

APEC/IVSC VALUATION INITIATIVE AND UP-DATE

As reported at the last APFF meeting in Shenzhen, the focus of the APEC/IVSC Valuation Working Group continues to be on engaging with the valuation communities and stakeholders in the various APEC economies to ascertain how the Working Group might be of assistance in reinforcing the valuation infrastructure in that particular economy and assisting with the application of common standards and the development of a robust valuation profession.

The main area where economies are seeking assistance is in relation to the valuation of intangible assets and intellectual property as they embark on programmes to extend credit and secured lending to their SME communities as part of the wider agenda of inclusive growth. A most recent example is the introduction of legislation in Thailand—a new Secured Lending Act which became law on the 4th July which permits the commercial banks whose lending previously had been restricted to hard assets to collateralize intangibles such as accounts receivable, intellectual property, goodwill, brands, etc. and neither the banks nor the valuation profession have any experience in assessing the value of such intangibles. As a result the Working Group was approached by the Thai Bankers Association to arrange a Roundtable/Workshop in Bangkok to brief their members on the challenges and complexities of intangible asset valuation and through experience sharing to explain the standards, benchmarks and guidelines that are adopted and accepted by way of best practice.

The Roundtable/Workshop which I chaired and moderated took place last Tuesday 26th July and lasted some five hours and was attended by some 80 representatives from over 30 Banks as well as members of the two VPOs and the SFC. Besides outlining the backdrop and context to the valuation of this class of asset, 3 specialists in the field from Hong Kong and Australia explained through case studies and examples the methodology to be adopted in the valuation of each asset type and the assumptions and inputs that need to be addressed in arriving at fair value. The Roundtable/Workshop included an interactive Q&A session when it was clear that issues relating to both risk and enforceability were of concern to the participants, as well as the need for the creation of some form of central collateral register.

This Roundtable/Workshop was complemented by a Bank of Thailand/ APFF-FIDIN Conference on Credit Infrastructure which was held, again in Bangkok, from the 24/25th August where one of the main areas of focus was again Secured Lending reform. There was a Session focusing on Valuation Best Practice and the importance, when developing new secured lending initiatives for lenders, to have the ability to assess the value of the collateral that they are being offered. I and a specialist business valuer from Hong Kong explained the factors to be taken into account when considering different types of collateral. We stressed the importance of a consistent and rigorous approach to value as well as the application of common standards and guidelines to ensure the success of the Government's new lending legislation.

Subsequent Round Tables have been held in Kyoto, Japan and Bali, Indonesia. The first, which I chaired, was in the wings of the Pan Pacific Valuation World Congress and was attended by valuation professionals and stakeholders not only from Japan but also participants from other mature and emerging economies. We were able to use Australia as an example of best practice and to provide a target for other economies attending the Round Table which still have progress to make. Specific issues that were identified were intervention by the regulator in Japan to introduce “local business valuation standards” and the need to identify appropriate international valuation standards to address challenges being faced in Indonesia in relation to compulsory land acquisition and the valuation of growing agricultural crops.

The second Round Table, which I also chaired, was held in Bali in conjunction with the IVSC AGM and the RICS – MAPPI Asia Pacific Valuation Conference. The Round Table was very well attended with over 50 participants covering the majority of the APEC economies. There was extensive sharing of experiences across a wide variety of markets and asset types. There was general agreement that the prime area requiring attention was the valuation of intangible assets. However, it also became evident that there is a need for an early visit and Round Table in Manila where the regulator had given notice that it is contemplating introducing “local” standards to be applied when undertaking business valuations and the valuation of intangible assets in the Philippines.

The Working Group is also considering which valuation related events it might hold next year in Vietnam to coincide with that economy taking the chair of APEC. One potential opportunity is participation in the major FIDIN Symposium to be held in Vietnam in July.

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