

# International Valuation Standards Council – Building Trust in Valuation

Elvin Fernandez (Malaysia)

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## **SUMMARY**

The financial crisis exposed weaknesses in the functioning and in the transparency of financial markets and led to a much greater understanding of the importance of valuation. Indeed, the need to improve valuation standards, consistency and transparency was identified by bodies such as the G20 and the Financial Stability Board during the aftermath of the crisis. Sound valuation has been recognised as critical both as an input for the smooth functioning of financial markets and institutions, as well as an output from financial systems in their role of allocating capital efficiently across the economy. Although valuation issues are now seen as integral to today's financial system, historically it has been an activity that has been taken for granted or even overlooked. The result of this lack of recognition of the importance of valuation has resulted in a fragmented professional and regulatory landscape when viewed from a global perspective. The maturity of the profession varies across asset classes. For example, credentials and the accompanying enforcement framework exist for certain aspects of valuing real estate; however, in many jurisdictions, similar attributes are not prevalent for valuation of businesses, intangibles, and financial instruments. Inconsistent stipulations as to who may value certain assets for certain purposes, lack of mutual recognition of equivalent qualifications and excessive fragmentation of the organised profession all act to limit competition and the development of consistent high quality practices across borders. They also create complexity and unnecessary expense for entities with assets that require valuation in different countries. The presentation will examine the work of the International Valuation Standards Council (IVSC) in developing high quality international technical and professional valuation standards. Technical standards include generally accepted principles of valuation and procedures for the undertaking of valuations. Professional standards include establishing codes and benchmarks for the conduct and competency of professional valuers. The overriding objective behind all of these activities is to protect the interest of the direct and indirect users of valuation services.