



Consultation Paper:

Proposed IVS Adoption Recognition Mark

Consultation launch: 29 May 2019

Consultation close date: 20 August 2019

Responding:

Anyone is welcome to provide comments on this consultation. The IVSC is particularly keen to hear feedback from valuation stakeholders.

Consultation responses can be sent via email to comments@ivsc.org. There is no set format and responses can be as concise or as detailed as you wish.

Where an aspect of the proposal is not supported, the IVSC is eager to hear constructive ideas for alternative approaches which help address the stated objective.

This consultation is being run on behalf of the IVSC's Membership and Standards Recognition Board (MSRB). Upon completion of the consultation the MSRB will review all feedback and determine whether or not the IVSC should launch a mark and, if so, through what approach.

Conclusions:

A report setting out responses to the consultation will be published on the IVSC website after October 2019.

If you require further assistance or information, please contact Louise Nicholson at lnicholson@ivsc.org



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1. General background

There are significant inconsistencies in the valuation standards around the world. Furthermore, some countries have established Valuation Professional Organisations (VPO or VPOs), which have a sophisticated approach to standards, and some other countries have either no VPOs or VPOs with very little or no valuation standards in place. The variation in the quality of valuation standards applies to both developed and developing countries.

The world of business is becoming increasingly global in nature and, with continuously changing flows of investment and cash, is full of uncertainty compounded by the different valuation standards and levels of professionalism within different countries. As markets have expanded to become more global, local practices have become barriers to market efficiency and stakeholders don't always get reliable and comparable information, which they need for decision making. There can be a wide variation in valuation methodologies and approaches across markets making it difficult to compare valuations on a like for like basis, for such purposes as potential investments and secured lending decisions.

As a result of the lack of one set of international valuation standards, international investors, lenders, regulators and other stakeholders do not always have the levels of transparency, comparability and ultimately confidence in the valuations, which can lead to a higher level of inherent risk when making investment, secured lending decisions and/or financial statement disclosure. This is especially important when one considers that according to the World Bank, 50–70% of the world's wealth is held in land or real estate.

The last financial crisis demonstrated the impact of ineffective controls (including quality valuations) in relation to everything from real property through financial instruments. Regulators have expressed concerns about valuations even in leading Western economies. Regulators seek reliable information that allows them to regulate the markets in the public interest, without adding unnecessary bureaucracy.

Valuations form a key part of publicly-traded companies' audited accounts, which should provide transparency and comparability in relation to the fair value of assets and liabilities, and therefore can impact companies' share prices. A consistent approach to performing quality valuations is of interest to anyone with a pension or investment in real property or publicly traded shares, and more broadly society who wish to see financial market stability, because of the link to a stable economy.

Valuations also have a significant impact on the transfer of intellectual property rights between related parties

in different tax jurisdictions, as well as in connection with the determination of global transfer pricing arrangements. According to the European Union (EU) Commission, 72% of profit shifting that takes place in the EU is done via the channels of transfer pricing and location of intellectual property; valuations of assets transferred between one jurisdiction and another are contributing to the erosion of countries' national tax bases. Research by the International Monetary Fund, covering 51 countries, concludes that profit shifting between tax jurisdictions results in an average revenue loss of about 5% of current corporate income tax revenue – almost 13% in non-OECD countries. Again, profit shifting is largely based on valuation of those assets that are transferred between one tax jurisdiction and another. The lack of one set of international valuation standards results in potentially inconsistent valuations between countries.

There is a clear public interest need for globally consistent valuation standards for a multitude of purposes, not just for financial reporting, but also for tax reporting, litigation support, transaction support, and to support secured lending decisions, etc.

The world's economy has benefitted from the growth of international standards on a number of fronts, including financial regulation, accounting and auditing standards etc. Many of these areas depend on the work of the valuation profession; however, consistency of valuation standards is key.

