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Date of next meetings

The International Valuation Standards Board is meeting on June 19/20 2009 in London. Part of the meeting on June 19th will be a discussion on responses to the current exposure drafts on the valuation of intangible assets and will be open to observers whose attendance has been pre-registered. Registration will be available on the IVSC website during April.

Intangible Asset drafts

Comments are requested by 30 April 2009 on the following two exposure drafts that are available on the IVSC website:

- Exposure Draft of proposed revised International Valuation Guidance Note, GN 4, *Valuation of Intangible Assets*; and
- Exposure Draft of proposed new International Valuation Guidance Note, GN 16, *Valuation of Intangible Assets for IFRS Reporting Purposes*

Seminars

The Price Control Department of the Ministry of Finance of Vietnam and ASEAN Valuers Association (AVA) are holding the 16th AVA Pre-Congress Meeting and valuation seminar "Valuation Profession in ASEAN region facing the global financial crisis challenge" from April 27-29, 2009 in Hoi An, Quang Nam, Vietnam.

Further details can be obtained from: Vietnam-preAVA2009@mof.gov.vn
6th International Plant and Machinery Valuation Conference – San Francisco, Oct 4-7 2009. Details to be published shortly.

IVSC BOARDS - meeting reports

The three new IVSC boards – the Board of Trustees, the International Valuation Professional Board (IVPB) and the International Valuation Standards Board (IVSB) – met in London at the end of January.

Board of Trustees

The key challenges facing the Board of Trustees are to raise the profile of the IVSC and attract sufficient and sustainable funding to operate the organisation. The Board has amongst its membership individuals who have been involved with other organizations at a similar stage in their development such as IASB, IOSCO and IFAC and will be able to bring their experience and expertise to bear on behalf of the IVSC.

A programme of meetings with key international institutions has been drawn up and will be spearheaded by the Board chairman, Michel Prada. It is acknowledged that raising resource will be challenging at a time when the global economy is facing its most serious financial crisis and economic slowdown in decades. Yet at same time valuation is under the spotlight as never before.

Mr Prada, as IVSC chair, has been invited by the CEOs of the Big 6 to join a select group of high-level government officials, regulators, standard setters, leaders of international financial institutions, members of the audit profession, business leaders and investors from around the globe at the Global Policy Forum being held in Beijing in May. One of the objectives of the Forum is to discuss the recommendations to be issued by the G20 leaders following their April meeting and to work with capital market stakeholders to help restore confidence in the capital markets.

The International Valuation Professional Board

The IVPB represents a new departure for IVSC. The work of the IVSC since its creation in the early 1980s has been directed towards setting technical valuation standards. The objectives of the IVPB are to promote strong ethical values, encourage quality practice, and support the development of all sectors of the valuation profession around the world.

Implementation of the International Valuation Standards involves much more than just compliance. The valuation profession has to be organized and developed in countries and jurisdictions where the profession has yet to attain international standards. Critical factors such as competence, independence and ethics need to be explicit and comparable so as to form a common benchmark for the valuation profession around the world.

The developing work plan of the IVPB includes the development of benchmark essential elements of accreditation – education, practical experience and tests of professional competence. An international Code of Ethics is under development.

It is also clear there is demand for "how to" guidance and methodology to support the application of the International Valuation Standards in practice. The development and promulgation of these is part of the role of the IVPB with initial effort on developing 'best practices' to support the guidance on intangible asset valuation that has recently been released by the IVPB for exposure.

The International Valuation Standards Board

The IVSB's role is to define global standards for the undertaking and reporting of valuations, in consultation with providers, users, other standard setters and regulators worldwide.

The IVSB's technical remit is to develop a comprehensive set of international standards for the valuation of assets and liabilities of all types, including tangibles, intangibles, financial instruments and business enterprises. These valuations would be for any purpose for which they may be commonly required, including for use the preparation of financial statements, for assessing loan security or measuring investment performance.

