BUILDING TRUST IN VALUATION

HISTORY OF DEVELOPMENT OF INTERNATIONAL VALUATION STANDARDS COUNCIL
During the 1960s and 1970s several national valuation bodies developed and promulgated Standards of Professional Practice for their members. Others followed. In some countries Codes of Professional Ethics were also introduced. The contents of these Standards combined professional considerations with the practical needs of the market place. In some countries the Standards were incorporated partly or fully into national laws and regulations. Some professional bodies went further, creating review and enforcement procedures leading to censure or loss of professional recognition for a member who violated either the standards or related ethical provisions.

US accounting standards reorganized in the early 1970’s. Proposed changes were not adopted. At the same time similar efforts were put forth in the UK. RICS developed the Asset Valuation Standards Committee (AVSC) to study these issues.

Prior to the 1980s, the development of valuation as a profession was largely approached at a domestic level, without an international focus. Despite this, there were many similarities among these countries as to what constituted a professional valuer, such as an appropriate college or university degree; specialised professional training; practical, directed experience; demonstrated competence, honesty, and objectivity; and recognised high character. Professional valuation bodies in various countries conferred professional designations and status to those who met the minimum specified education and experience requirements.
HISTORY OF IVSC DEVELOPMENT

1981:

IVSC was founded in Melbourne as The International Assets Valuation Standards Committee (TIAVSC) by 20 national valuation professional organisations.

TIAVSC Objectives:

1. To formulate and publish in the public interest, valuation standards for property valuation and to promote their worldwide acceptance;

2. To harmonise standards among the world states and to identify and make disclosure of differences in statements and/or applications of Standards as they occur.

It is a particular goal of TIAVSC that International Valuation Standards be recognised in statements of international accounting and other reporting standards, and that valuers recognise what is needed from them under the standards of other professional disciplines.

1985:

TIAVSC admitted to the United Nations as a Non-Government Organization Member of the United Nations, having been granted Roster status with the United Nations Economic and Social Council in May 1985.

The TIAVSC works cooperatively with Member States and maintains contact with international agencies, such as the Organisation for Economic Cooperation and Development (OECD), the World Bank, the International Monetary Fund (IMF), the World Trade Organisation (WTO), the Commission of the European Union, the Bank for International Settlements (BIS), and the International Organisation of Security Commissions (IOSCO).

1994:

The committee was renamed as the International Valuation Standards Committee (IVSC).

1997:

The International Valuation Standards Committee recognises the complexity of professional valuation procedures, the diversity of property situations, the difficulty of interpretation of valuation activities by other professional disciplines, the problem of international language interpretations and the paramount need of the public for well-founded professional valuations developed in concert with generally accepted standards.

2000:

The IVSC Management Board is acutely aware that the period of exposure for the new or revised material that appears in IVS 2000 has been very short. One of the Board’s objectives is to work closely with related international organisations to ensure that all developing international standards are mutually reinforcing. Recently published new or amended International Accounting Standards, promulgated by the International Accounting Standards Committee, have a significant impact on the valuation standards. The IVSC Board felt it important to publish revised IVS as soon as practicable to reflect these changes.

2001:

The IVSC Management Board is committed to developing International Valuation Standards that support disclosure frameworks being developed by other international organisations.

In the end of the 1990s it was the first of the Asian financial crisis. And I think that is probably the first time that the world began to realize just how globally interconnected they all were. So the thought of global standards became much more accepted at that time. And indeed previously was when the IVSC was set up really its objectives were to provide standards for countries that didn’t have standards.

1997

From the interview with Marianne Tessier (former CEO)
IVSC have continued to work closely with the International Accounting Standards Board. IVSC representatives met with representatives of the Public Sector Committee, International Federation of Accountants, during the year to discuss the relationship between developing International Public Sector Accounting Standards and the IVS.

The Basel Committee on Banking Supervision published draft guidance on valuation standards and methodology.

After the release of the IVS 2001, worldwide interest for high quality, robust, standardized, recognized and transparent standards vastly increased. IVSC priorities at this time included ensuring IVS became accepted as widely as possible as the “gold standard” for valuation standards internationally. This would involve increasing the working relationships with other standard setters like IASB, IFAC, FASB and TAF as well as professional organizations and government entities. Another priority included conducting a Critical Review to objectively review existing standards and make improvements to meet evolving market changes. Crucially we needed to secure independent funding to achieve these goals.

