

Advisory Group Meeting I PAPER 5-A

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Improving Valuation Practices in Asia Pacific Economies

BACKGROUND

Valuations are central to decision making in the global economy and impact the public interest, economic growth and development of financial systems in a multitude of ways. This underscores the importance of high quality valuation practices and a credible valuation profession in all the APEC economies.

In 2014 ABAC recommended and the Financial Ministers endorsed that the public sector should be encouraged to collaborate with ABAC, the International Valuation Standards Council (IVSC), valuation professional organisations (VPOs), experts from industry and other relevant bodies to promote high quality valuation practices and professionals across member economies through region-wide convergence toward robust global valuation standards and the development of sustainable VPOs as caretakers of professional standards, education and knowledge depositories.

In response, an ABAC/IVSC cross stakeholder Working Group was established to promote region-wide convergence and to:

- Explore the valuation landscape in Asia Pacific economies
- Discuss model valuation architecture, associated best practice, the role of commonly accepted valuations standards and of VPOs
- Record strengths, weaknesses and impediments to improving valuation practices and identify where there is need to develop and/or reinforce valuation infrastructure
- Prioritise opportunities to enhance existing landscape and implementation challenges
- Outline development process for member economies that lack valuation infrastructure

The Initial Tasks assigned to the Working Group included:

- Preparing an Audit: this is a full description of the valuation landscape of all 21 APEC economies, covering all asset classes
- Preparing a Template of best practices: the Template describes various options for establishing various best practice landscapes for the valuation practices in various economies
- Identifying and starting the planning of several Roundtables for various APEC economies to assist those economies which would benefit most from adopting best practices as outlined in the Template

PROJECT UPDATE

The Audit/stocktaking of the valuation landscape in all 21 APEC economies has proved an extensive task but, with the support of those in valuation practice in these economies, it is now largely complete, subject to detailed verification when in-economy Roundtables are held.

Similarly, the Template of best practices is now largely complete and it has been shared with senior members of the valuation profession who consider it to be a very helpful guide for those looking to enhance their in-economy best practice landscape.

Finally, and more importantly, the Working Group has moved ahead to engage at an economy level, with the first Roundtable being held in Malaysia in January this year. It was very well attended with 12 separate economies represented by a range of stakeholders, VPOs and valuation practitioners and there was strong support for the initiative and the objective of improving valuation practices across the APEC community.

The Roundtable included a frank interchange when each economy briefed those present on the state of the profession and the challenges it was facing and there were requests from Japan, the Philippines and Thailand that Roundtables be held at an early stage on each of their economies. Important issues relating to valuation are currently being discussed in all three of these economies and it was felt that it would be helpful if the work currently being undertaken by the Working Group on best practice and the use of commonly accepted standards could be shared by means of a Roundtable with local leaders of the profession as providing examples of how other economies have addressed specific challenges.

The Working Group will obviously respond as a matter of priority to these requests and plans to hold Roundtables in the three economies over the coming months, as well as respond to a request that has been received from Vietnam.

In the wings of the Roundtable we were approached by Cambodia and Myanmar which are both at the very early stages of exploring how to set up a valuation eco-system and whilst they are members of ASEAN rather than APEC there would clearly ultimately be merit in achieving the adoption of similar valuation best practice across both APEC and ASEAN.

Work also continues with the China Appraisal Society and the Ministry of Finance on the organization of a Symposium which will focus on “Valuation and its Contribution to Economic Growth” at which valuation experts and other key stakeholders will share experiences of how robust valuation practices can contribute to economic growth. This was originally planned for the autumn of 2015 but the hosts requested deferment and it is now proposed for the autumn of 2016 to coincide with the CAS Annual Conference in Beijing.

From a planning and [resource] perspective the Working Group believe that it is realistic to target four to six Roundtables each year, plus one major awareness raising event such as the Symposium in Beijing.

On this basis, we are looking at a three year delivery programme, subject to sponsorship and other potential means of funding.

In addition to this programme, the Working Group believes that through its access to valuation experts from all valuation disciplines, be they involved with assets of a tangible or intangible nature, it can contribute to ABAC's wider financial goals. There are also, of course, aspects of valuation which are relevant to APEC's priority objectives of promoting the access of SME's to finance on a regional basis and we would value the opportunity to collaborate with any group that is focused on this topic as well as, for instance, groups who are concerned about the bankability of public private projects, the ever evolving world of fintech, the provision of micro-finance and the world of financial instruments which is attracting the increasing attention of the regulators. In all these areas we can contribute and cooperate through the identification of those with relevant skills who could provide informed opinion on value when so required.

We seek support and endorsement for the way forward with the three year implementation of the valuation road map and also would like to play a wider role in ABAC's aspirations to improve the financial architecture of the APEC region.

Nicholas Brooke

Vice Chair and Trustee

International Valuation Standards Council