internationally agreed designation of business valuation
 - Ensure the positive partnership with the valuation community
 - Promote and strengthen a cohesive worldwide profession

Concluding Remarks

- Food for thought.....
 - Will the events that unfolded in 2016 unsettle us with a transactional win-lose attitude?
 - In the midst of rising nationalism in some developed countries and resistance to globalisation, can the profession work in 'isolation'?
 - What does 'globalisation' mean in today's context? Realistically, can this state be 'unwound'?
 - From a profession building standpoint, in our current state, is inaction an option?
 - If collaboration is the way forward? What are the challenges ahead? How can ties be strengthened with one another to grow and advance the profession?

Questions?