2003:

Since 2003 the IVSC has been an incorporated association, comprising professional valuation associations from around the world, and bound by Articles of Incorporation. The objectives of the IVSC have been twofold:

1. To formulate and publish, in the public interest, valuation Standards for property valuation and to promote their worldwide acceptance;

2. To harmonise Standards among the world’s States and to identify and make disclosure of differences in statements and/or applications of Standards as they occur.

The IVSC monitors the work of the Basel Committee for Banking Supervision as it moves towards the introduction of new international capital requirements for banks and other financial institutions. The importance of property as collateral for bank lending purposes makes greater harmonization of valuation standards even more important.

From the interview with Joe Vella (former chairman)
2005:

The IVSC has followed the development of the new Basel Accord (Basel II) by the Basel Committee for Banking Supervision. The Accord introduces new international capital requirements for banks and other financial institutions. Consistent and comparable valuations are essential to ensure that high quality financial information is provided to users of financial statements. There are growing signs that the accounting and auditing profession will require valuations under International Valuation Standards in order to achieve consistent and rigorous application of the International Accounting Standards, and comparability across borders.

2006:

The Committee established a Critical Review Group with a remit of considering how the standards could be improved to meet the requirements of the evolving market for valuation. The report of the Critical Review Group was published and comments invited on its recommendations. In developing these new standards the IVSB has had regard to most of the major recommendations made in this review and also to the feedback received during the consultation process.

- The IVSC worked towards harmonising national valuation standards by developing standards at an international level that could serve as a foundation on which national standard setters could establish their own standards. These efforts have contributed to raising the level of valuation standards worldwide and reducing the number of differences.

- The primary goal of the IVSC must now be to develop a body of standards in their own right to meet the needs of the global market place and to provide a basis for the convergence of national standards to international valuation standards.

- The Group did stress that the IVS addressing financial reporting must be written to reflect the requirements of the International Financial Reporting Standards. The Group recognized that the same degree of regulation does not exist for other valuation services although increasing globalization is emphasizing the need for a common approach across all asset classes.

- The Group looked at the structure of other valuation and...
accounting standards (IVS, IFRS, FASB, USPAP, IFAC, RICS) and made a simplified version of their structures.

2007:
The IVSC was restructured.
IVSC invited to join FASB Valuation Resource Group.
Proposals to restructure IVSC published.
A working group of professional appraisers and accountants was formed to improve the quality and expand IVS recognition.

New structure of the IVSC:
- a new Standards Board;
- an Interpretations Committee;
- a Board of Trustees;
- a place for all stakeholders to have a voice while the IVSC will remain a membership based organisation, the criteria for membership will be broadened beyond national professional valuation institutes. Valuation companies, users of valuations, academics and others will have the opportunity to be represented and involved in the work of the IVSC;
- a Professional Board to strengthen the standards;
- a structure that is similar to the International Accounting Standards Board model.

2008:
International Valuation Standards Committee was changed to the International Valuation Standards Council. Board of Trustees, Standards Board and Professional Boards established.
Following the Restructuring, the IVSC established an expert advisory group on valuation of financial instruments.

2009:
Faced with the daunting challenge of a worldwide economic crisis which led to international debate surrounding the nature of financial regulation, this last year witnessed significant challenges for all members of the global valuation profession.

- Restructured IVSC becomes operational. New Chairman and Board of Trustees appointed. Members of International Valuation Professional Board and International Valuation Standards Board appointed.
- Memorandum of Understanding with International Federation of Accountants (IFAC) signed.
2010:
IVSC establishes office in the City of London.
IVSC Technical Director appointed.

2011:
Signing of a Memorandum of Understanding (MoU) with the International Private Equity Valuations Board (IPEV).

- IVSC invited to join Private Sector Task Force to prepare report for G20.
- Memorandum of Understanding signed with International Private Equity and Venture Capital Valuation Board.

2012:
Competency Framework for Professional Valuers published.

- Memorandum of Understanding with International Federation of Accountants (first signed in 2009) renewed.

2013:
The IVSC Standards Board announced that it was ready to review all published standards for necessary updating or clarification once every two years.

- IVSC invited by APEC (ASIA-PACIFIC ECONOMIC COOPERATION) Advisory Group to lead a taskforce and develop recommendations on valuation infrastructure challenges.
- Professional Board began project to develop International Professional Standards (IPSs).

IVSC had two tasks. One with the IFAC and one with the IASB. And the idea is that we all recognize that valuation is at the tough end of the accounting. And therefore these are the two major accounting bodies in the world. They want to be associated with us, we want to be associated with them.

I really believe the accountants’ ethical rules are very similar. With IASB the memorandum really is there for the basis that the accountants say what value and when, and what we have to do is to say how you get there because the accountant does not do the expertise.