IVSC regularly liaises with leaders in some of the world's foremost regulators, standards setters and end users and one of the regular themes is greater transparency around which professionals provide valuations in line with IVS.

IVSC believes that as a global valuation standard setter acting in the public interest it has a role to play in encouraging VPOs to adopt the International Valuation Standards (IVS).

2. Purpose

IVSC seeks to develop high quality international valuation standards which underpin consistency, transparency and confidence in valuations across the world.

IVSC believes it is in the public interest that the IVS be used by valuers across the world, and that it should be possible for stakeholders to easily identify which valuers offer a service with technical and professional standards that is in accordance with IVS.

With the public interest in mind, IVSC is proposing to offer an IVS adoption recognition mark (IVS Adoption Recognition Mark) to VPOs who fully incorporate IVS into their approach, which IVSC hopes will encourage adoption of the IVS as the global valuation standard.

Qualified VPOs will be able to permit their qualified members to use an IVSC approved VPO member IVS adoption mark (VPO Member IVS Adoption Recognition Mark), so that qualified providers of valuations are identifiable globally.

3. Requirements

The IVSC will grant the right to use of the IVS Adoption Mark to a VPO that meets the following requirements:

- 1) Has adopted IVS. Adoption of IVS is defined as either:
 - i) Adopt IVS as is and refer to IVS as such; or
 - ii) Use the same wording as IVS within the VPO's National Standards, but those National Standards might also have additional information pertaining to local legislation and/or more in-depth guidance which would not contradict IVS. Embedding IVS into National Standards provides a consistent messaging to international investors, lenders, regulators and other users of valuation services.
- 2) Is an IVSC member in good standing.
- 3) Provides mandatory training and testing on IVS to its members as part of the VPO's accreditation/credential process. (Training to either meet IVSC specified criteria or to use IVSC course materials).
- 4) Provides mandatory continuing education on all new versions of IVS to the VPO's members. (Continuing education to either meet IVSC specified criteria or to use IVSC course materials).
- 5) Monitors completion of mandatory continuing education by the VPO's members.

4. Approach to assess the VPO

The responsibility for assessing the VPO will be, at least initially, the remit of a committee formed from the Membership & Standards Recognition Board along with one IVSC Trustees (IVS Adoption Mark Committee).

The basic process would be as follows:

- 1) The VPO would submit an application form to IVSC along with evidence of the different areas specified under the requirements.
- 2) IVSC staff would check that the application form is fully completed and that the form provides the relevant evidence.
- 3) The IVS Adoption Recognition Mark Committee would meet quarterly to review submitted applications and the evidence against the requirements and either:
 - a) Approve the application and recommend the IVS Adoption Recognition Mark be awarded; or

- b) Reject the application, asking for further development in specified areas, and evidence of this.
- 4) IVSC staff would notify the VPO. If approved, the IVSC staff would provide an electronic version of the IVS Adoption Recognition Mark for use by the VPO and the VPO's qualified members. The IVSC staff would also make relevant updates to the website and announce on Enews.

5. Ongoing assessment

After the award of the IVS Adoption Recognition Mark, the VPO will be required annually to confirm in writing that it continues to meet the requirements, as set out in Section 3, or provide an explanation of any changes/exceptions.

6. Use

The VPO can use the IVS Adoption Recognition Mark logo on its website and in publications. The use of it is encouraged.

The VPO can award the IVSC approved VPO Member IVS Recognition Adoption Mark logo to its members provided that each member is:

- A member in good standing of the VPO;
- Has taken the IVS course or courses that meet the competencies required by IVSC; and
- Has demonstrated the member has met the VPO's continuing education requirements with respect to the IVS.

The VPO member can use the VPO Member IVS Adoption Recognition Mark on their emails, business cards and work products.

7. IVS Adoption Recognition Marks

The following are examples of potential marks for both the VPO and members of the VPO. Please provide feedback on which you prefer.

a. Organisation mark:



b. Individual mark:



c. Organisation mark:



d. Individual mark:

