

THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING

A Public-Private Sector Initiative

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Meeting Room S426-427, Hong Kong Convention and Exhibition Centre
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Meeting Paper 6-A Promoting Valuation Practices in APEC: Update on Progress of Valuations Standards Initiative

International Valuation Standards Council

PURPOSE For consideration.

ISSUE Proposed work plan on promoting sound valuation practices

BACKGROUND Valuations are central to decision-making and the economic growth and development of financial systems are impacted in a multitude of ways by valuation. Due to this wide ranging impact, the importance of high quality, internationally comparable valuation standards and a credible valuation profession across all economies is now firmly on to the APEC agenda.

The programme that the International Valuation Standards Council (IVSC) has embarked upon with ABAC and APEC economies has taken the form of two key initiatives so far:

1. Preparing an Audit
2. Preparing a template of best practice.

PROPOSAL

Over time we intend to host a series of round tables to sound out the key stakeholders in a number of APEC economies on ways to develop a road map to assist these economies to adopt best practices as outlined in the Template for strengthening valuation practices and the valuation profession. The first is likely to take place in the second half of 2015.

We also plan, subject to securing adequate funding, to organise a Symposium/conference in mid-2015: Valuation and its contribution to Economic Growth for APEC valuation experts and other key stakeholders in the APEC financial architecture. The proposed objectives of the Symposium are to:

- share experiences of how valuation practices can contribute to economic growth
- share and discuss the results of the Audit and best practice template

***DECISION
POINT***

Endorse the proposed activities.

Update on Progress of Valuations Standards Initiative

As discussed in previous forums, valuations are central to decision-making and the economic growth and development of financial systems are impacted in a multitude of ways by valuation: Taxation revenue; Mergers and acquisitions; Public-private partnership infrastructure; Financial reporting; Dispute resolution; Compulsory purchase or Dispossession. Due to this wide ranging impact, the importance of high quality, internationally comparable valuation standards and a credible valuation profession across all economies is now firmly on to the APEC agenda.

The programme that the International Valuation Standards Council (IVSC) has embarked upon with ABAC and the APEC economies to strengthen both valuation practices and the valuation profession has taken the form of two key initiatives so far:

1. Preparing an Audit: this will be a full description of the current valuation landscape of all 21 APEC economies
2. Preparing a template of best practice in five important areas (Regulation and compliance; Organisational infrastructure; Access to information and disclosure; Education and training; Standards). The template will describe options for establishing best practice landscapes for the valuation practices in various types of economy.

The IVSC ABAC working group has continued to gather information about the valuation landscape in each of the 21 APEC economies. Given that valuation impacts on so many parts of the economy and the vast differences in this field between APEC economies, it is important to find a way to present our findings in a precise and comparable format and work on the best approach in this connection is still ongoing. In the meantime we have started a process of verifying the information gathered to-date.

Currently, no single set of global standards for estimating the value of assets has been comprehensively adopted across the world, meaning it can be difficult to accurately compare asset values when making investment decisions across borders. Although many parts of the world have established and successful valuation principles and standards, other regions are less developed in this respect which can present issues of inconsistency to multi-national companies or investors. It is part of our ABAC initiative to encourage future alignment of valuation standards.

In Toronto, Canada, in October 2014, immediately following the ABAC Beijing meeting, the IVSC signed a memorandum of understanding on convergence to international valuation standards with 20 bodies including relevant representative organisations from nine APEC economies: Australia, Canada, China, Hong Kong, Indonesia, the Philippines, New Zealand, Thailand and the USA. By banding together under this MOU, the IVSC and the signatory Valuation Professional Organisations (VPOs) hope to align the already high standards which exist in parts of the international arena and further propagate best practice. This will help iron out any inconsistencies in relation to specific asset classes where standards are less well developed. Variation of international standards for valuing assets represents a potential challenge for global markets and economies, and it has to be in the public interest to bring the various nationally based standards together to create a single set of globally aligned principles.

The signing organisations are now committed to either adopt, or declare that their own standards are in compliance with, the International Valuation Standards.

Over time we intend to host a series of round tables to sound out the key stakeholders in a number of APEC economies on ways to develop a road map to assist these economies to adopt

best practices as outlined in the Template for strengthening valuation practices and the valuation profession. We are in discussion with several economies interested in holding such round tables and the first is likely to take place in the second half of 2015.

We also still plan, subject to securing adequate sponsorship/funding, to organise a Symposium/conference in mid-2015: Valuation and its contribution to Economic Growth for APEC valuation experts and other key stakeholders in the APEC financial architecture. The proposed objectives of the Symposium are to:

- share experiences of how valuation practices can contribute to economic growth
- share and discuss the results of the Audit and best practice template

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