From the interview with Sir David Tweedie

It had only two committees. One was a technical committee but it dealt with everything - financial instruments, business valuation, tangible assets. Reviewed the structure of the organization and determined that a further evolution was necessary.

From the interview with Sir David Tweedie
I think what it did was it showed that IVS was recognised internationally. The fact that you’ve got the European directive accepting that IVS was important and gave credence to what was going on. It wasn’t something that was irrelevant.

From the interview with Sir David Tweedie

2014:

IVS recognized in EU Mortgage Credit Directive Statement of Protocols signed with International Accounting Standards Board.

The IFRS Foundation and the International Valuation Standards Council (IVSC) announced a joint statement of protocols for cooperation on International Financial Reporting Standards (IFRS) and International Valuation Standards (IVS).

The IVSC signed the memorandum of understanding (MOU) which means that some of the world’s largest professional valuation organisations commit to comply with a single global set of standards for valuing assets.

2015:

The new document «IVSC Purpose, Structure and Strategy» was published. This document provides an initial overview of the aims of the IVSC and its new structure.

- The Model Governance Guide for a Valuation Professional Organisation was published. It was developed to assist Valuation Professional Organisations (VPOs) in setting principles of good governance for the establishment and functioning of their Council or Board of Directors.

2016:

New technical standards board for Tangible Assets, Business Valuation as well as the Standards Review Board were established.

- IVSC and The Appraisal Foundation published bridging guide for IVS and USPAP. The document describes additional steps to be taken by appraisers already accustomed to providing USPAP-compliant appraisals to make valuations IVS-compliant.

- 2016 Memorandum of Understanding with WAVO was signed.

- The Membership and Standards Recognition Board was established led by Eric Teo. This board has a key focus on engagement with an emphasis on raising awareness and use of IVS from end users of valuations – something which should benefit users in providing a globally consistent and quality approach – and also ultimately benefit the VPO qualified professionals performing work in accordance with these standards.

Strengthening the financial system requires the elimination of any significant differences in the way that fair value is understood, and consequently reported, between different sectors and markets. Close collaboration with bodies such as the IFRS Foundation will help to continue to improve standards and increase transparency, consistency and confidence in financial reporting.

Sir David Tweedie, commented

2014

I am particularly pleased to see the new technical boards in place. This is a real evolution because they give us greater expertise and global representation in Tangible Assets and Business Valuation.

Nick Talbot, commented

2016
The IVSC, working closely with our members, sponsors and other stakeholders, has had a successful year and I believe that together we are making significant progress, both in improving international standards and in growing recognition of and demand for professionalism.

2017:

IVSC is growing its collaboration. IVS is being applied by valuation professionals in 103 countries.

- IVS adopted by ASEAN Valuers Association and Panamerican Union of Valuers.

2018:


2019:

In January the EBA published its Handbook on Valuation for the Purposes of Resolution. Addressed to central banks and regulation authorities across the EU, the Handbook seeks to foster convergence and consistency in valuation practices as well as the interaction with independent valuers across the EU.

- IVSC is continuing to grow and develop. The membership network has grown by over 80%, with 66 new members during this period and 25 in 2018–19 alone.

2020:

There are more than 130 member organisations of the IVSC, operating in over 150 countries worldwide.

IVSC CHAIRMEN

1981 – 1984 Sir Idris Pearce (UK)
1984 – 1987 Patrick Gill (AU)
1987 – 1991 Graeme Horsley (NZ)
1991 – 1994 Don Dorchester (US)
1994 – 1996 Lincoln North (CA)
1996 – 1999 Philippe Malaquin (FR)
1999 – 2002 Greg McNamara (AU)
2002 – 2005 John Edge (UK)
2005 – 2007 Joe Vella (US)
2007 – 2008 Elvin Fernandez (MY)
2009 – 2011 Michel Prada (FRA)
2012 – 2012 Roel Campos (US) Interim Chair
2012 – 2019 Sir David Tweedie (UK)
2019 up to now Alistair Darling (UK)

IVSC CEO

2000 – 2015 Marianne Tessier
2015 up to now Nick Talbot
HISTORY OF DEVELOPMENT OF IVSC
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Tangible Assets Board meeting in Zurich, 2019

AFWG meeting in London, 2019

IVSC Board of Trustees AGM in Singapore, 2019

AGM in Singapore, 2019

Financial Instruments Board meeting in London, 2019

AGM in Singapore, 2019

IVAS-IVSCBV Conference, 2019