

The IVSC logo is located in the top left corner, consisting of the letters 'IVSC' in a white, sans-serif font on a dark grey, tilted rectangular background.

IVSC

International Valuation Standards Exposure Draft

Building trust in valuation

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A photograph of a sunset or sunrise over a sea of clouds, with the sun low on the horizon, casting a golden glow over the scene. The sky transitions from a pale blue at the top to a bright yellow and orange near the horizon.

OCTOBER 2023

IVSC's mission

Working with our partners, including other standard setters, regulators, Valuation Professional Organisations, valuation service providers, and the end users of valuation information:

The IVSC's mission is to build trust in valuation by:

- Establishing globally consistent, high-quality International Valuation Standards (IVS) across all asset classes, and by
- Encouraging quality valuation professionalism globally.

In achieving this, the IVSC seeks to support business, strengthen financial markets and protect the public interest.



IVSC's mission achieved by

1

Creating robust International Valuation Standards (IVS) providing for consistency, transparency, and comparability in valuations, globally.

2

Encourage the adoption of IVS by valuation professionals and users of valuations.

3

Collaborate with Valuation Professional Organizations (VPOs) across the globe.



Sponsors



**Building trust
in valuation**

As a not-for-profit, the IVSC depends on sponsors to advance IVS and the global valuation profession.

Sponsors believe enhanced international valuation standards benefit public interest, promoting financial market transparency, economic growth, and increased confidence for investors and valuation service users.



