



MINUTES OF THE INTERNATIONAL VALUATION PROFESSIONAL BOARD

HELD IN MADRID

ON THURSDAY 5 NOVEMBER 2009

PRESENT:

Brad Wagar Chairman
Igor Artemenkov
Roy Farthing
David Faulkner
Greg Forsythe
Brian Glanville
Jean-Florent Rérolle
Julio Torres Coto

IN ATTENDANCE:

Marianne Tissier Executive Director, IVSC

APOLOGIES:

Ion Anghel

Action

1. OPENING REMARKS

- 1.1 Brad Wagar opened the meeting and welcomed observers to the first open meeting of the IVPB.
- 1.2 The Board gave authority to the chairman to amend the agenda and to move Agenda Item 6 *IVPB Work Program* for discussion following Agenda Item 11.

2. MINUTES OF PREVIOUS MEETING AND MATTERS ARISING

- 2.1 The minutes of the meeting held on 29 January 2009 were approved.

3. BRIEF SUMMARY OF IVSC ACTIVITY SINCE JANUARY 2009

- 3.1 The Board noted the report summarising IVSC activity since January 2009 circulated with the agenda.

4. SURVEY OF THE VALUATION PROFESSION

- 4.1 The initial summary on the business valuation profession was noted.
- 4.2 Brad Wagar tabled an overview of the real property/machinery and equipment valuation profession. The paper also included a table summarising the responses to a short questionnaire circulated to IVSC member institutes and information gleaned from websites. Information on 32 institutes was included.

- 4.3 The Board agreed the importance of this research both to better understand how the valuation profession is structured and regulated and as a marketing tool. Further research was necessary to expand on the data already collected, to include information on financial instruments valuers, and to identify and engage with the large numbers of valuers worldwide who were not members of a professional institute.

5. CODE OF ETHICS

- 5.1 The draft code of ethics has been developed by Brian Glanville and David Faulkner following a review of a number of different codes of ethics from around the world, from both valuation and non-valuation groups.

- 5.2 During the discussion on the draft, the Board made the following observations:

- (i) The draft deals only with the individual valuer and not a valuation company. It was noted that Spanish IVSC member institute, ATASA, has a code of conduct for valuation companies that should be reviewed.
- (ii) There was debate on the proposed ethical principal 'Objectivity'. As there is subjectivity in valuation, this principle may need to be expressed using different wording.
- (iii) The Board discussed whether the draft was a code of ethics for reporting valuations of a code of ethics that a valuer needs to abide by and the difference between the valuer acting as an 'expert' and as an 'advocate'. The Australian Property Institute had addressed this issue by a separate paper on advocacy and the distinction between the two roles that Roy Farthing agreed to provide.
- (iv) The concept of how the valuer interacts with the client should be embraced, in particular what information given by the client should be challenged by the valuer.
- (v) The draft should be reviewed to ensure that its relevance to both internal and external valuers.

**Roy
Farthing**

**Brian
Glanville,
David
Faulkner,
Jean-
Florent
R  rolle,
Igor
Artemenkov**

- 5.3 The Board agreed that Brian Glanville, David Faulkner, Jean-Florent Rerolle and Igor Artemenkov should review the draft in the light of the above comments and provide a revised draft for circulation to the Board by end of year.

6. DEFINITION OF PROFESSIONAL VALUER

- 6.1 Greg Forsythe introduced the debate on the proposed definition of a professional valuer. The definition was built on the basis of core competency framework, specific skills required, a recognition of difference valuation specialities, and the credentials and education and training requirements.
- 6.2 The Board was asked in particular for advice as to the scope and required detail for the final document and whether a university degree should be stated as a requirement for becoming a professional valuer.
- 6.3 The Board agreed with the document must not be so generic as to apply to all professionals and did need to be at a level of sufficient detail to apply to all valuers.
- 6.4 In determining whether to include the requirement for a university degree, the Board agreed that it was important to decide whether the purpose of the document was to

illustrate the current position regarding the education and training of the valuation profession or to set the bar for future entrants. Before deciding on this issue, it was agreed to review the educational benchmarks set by IFAC.

Action

(post meeting note: International Education Standard 1 states that the entry requirement to a Program of professional accounting education leading to membership of an IFAC member body should be at least equivalent to that for admission into a recognised university degree programme or its equivalent.)

- 6.5. It was agreed that Greg Forsythe would further develop the draft for circulation to the Board by end of year.

