



# **THE ADVISORY GROUP ON APEC FINANCIAL SYSTEM CAPACITY-BUILDING**

A Public-Private Sector Initiative

## **APEC IVSC VALUATION INITIATIVE WORKING GROUP**

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I am pleased to report that the Initiative maintains its momentum and that there is growing interest and attention being paid to our plans and programme to encourage the increased adoption of common valuation standards across the APEC economies as well as to assist in the development of a robust valuation profession.

Of particular importance and relevance is the production and issue by the International Valuation Standards Council of Investment Valuation Standards 2017 (IVS 2017) on 16 January 2017. IVS 2017 represents a major update to reflect changes that have occurred in the valuation arena since 2013 and in particular response to market demand for more extensive coverage of standards applicable to the valuation of intangible assets and financial instruments. Historically the focus by users has been on tangible assets, especially real estate, but the increased use of intangible assets as collateral and the need better to understand how to derive a market value for derivatives and other forms of investment paper has been reflected by the creation of three Standards Boards by IVSC – tangible, intangible and financial instruments – which will enable each to focus more closely on its own area of specialisation. Copies of IVS 2017 can be accessed at no cost at [IVSONLINE.org](http://IVSONLINE.org).

The new Standards have attracted attention across a number of economies and one of the early priorities of the Working Group will be to raise awareness and to

introduce these new Standards to the APEC valuation community, in particular the regulators and VPOs.

In terms of specific focus, the Working Group, having largely completed its stock take of the valuation architecture across the 21 economies and the development of a best practice template, has been concentrating on holding in-economy Roundtables and Forums with valuation industry stakeholders.

One particularly successful joint venture was in the autumn of 2016 in Bangkok when at invitation of the Bank of Thailand and the Thai Bankers Association, and working with FIDIN and appropriate valuation experts, we briefed a large audience of bankers and Government officials on the valuation of intangible assets and intellectual property. The Thai Government has introduced secured credit legislation which requires the banks to view more favourably collateral offered by SMEs which invariably takes the form of intangible assets whereas the banks have previously only focused on and lent against tangible assets such as real estate.

We also held another Roundtable in Kyoto in the wings of a major International Valuation Conference which was attended by some 30 valuers from a number of different economies. Topics discussed included:

- (a) the absence of any organization in Japan that represents the business valuation profession and the desire of the Japanese authorities to see a voice which speaks for this part of the valuation profession
- (b) challenges and potential confusion in the Philippines where there are two competing VPOs (see later) and
- (c) the need for specialist help in Indonesia around certain specific areas of valuation (see later).

Responding to the requests expressed in Kyoto, we subsequently held a Roundtable in Bali, Indonesia in September attended by over 50 valuation professionals and stakeholders, where we discussed two major areas of valuation, the first relating to the valuation of growing crops and the second to the assessment of compensation when land is compulsorily acquired for public purpose by Government. We have agreed to identify specialists in these areas and intend to convene a second Roundtable in Jakarta in the near future.

Similarly, in mid-January 2017, a well-attended Roundtable was held in Manila when we were able to introduce IVS 2017 which had been published a day earlier. IVS 2017 was particularly well received by the regulator and Government officials

that we met. As a result a Technical Working Party has been established on which the Working Group is represented to see whether it is possible for the Philippines to adopt IVS 2017 in its entirety, supplemented as necessary by local guidelines, rather than using the new Standards as a tool to update PVS, the local valuation standards which have not been updated in any way since 2008. If this proves possible, it would be a tremendous step forward.

We plan to continue the programme of Roundtables throughout 2017 and we have requests for repeat visits from Papua New Guinea, Philippines, Japan and Indonesia and for an exploratory Roundtable in Vietnam.