

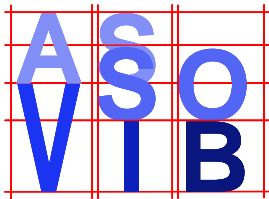
Associazione Società di Valutazioni Immobiliari per le Banche

Response to public consultation IVS 2017

Introduction and Framework for IVS 2017

IVS 104 Bases of Value

IVS 105 Valuation Approaches



Introduction letter

As representatives of ASSOVI B (the Italian “Association of Real Estate Valuation Firms for Banks”) we appreciate the opportunity to respond on the Exposure Draft, as we believe that the Standards have been a key factor over the past ten years in driving the Italian property market towards greater transparency in the field of valuation, especially for secured lending.

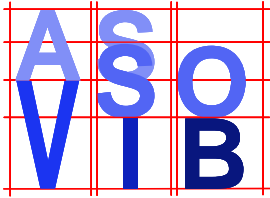
ASSOVIB is the association of the Italian Valuation Firms which provide valuation services to banks who grant mortgages based on real estate collateral. The purposes of the Association are promoting professional valuation culture within the context of mortgage granting and elevating the quality of services offered to Banks by establishing a code of conduct and carrying out, alongside government bodies and other stakeholders, initiatives focused on scientific and technical issues within the valuation field.

We would like, as a premise, to detail the following characteristics and commitments that a Valuation Firm must have to adhere to ASSOVI B .

A Valuation Firm must:

- manage the entire valuation process in a precise and organized way, from the engagement to the delivery of the valuation report to the Client;
- rely on a network of Valuers to carry out the inspection of the asset and its valuation and ensure that each Valuer it employs (or contracts) adheres to the company’s Code of Ethics;
- carry out all assignments free from any conflict of interest;
- perform a regular critical review of all valuation reports before they are delivered to the Client, besides managing an ongoing monitoring service of the entire process;
- in the field of valuation for secured lending, select valuers for valuation engagements in a manner which will guarantee total independence and detachment from the credit decision process, the credit monitoring process, and the commercial process of the loan;
- guarantee continuity and the application of homogenous standards wherever the firm operates;
- ensure precise and realistic timeframes in order to guarantee control of the process and quality of service;
- carry out the selection, initial and ongoing training of its network of Valuers;
- have an adequate insurance policy which will cover its professional risks;
- the Valuation Firm’s processes and procedures should be properly certified (ISO 9001).

Based on these premises, we would like to bring to your attention the following general comment:



IVS 2017: Introduction & Framework – Paragraph 30

Valuer

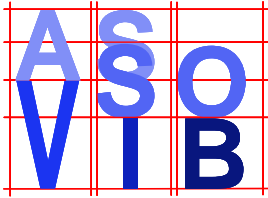
The definition of valuer is “one who possesses the necessary qualifications, ability, and experience to execute a valuation. In some States, licensing is required before one can act as a Valuer”. Because a valuation reviewer must also be a valuer, to assist the legibility of these standards the term valuer includes valuation reviewers except where it is expressly stated otherwise, or is clear from the context that valuation reviewers are excluded.

Comment:

We suggest these modification:

Valuer

The definition of valuer is “an individual or a firm who possesses the necessary qualifications, ability, and experience to execute a valuation. In some States, licensing is required before one can act as a Valuer”. Because a valuation reviewer must also be a valuer, to assist the legibility of these standards the term valuer includes valuation reviewers except where it is expressly stated otherwise, or is clear from the context that valuation reviewers are excluded.



IVS 2017: Introduction & Framework

Comment to question:

- (a) In IVS 2013, all substantive portions of the standards were labelled as “commentary” (except for scope and effective date). This label seems to have created some confusion amongst stakeholders as to whether the standards were mandatory. The Board’s position is that all aspects of IVS 2017 should be mandatory and this exposure draft has removed the “commentary” label for clarity. Do you agree with the removal of the commentary label?

ASSOVIB: We agree with the removal of commentary label

Do you agree with the Board’s decision to remove the section on Bases of Value from the IVS Framework and produce a single chapter on Bases of Value in order to clarify the mandatory nature of this section and to avoid repeating certain guidance throughout the IVS? If not, why?

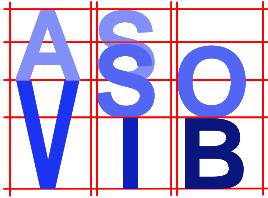
ASSOVIB: We agree with the decision

- (b) Do you agree with the Board’s decision to remove the section on Valuation Approaches from the IVS Framework and produce a single chapter on valuation approaches and methodologies in order to clarify the mandatory nature of this section and to avoid repeating certain guidance throughout the IVS? If not, why?

ASSOVIB: We agree with the decision

- (c) Do you agree with the IVS definition of Exceptions and Departures? If not, why?

ASSOVIB: We agree with the decision



IVS 104 Bases of Value

Comment to question:

- (a) Do you agree that valuers should be responsible for choosing the appropriate basis (or bases) of value according to the terms and purpose of the valuation assignment, and that the basis of value may not be one defined by the IVSC? If not, why?

ASSOVIB: We agree

- (b) Prior versions of international valuation standards included Special Value as a separate and distinct basis of value. The Board generally believes that valuers seldom perform valuations using Special Value as a distinct basis of value. Rather, valuations are typically performed using another basis of value predicated on certain hypothetical assumptions (“special assumptions”) or a specific purchaser (resulting in synergistic value). Do you agree with the removal of Special Value as a separate and distinct basis of value? If not, please describe the circumstances in which you use Special Value as a distinct basis of value?

ASSOVIB: We consider that Special Value is seldom used.

- (c) The IVSC has re-titled the previously defined Fair Value as Equitable Value in order to avoid confusion with other definitions of Fair Value. Do you agree with this change, if not why not?

ASSOVIB: We agree with the decision

- (d) Liquidation Value has been added as an additional basis of value. Do you agree with its inclusion within IVS 2017 and are you in accordance with the definition used? If not, why not?

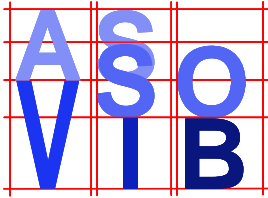
ASSOVIB: We agree with the decision

- (e) Replacement Value has been added as an additional basis of value. Do you agree with its inclusion within IVS 2017 and are you in accordance with the definition used? If not, why not?

ASSOVIB: We agree with the definition used

- (f) Are there other bases of value defined by other entities/organisations that should be mentioned in IVS 104? Which ones? Why?

ASSOVIB: We consider sufficient for ordinary valuations the actual definition of bases of value



IVS 105 Valuation Approaches Bases of Value

Comment to question:

- 1) Do you agree that when selecting an appropriate valuation approaches and methods a valuer should consider the following?
 - a) the appropriate bases of value, determined by the terms and purpose of the valuation assignment,
 - b) the respective strengths and weaknesses of the possible valuation approaches and methods,
 - c) the appropriateness of each method in view of the nature of the asset, and the approaches or methods used by participants in the relevant market,
 - d) the availability of reliable information needed to apply the method(s),and if not, why? What considerations would you add to or remove from this list?

ASSOVIB: We agree with the decision

- 2) Under each valuation approach, this exposure draft includes criteria for when the approach should be used. Do you agree with the criteria presented under each approach? If no, what changes would you make? Why?

ASSOVIB: We consider the criteria presented generally sufficient to determine the valuation approach.

- 3) Are there areas of this chapter that you feel should be expanded upon in future board projects (eg, discount rates, discounts/premiums, etc)?

ASSOVIB: In this moment we consider sufficient the actual level of detail