More than 200 members

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IVS Consultation



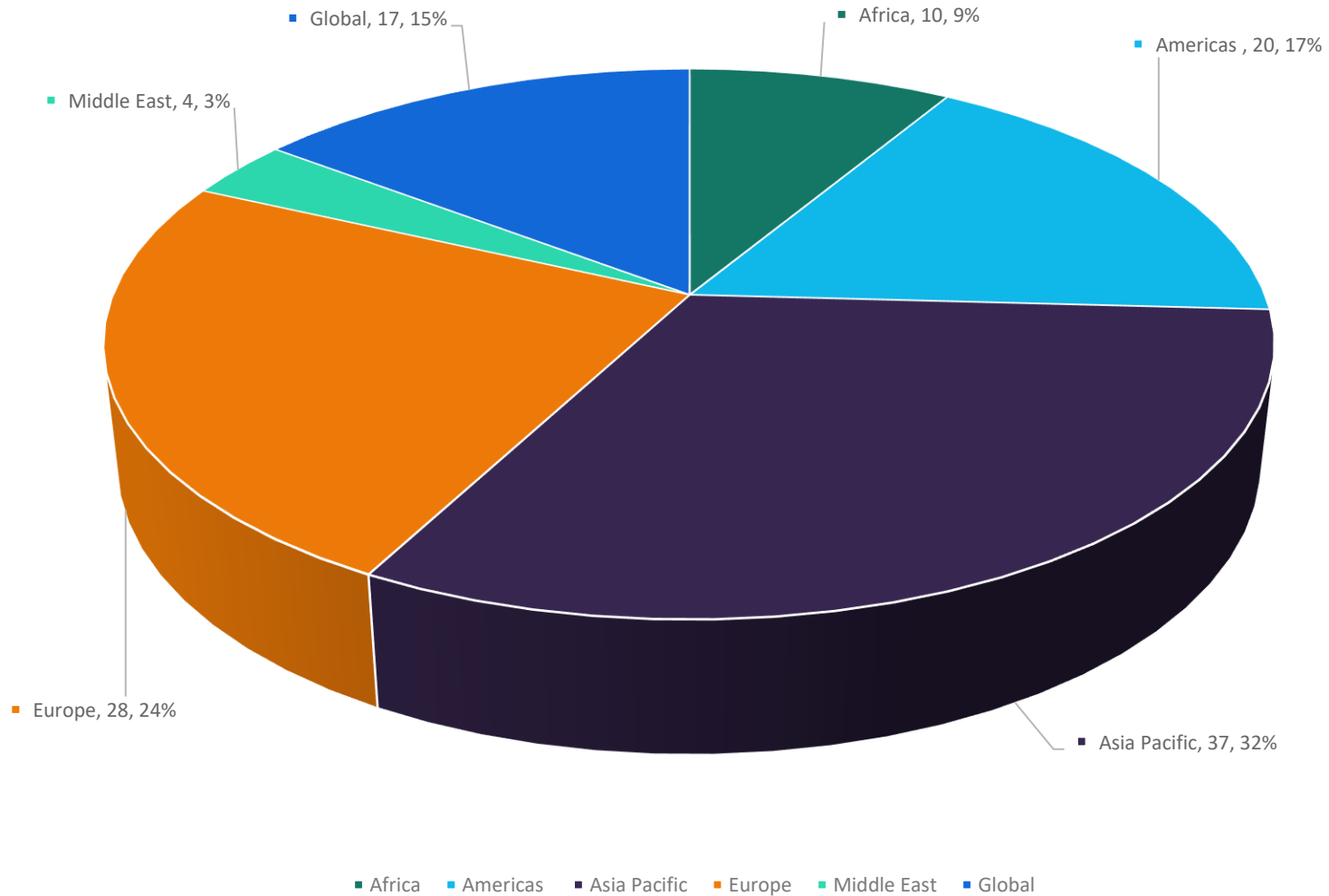
IVS Consultation

- International Valuation Standards (IVS) are developed in an open and transparent way through public consultation.
- The consultation period on the proposed changes opened on 28 April 2023.
- IVS was in consultation for 3 months.
- IVS consultation closed on 28 July 2023.
- 116 Consultation responses received.



IVS Exposure Draft Responses by World Region

IVS Exposure Draft Responses by World Region





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Forthcoming IVS Enhancements

- Modernise standards to include key components of the valuation process (e.g., inputs, data and models).
- Increase understandability and relevance of the IVSC Standards to users and other stakeholders (financial institutions, investors and regulators).
- Future-proof the IVSC Standards for valuation of new and different assets and liabilities



INTERNATIONAL
VALUATION
STANDARDS

EXPOSURE DRAFT FOR CONSULTATION



IVSC
INTERNATIONAL VALUATION
STANDARDS COUNCIL

Relationship of IVS General and Asset Standards



IVS Compliance

Compliance hierarchy – Compliance is a Function of:

IVS General Standards



IVS Asset Standards



Legal, statutory, and regulatory or other authoritative requirements appropriate to the purpose and jurisdiction of the valuation.
(Prioritize, explain, document and report)

Any other deviations would render the valuation not compliant with IVS.



IVS Enhancement Project Considerations

1. Ongoing changes in global markets and global valuation, including the **increased use of technology** and the abundance of available data sources.
2. Increased use of **specialists and service providers** by valuers in the performance of valuations.
3. Increased **demand for clarity** related to valuation process by stakeholders, including financial institutions, investors, and regulators,.
4. Additional demands on valuation professionals to address new types of assets or liabilities and to expand the **application of valuations into areas such as environmental, social and governance (ESG)**.
5. Integration of the proposed new **financial instruments** content.



Overview of IVS Revisions

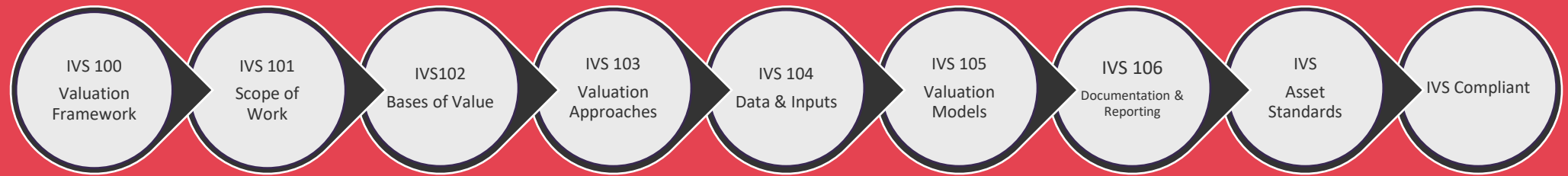
1. Structure that better aligns with the valuation process.
2. Additions or expansions to the requirements for data and inputs, valuation models, quality controls, and documentation to reflect the increased complexities of valuations.
3. Certain requirements have been moved between the General Standards and Asset Standards to ensure that the General Standards are applicable to all Asset classes.
4. Certain information has been moved to Appendices to improve readability and to provide flexibility.
5. Clarification of the roles and responsibilities of the parties involved in valuation, such as service organisations and specialists.
6. Substantial revisions and enhancements to IVS 500 Financial Instruments.



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IVS Revisions Post Consultation





Structure of IVS

- The International Valuation Standards comprise General Standards that are applicable across all valuations, and Asset Standards that relate to specific valuation disciplines.
- Appendices, which are part of the International Valuation Standards, provide additional information for certain concepts articulated in the International Valuation Standards.