At its meeting in January, the IVSB agreed the following items for its emerging work plan that will be issued for public comment:

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You can email us at info@ivsc.org and visit our website at www.ivsc.org

- An expert group on the **valuation of financial instruments** is being convened to review currently published material and to advise on the need for additional guidance. The IVSB will draft a new Guidance Note on valuing **Investment Property under Construction for IAS 40** following the publication by the IVSB of an interim position statement in January. The IVSB also published for public comment in January Exposure Drafts of two new Guidance Notes on the **valuation of intangible assets**.
- Other projects currently under discussion include the development of guidance on the **valuation of non-financial liabilities** and a review of current guidance on the **valuation in the extractive industries**.
- A major project for the IVSB is a major overhaul of the **International Valuation Standards** (most recent edition issued in 2007).

Valuation of financial instruments

The IVSC has not involved itself in the valuation of financial instruments in any serious way until now for the following reasons:

- Until the “credit crunch” the trading prices of these instruments was deemed to be readily available and the need for “valuation”, ie the determination of a proxy price by use of a valuation technique, was seldom called for.
- Perhaps because of this there was no internationally established professional grouping of valuation specialists in this sector. This in turn meant that few of the constituents of the old IVSC had any material involvement with financial instruments.

Over the last eighteen months the problems with financial instruments have pushed valuation as a whole into the spotlight. IVSC, as the only global valuation standard setter must get involved. There is currently very little published guidance specifically directed at the valuation of financial instruments. In April last year the Financial Services Forum tasked the IASB with producing guidance specifically on the problem of valuing financial instruments in markets that had become inactive.

The IVSC was supportive of the draft insofar as it did not offend generally accepted valuation principles. Indeed, we observed that this document illustrated that the valuation criteria that should be applied to the valuation of financial instruments were similar to those that would apply to the valuation of many other types of asset. We also commented that many of the problems identified had been experienced in markets for other assets in the past and similar solutions found. Indeed, IVSC considers that it would be a mistake if the valuation of financial instruments was assumed to be unrelated to the valuation of any underlying tangible or intangible assets

The IASB paper has also been well received by other valuation groups, in particular the Valuation Resource Group of the FASB. Members of this group have also observed that the principles in this paper could be applied to most asset classes.

The International Valuation Standards Board is looking to establish its own expert group to advise on valuation issues affecting financial instruments. That group will first be charged with producing a report for the Board on the extent of existing guidance in this sector and where additional guidance is required.

If you would like to submit an application for membership of the IVSC Expert Group on the Valuation of Financial Instruments, please register your interest with Marianne Tissier, IVSC Executive Director by 31 March at the latest – mtissier@ivsc.org

Graeme Horsley

The IVSC was delighted to hear that past IVSC chairman, Graeme Horsley was appointed by Her Majesty the Queen as a Member of the New Zealand Order of Merit in recognition of his services to the valuation profession. The honour was included in the New Years Honours 2009. Graeme was chairman of the IVSC from 1989 to 1993 and last year chaired the IVSC nomination committee that prepared the slate of candidates for the new International Valuation Professional Board and International Valuation Standards Board. Graeme is a former partner of Ernst & Young’s corporate finance division and is now an independent property consultant, widely recognised as an expert in property investment and valuation. He is a life member of the Property Institute of New Zealand and was made an Eminent Fellow of the RICS in 2008.

Correction

Further to the report in the previous edition of the IVSC ENews that the Appraisal Institute of Canada is to adopt the International Valuation Standards in place of the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP), the IVSC wishes to add further clarification. The report stated that CUSPAP are similar to USPAP, the standards developed in the United States by The Appraisal Foundation. CUSPAP are recognised as “substantially equivalent” to USPAP. One notable difference, however, is that federal law in the US requires real estate appraisals used in conjunction with federally-related transactions be performed in accordance with USPAP. In Canada the federal government does not regulate the appraisal profession. CUSPAP are set by the Appraisal Institute of Canada whose members are required to adhere to them.