





7th IFRS Regional Policy Forum, June 2013

Setting the Standard

Nicholas Brooke
Trustee, IVSC

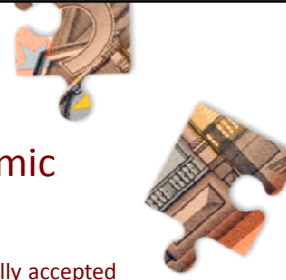
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Valuation at the core of economic stability

- Valuations undertaken in accordance with generally accepted principles are central to financial stability and for financial reporting under IFRS and US GAAP
- Poor valuation practice was identified by the Financial Stability Forum and the G20 as a significant contributor to the 2008 financial crisis with a particular focus on financial instruments, where there was much inconsistency in valuation between financial institutions as well as across national borders
- Reliable and consistent valuation is also of fundamental importance to prudential regulators and market participants in determining the capital adequacy of financial institutions.
- Valuation is an integral part of the risk management processes applied by financial institutions and other businesses



Challenges facing the valuation profession

- Lack of cohesion across sectors and across borders
- Impact of automation and commoditisation of valuation product
- Lack of global recognition by regulators, other professions and prospective recruits
- Perceived status - e.g. "industry" not "profession"
- Necessity for valuation recognised regionally but debate about accuracy



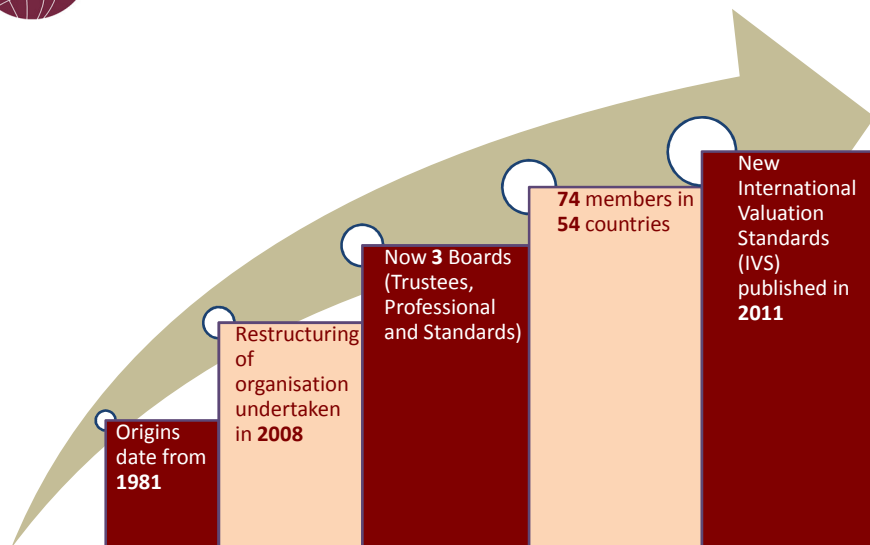


About the IVSC

- A private sector organization acting in the public interest
- Published comprehensive standards since 2000
- Supports uniformity and quality of valuations performed around the world
- Established in the early 1980s, originally to support real estate markets
- Expanded mandate in recent years to develop standards applicable for all purposes and all asset and liability categories (e.g., financial instruments)



