

**Advisory Group
Meeting II
PAPER 4-C**

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APEC/IVSC Valuation Initiative.

Working Group Report-March 2018.

There is continued, and indeed increased interest in the IVSWC Valuation Initiative and the Working Group continues to receive requests for input and for on-site briefings from both those regulators responsible for the licencing of valuation practitioners and the policing of standards as well as VPOs (Valuation Professional Organisations) who seek to assume more responsibility for the development of best practice and the adoption of international standards at an economy level.

Much of the impetus centres around the up-dating and issuance of IVS 2017 which reflected a major overhaul and review of the International Valuation Standards (IVS) so as to enable them to be adopted at a local level, yet at the same time provide the flexibility through the incorporation of Guidance Notes to allow for practitioners to reflect regulatory and/or legal obligations relevant and specific to that jurisdiction. This is evidenced in the adoption by both Mexico and the Philippines of IVS 2017 in its entirety without any attempt to localize the content or to tailor to suit; and the Working Party has assisted in this process throughout.

The other major catalyst has been the enactment of Secured Transaction/Lending legislation and the creation of Central Collateral Registries in many APEC jurisdictions. This has highlighted the challenge of valuing intangible assets, which are often offered as security/collateral by SMEs when seeking financial assistance through the Secured Transaction route. As a result there is a growing awareness of the difficulties surrounding the valuation of intangible assets and the Working Group has held round tables and workshops in Vietnam, Thailand and the Philippines to demonstrate through case studies and experience sharing how the challenge might be addressed by either the Lender, the Bank or by the Valuer who is required to provide an opinion of value either to the Lender or to the Borrower to enable the request to move forward.

The focus on intangible assets has also highlighted the need and the opportunity for professional training in the area of business valuation and perhaps ultimately the issuance of an appropriate internationally recognised BV qualification. Both Canada and Singapore are now assuming an active role in the creation of training and CPD content which will have an application across the majority of APEC economies. I will

also be holding discussions with the major valuation stakeholders here in Japan during my visit to see if we can identify some common ground in the area of BV as the two local VPOs would like to be able to demonstrate a robust capability in this area and avoid the potential need for any intervention on the part of the regulator.

Finally as PNG is this year's APEC Chair, the Working Group is involved in a special initiative to help this economy to establish the valuation infrastructure that it needs as a platform to move forward. At the moment we are advised that there are only 67 licensed valuers in PNG and the majority are employed by Government and their valuation skills are largely restricted to valuing land and buildings. In June this year, the PNG Institute of Valuers will hold its AGM and Annual Conference and I and several members of the Working Group will be participating and lending support. In addition we are also looking to enhance the level of valuation training at Lae University of Technology which is the only tertiary institution in PNG which includes a background to valuation in its degree courses.

2nd April 2018

Nicholas Brooke

Project Leader

IVSC Valuation Initiative.

The Advisory Group on APEC Financial System Capacity-Building

Ongoing Initiatives to improve Valuation
Practices in APEC : Working Group Report

Nicholas Brooke/James Kojima
IVSC

16 April 2018

Activity Update

- Continued requests for input and onsite briefings from
 - a) Regulators responsible for licencing of practitioners and policing of standards; and
 - b) VPOs seeking to assume more responsibility for the development of best practice at an economy level
- IVS 2017 has acted as a major catalyst as evidenced by adoption in its entirety by both Mexico and Philippines without attempts to localize the contents

Activity Update

- Further impetus added by secured transaction/lending legislation which has highlighted the challenge of valuing intangible assets often offered as security by MSMEs
- Workshops held in Vietnam, Thailand and Philippines
- Focus on intangible assets has drawn attention to the need for professional training in the areas of business valuation – Canada and Singapore assuming active role in developing courses

Going Forward – Two Major Events

1. In support of PNG's APEC Chair, the Working Group will be participating in the PNG Institute of Valuers' AGM and Annual Conference in June; also working with Lae University of Technology to enhance the level of training of local valuers as current skills are largely restricted to valuing land and buildings
2. Participating in the 2018 International Business Valuation Conference to be held in Beijing in May which again will focus on business and intangible valuations but is major opportunity when all relevant ministries and VPOs will jointly discuss issues with international experts