IVS General Standards

General Standards apply to all valuations. The General Standards are as follows.

- IVS 100 Valuation Framework
- IVS 101 Scope of Work
- IVS 102 Bases of Value
 - Appendix: Bases of Value
 - Appendix: Premise of Value
- IVS 103 Valuation Approaches
 - Appendix: Valuation Method
- IVS 104 Data and Inputs
 - Appendix: ESG
- IVS 105 Valuation Models
- IVS 106 Documentation and Reporting





General Standards apply to all assets and liabilities and are the starting point for any valuation. Asset Standards provide requirements in addition to the General Standards for specific types of assets and liabilities.

Compliance with IVS includes adherence to the IVS General Standards, applicable Asset Standards and the Appendices.

IVS 100: Valuation Framework

Sections

- *Valuer Principles*
- *Valuation Process Quality Control*
- *Use of a Specialist or Service Organization*
- *Compliance*
- *Effective Date*



This section requires the *client* and *valuer* to agree the scope of work for a *valuation* or *valuation review* that is appropriate for the *intended use* and provides the minimum *valuation* or *valuation review* requirements for that scope of work.

IVS 101: Scope of Work

Valuation Requirements

- *Intended use*
- *Environmental, Social and Governance Factors*
- *The type of report or other documentation being prepared*

Valuation Review Requirements

- *Valuation Process Review*
- *Value Review*



IVS 104 deals with the selection and use of *data* to be used as *inputs* in the *valuation*. The aim of the *valuation* is to maximise the use of *relevant* and *observable data* to the degree that it is possible.

New Chapter

IVS 104:

Data and Inputs

30. Characteristics of Suitable Data and Inputs

Accurate: *data and inputs are free from error and bias and reflect the characteristics that they are designed to measure,*

Complete: *set of data and inputs are sufficient to address attributes of the assets or liabilities,*

Timely: *data and inputs reflect the market conditions as of the valuation date,*

Transparent: *the source of the data and inputs can be traced from their origin.*



The *valuer* should be aware of relevant legislation and frameworks in relation to the *environmental, social and governance* factors impacting a *valuation*.

IVS 104:

Data and Inputs related to Environmental, Social and Governance factors: Appendix

- A10.1. The impact of *significant ESG* factors *should* be considered in determining the *value* of a company, *asset* or *liability*.
- A10.8. ESG factors and the ESG regulatory environment should be considered in *valuations* to the extent that they are measurable and would be considered reasonable by a *valuer* applying *professional judgement*.



IVS 105 addresses the selection and use of suitable *valuation models* to be used in the *valuation* process. No valuation model in and of itself is compliant with IVS.

New Chapter

IVS 105:

Valuation Models

30. Characteristics of Suitable Valuation Models

Accuracy: *the valuation model is free from error and functions in a manner consistent with the objectives of the valuation,*

Completeness: *the valuation model addresses all the features of the asset and/or liability to determine value,*

Timeliness: *the valuation model reflects the market conditions as of the valuation date,*

Transparency: *all persons preparing and relying on the valuation model must understand how the valuation model works and its inherent limitations.*



IVS 106:

Documentation and Reporting

Valuation reports and documentation are a critical and defining feature of IVS, which collectively assist in creating consistency, professionalism, transparency, comparability and trust in *valuation* to serve the public interest.

New sections

- *Documentation*

Revisions

- **Valuation Reports – additional requirements including:**

(m) environmental, social and governance inputs used and considered,

(n) significant or special assumptions and/or limiting conditions,

(o) findings of a specialist or service organisation,

(p) value and rationale for valuation,

(r) IVS compliance statement,

- **Valuation Review Reports – two types:**

a) Valuation Process Review Report

b) Value Review Report





IVS Asset Standards

Asset Standards provide requirements in addition to the General Standards for specific types of assets and liabilities as follows:

- IVS 200 Businesses and Business Interests
- IVS 210 Intangible Assets
- IVS 220 Non-Financial Liabilities
- IVS 230 Inventory
- IVS 300 Plant, Equipment and Infrastructure
- IVS 400 Real Property Interests
- IVS 410 Development Property
- IVS 500 Financial Instruments