The IVSC in numbers

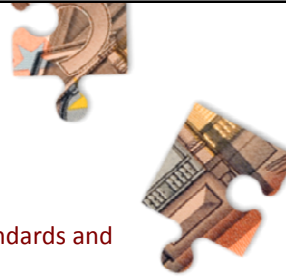


Global reach



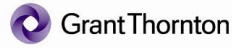
The IVSC's primary objectives

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





IVSC financial supporters

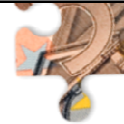


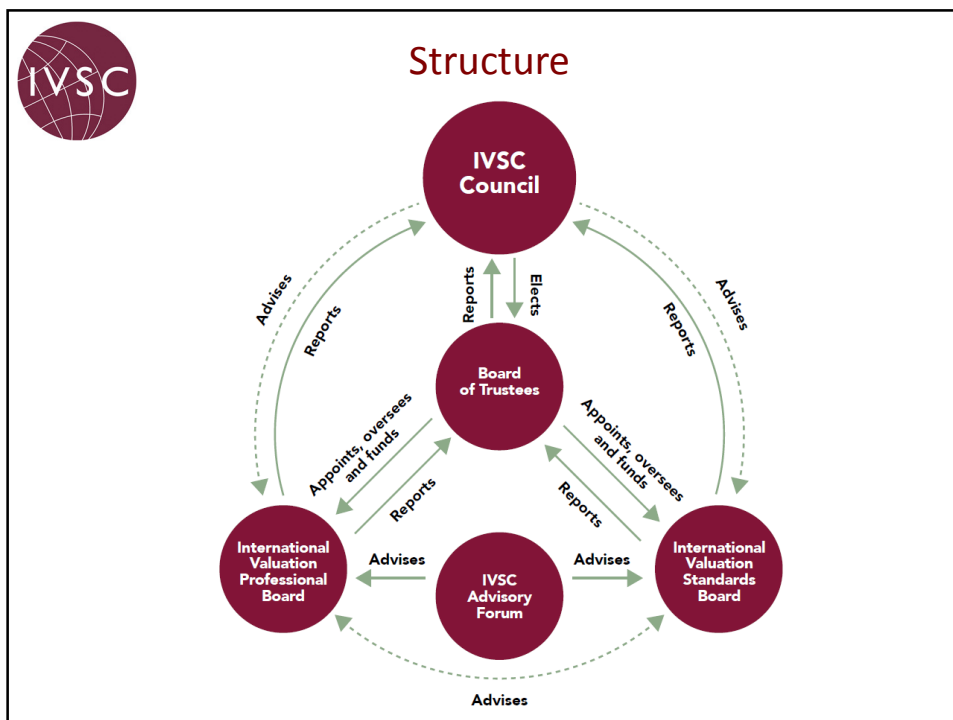

How do we work?

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

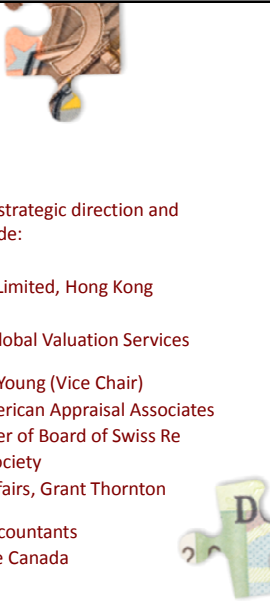


Board of Trustees

Appointed by the Council, the Board of Trustees is responsible for strategic direction and funding. The Board is Chaired by **Sir David Tweedie**. Trustees include:

- **Nicholas Brooke**, Chairman of Professional Property Services Limited, Hong Kong
- **Roel Campos**, Partner, Locke Lord LLP
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- **Patrick Gounelle**, former Global Managing Partner at Ernst & Young (Vice Chair)
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- **Malcom Knight**, advisor, Deutsche Bank Global Group; member of Board of Swiss Re
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- **April MacKenzie**, Global Head of Public Policy and External Affairs, Grant Thornton International
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- **Akihiro Watanabe**, Founding Partner, GCA, Japan





Standards Board

Appointed by the Trustees, with autonomy over its agenda and the creation and revision of standards following due process. Chaired by **Steven J Sherman**, former Chair, KPMG Global Valuations Committee. Other members include:

- **Frank Bollmann**, Managing Director of Vossius & Partner, Germany (Vice Chair)
- **Thomas Boyle**, Chief Appraiser, Senior Vice President, U.S. Bank Real Estate
- **Ana Castañeda**, CEO, InterMoney Valora Consulting, Spain
- **Jim Eales**, Global Head, Valuation and Business Modelling Group, Ernst & Young
- **Paul Hawkes**, Managing Director at UBS where he is Head of Group Valuation Governance, based in Zurich
- **Simon Landy**, Managing Director of Primo Co. Ltd, and Executive Chairman, Colliers International, Thailand
- **Dr Cindy Ma**, Managing Director, Houlihan Lokey, New York
- **Chris Stanley**, Fellow of the Property Institute of New Zealand, Fellow of the New Zealand Institute of Valuers, and Director of Telfer Young, New Zealand