7. BODY OF KNOWLEDGE

- 7.1 The chairman introduced the discussion by saying that the objective was that the IVSC serve as signpost or portal to those institutes, academic establishments and others who had developed certain portions of the body of knowledge for valuation and the IVPB was exploring how best to approach this task.
- 7.2 A number of issues were identified during the Board's discussion:
- (i) That the IVPB would be unable to do any sort of qualitative assessment of any of the courses or texts available
 - (ii) There was such a wealth of information available it was concluded that the views of others in the profession as to how to identify what is a critical or an emerging issue would be sought
- 7.3 The chairman reported that Ion Anghel (who was unable to be present at the meeting as he was chairing a meeting in Romania) had undertaken some initial work that he would be presenting to the working session of the IVPB the following day.

8. DEVELOPMENT OF BENCHMARK EDUCATIONAL STANDARDS

- 8.1 The chairman introduced the attached paper which is a model of what the IVPB might wish to follow when it begins on the development of benchmark educational standards. However, it was agreed that the work on the code of ethics and definition of professional valuer should be completed before starting this work.

9. DEVELOPMENT OF BEST PRACTICES

- 9.1 The IVPB received a copy of a progress report for the IVSB on the IVS Rewrite Project. One issue that the Board agreed must be discussed with the IVSB at the joint meeting the following day was absolute clarity on the boundaries between what is a standard (and falls within the remit of the IVSB) and what is guidance (and falls within the remit of IVPB).
- 9.2 It was agreed that working groups be established to review guidance notes that would not be published as part of the new edition of the International Valuation Standards. The first would be GN 8 *The Cost Approach for Financial Reporting* under the chairmanship of Roy Farthing. Errors and confusing wording associated with current GN 9 *Discounted Cash Flow Analysis for Market Valuations and Investment Analyses* would be corrected/clarified under the chairmanship of Brad

**Roy
Farthing
Brad
Wagar**

Wagar. David Faulker agreed to chair a working group to develop guidance to support the new standard on Valuation of *Investment Property under Construction* being released by the IVSB.

- 9.3 Greg Forsythe reported on the project with the Appraisal Foundation under which the IVSC was to review Foundation best practice guidance and publish as international guidance following an exposure period. The first paper *The Identification of Contributory Assets and the Calculation of Economic Rent* was subject to a fatal flaw review prior to final publication before the end of the year. A discussion paper on the second topic *The Valuation of Customer Relationships* was due to be released by the Foundation shortly and a working group had just been established to develop the third paper *Control Premiums as Applicable to Financial Reporting*. The Board agreed that the IVSC should be involved in the work in developing the papers at an early stage and that the Foundation and IVSC should work towards concurrent exposure period for the drafts.
- 9.4 The Board noted that the work of the IVSC Expert Group of the Valuation of Financial Instruments would lead to the development of guidance material to be published with the approval of the IVPB.
- 9.5 The Board debated how to obtain input from stakeholders to help it identify those areas of valuation practice where there was diversity in practice and guidance needed. The newly created advisory forum for professional institute members would be one source to be used.

10. WORK PLAN

- 10.1 The Board reviewed the draft work plan and requested that it be updated to reflect decisions taken at this meeting.
- 10.2 The issue of marketing of the IVSC was discussed and it was recommended that use be made of all Board members and the professional institutes to help with this, supported by promotional material and agreed talking points.

11. IFAC/IVSC MEMORANDUM OF UNDERSTANDING

- 11.1 The Board agreed to create a joint working group with IAASB to develop a joint non-authoritative document addressing issues relevant to the auditor's use of a valuer as an expert. The IVPB to be represented by Roy Farthing, Greg Forsythe and Brian Glanville.

**Roy
Farthing
Greg
Forsythe
Brian
Glanville**

12. REPONSES TO CONSULTATIONS

- 12.1 The Board noted that responses had been submitted by the IVPB on behalf of the IVSC to the following consultations:

- the FASB Staff Position "*Determining Whether a Market Is Not Active and a Transaction Is Not Distressed*";
- The IASB consultation on FASB Staff Position 157-4 "*Determining Fair Value When The Volume And Level of Activity For The Asset Or Liability Have Significantly Decreased And Identifying Transactions That Are Not Orderly*";
- Response to questions posed by IASB/FASB Financial Crisis Advisory Group;

- The CFA Institute's proposed 2010 edition of the Global Investment Performance Standards;
- The IASB Exposure Draft ED/200905 "*Fair Value Measurement*".

13. DATE OF NEXT MEETING

To be arranged