IVS 300: Plant, Equipment, & Infrastructure

Contents	Paragraphs
Overview	10
Introduction	20
Valuation Framework	30
Scope of Work	40
Bases of Value	50
Valuation Approaches and Methods	60
Market Approach	70
Income Approach	80
Cost Approach	90
Data and Inputs	100
Valuation Models	110
Documentation and Reporting	120
Special Considerations for Plant, Equipment and Infrastructure	130

Revisions

- *Change of nomenclature to include infrastructure*
- *Restructured as per General Standards.*
- *Valuation Approaches and Methods (Market and Income).*
- *New section on Data and Inputs.*
- *New section on Valuation Models.*
- *Reporting Section now includes Documentation.*



IVS 400: Real Property Interests

Contents	Paragraphs
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Introduction	20
Valuation Framework	30
Scope of Work	40
Bases of Value	50
Valuation Approaches and Methods	60
Market Approach	70
Income Approach	80
Cost Approach	90
Data and Inputs	100
Valuation Models	110
Documentation and Reporting	120
Special Considerations for Real Property Interests	130
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Revisions

- *Restructured as per General Standards.*
- *New section on Data and Inputs.*
- *New section on Valuation Models.*
- *Reporting Section now includes documentation.*



IVS 400: Real Property Interests

100. Data and Inputs

100.1. In accordance with IVS 104 Data and Inputs, the valuer must maximise the characteristics of suitable data and inputs.

100.2. In addition to the requirements contained within IVS 104 Data and Inputs there is the following **hierarchy of comparable evidence**, which should be followed for real property interest valuations:

- direct comparable evidence;
- indirect comparable evidence;
- general market data;
- other sources.

100.3. When applying the hierarchy of comparable evidence, the valuer must ensure that the characteristics of suitable data and inputs contained within IVS 104 Data and Inputs are fully applied.

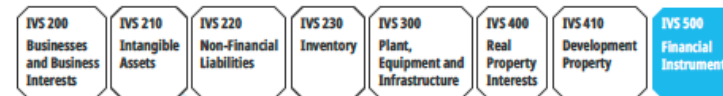
100.4. The inputs selected must be consistent with the models being used to value the asset and/or liability (see IVS 104 Data and Inputs, section 40).

100.5. The selection, source and use of the inputs must be explained, justified and documented.



IVS 500 – Financial Instruments

- Unlike other VPO standards:
 - It is global in perspective. Relevant for an entity located in a developed country and within an emerging market
 - Addresses the relationship between the valuer, the client and the user
 - It does not state how to do a valuation
- Relevant for:
 - All sizes of firms throughout the world
 - Level 1, level 2 and level 3 securities
 - One financial instrument as well as a portfolio
 - One time and on-going (i.e., daily) valuations
 - Internal and external valuation specialists and service organizations
- Must be applied in all valuations of financial instruments including financial, tax and regulatory reporting



IVS 500 Financial Instruments

Contents	Paragraphs
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Validating third-party models	180
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Appropriate use of a valuation model	200
Valuation Model Maintenance	210
Quality Control	220
Core principles for quality controls	230
Characteristics of suitable quality controls	240
Automated and Manual Valuations and Controls	250
Quality Control Design and Implementation	260
Documentation	270

Governance

10. Objective

- 10.1. The principles contained in the General Standards apply to *valuations of financial instruments*. This standard contains additional requirements or specific examples of how the General Standards apply to *valuations*

IVS Compliance Hierarchy

The 4 Core Principles of IVS 500 – Financial Instruments



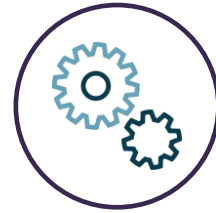
GOVERNANCE

- A process that enables the valuer to fulfill their obligations.
- Includes a review and challenge process.
- Enable a bias free and independent valuation process.



DATA AND INPUTS

- Dependent on the structure and liquidity of the financial instrument.
- Data and inputs may include observable market data but may also incorporate the use of: (a) proxies; and, (b) judgement.



METHODS AND MODELS

- A method is a specific technique, within a valuation approach, to develop a value.
- A model is a quantitative implementation of a valuation method in whole or in part that converts input data into outputs used in the development of a value.



QUALITY CONTROL

- For instruments of high valuation risk, the level of quality control and documentation required will be significantly greater than that required for valuations with low valuation risk.



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Publication Dates



IVS Publication dates

IVS Publication dates are:

- IVS (Effective 31 July 2024) - January 2024.
- IVS Basis of Conclusion (Effective 31 July 2024) - January 2024.
- IVS (Effective 31 July 2024) Red Line – January 2024.





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Thank you

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