Professional Board

Appointed by the Trustees to promote common professional, education and ethical practices for professional valuers, and encourage the development of the profession in sectors or markets where there is currently no professional infrastructure. Chaired by **Greg Forsythe**, Director in Valuation Practice of Deloitte Financial Advisory Services. Other members include:

- **Mauro Bini**, professor Bocconi University, Milan, Italy and chairman of the Management Board of the Organismo Italiano di Valutazione
- **Roy Farthing**, Partner, Valuation and Business Modelling, Ernst & Young, Australia
- **David Faulkner**, Regional Director, Consultancy and Valuation, Colliers International, Hong Kong
- **Doug McPhee**, Partner, Corporate Finance, KPMG London and Deputy Chair of KPMG's Global Valuation Services business
- **Nick French**, Professor Department of Real Estate and Construction at Oxford Brookes University, UK
- **Chris Mercer**, Founder and CEO of Mercer Capital, USA
- **Marianna Todorova**, Director in the office of Professional Practice, Duff & Phelps LLC, New York
- **Jiang Wei**, professor and head of the Department of Finance in the College of Economics at Shenyang University, China

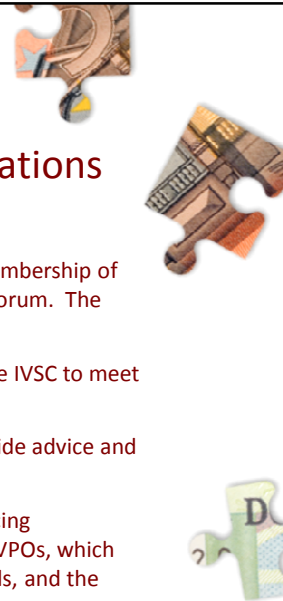


Valuation Professional Organisations Advisory Forum

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

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

The Forum has a Leadership Group focused on enhancing connectivity between the Professional Board and the VPOs, which will enable greater awareness of global valuation needs, and the ability to leverage resources.



IVS

- The 2011 IVS cover the valuation of a range of assets – financial instruments, real property, intangible assets and business interests
- They aim to promote consistency and transparency throughout the valuation process and include explanations of common valuation methods and principles, as well as procedures that valuation professionals should follow during the conduct of an assignment





Convergence in the world of standard setting

As standards converge, diversity decreases, resulting in greater consistency of valuations.

- Ongoing dialogue on convergence with The Appraisal Foundation, the ASA, the CFA Institute (i.e., GIPS), IPEV, RICS and others
- Strong relationships with the IASB and FASB resulting in collaboration on fair value guidance
- Regular dialogue with securities and exchange regulators (e.g. IOSCO and the SEC)
- Member of G20 Private Sector Task Force on Regulatory Convergence in Financial Professions and Industries



Technical Information Papers

- Provide non mandatory guidance to support application of IVS
- Can cover guidance on valuation approaches and methods generally or on valuation issues relating to a specific asset class non mandatory nature allows TIPs to discuss issues in greater detail, they still focus on principles that are widely applicable – they are not training manuals
- TIPs published:
 - Discounted Cash Flow
 - Cost Approach for Tangible Assets
 - Intangible Assets





Standards Board workflow

- Proposed Amendments to International Valuation Standards (ED published Jan 2013)
- Investment Property (DP published Nov 2012)
- Valuation of Liabilities (DP published Feb 2013)
- Extractive Industries (DP published July 2012)
- Commercial Forests (ED published Nov 2012)
- Valuation Uncertainty (ED published Nov 2012)
- Credit/Debit Valuation Adjustments (project under way)
- Derivative Valuation Methods (project under way)



IVSC due process

- Needs are identified through research and public consultation
- Proposed standards are debated at open board meetings
- Comments are solicited through a public exposure process
- Round Table discussions and targeted consultations held with key stakeholders





How you can help

The IVSC is committed to high-quality valuation in support of high-quality decisions, financial stability and economic growth. Although your priority might not be the valuation process, it is important that the IVSC gets your input, because the results of our projects will ultimately influence the quality of information that you get.

Get involved:

- Become a member of an official working group for a specific project (commitments vary, with meetings taking place a few times a year)
- Discuss your thoughts on a particular project with us informally
- Comment formally on a project that is currently open for comment

Stay informed:

- Subscribe to our regular E-news alerts to be kept informed about new IVSC projects and developments



Any questions ?





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