



# The IVSC and Intangible Assets

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MASB Winter Summit 2015



**INTERNATIONAL VALUATION STANDARDS COUNCIL**

# The IVSC's Mission

- Establish and maintain effective, high-quality international valuation and professional standards
- Contribute to the development of the global valuation profession
- Serve the public interest



# Why Standards?

- Standards protect the public interest
  - Improve consistency (helps preparers and users)
  - Identify best practice (and what is not)
  - Aid comprehension by investors
  - Reduce regulatory intervention (and costs of compliance)
  - Enhance cross border investment and transactions

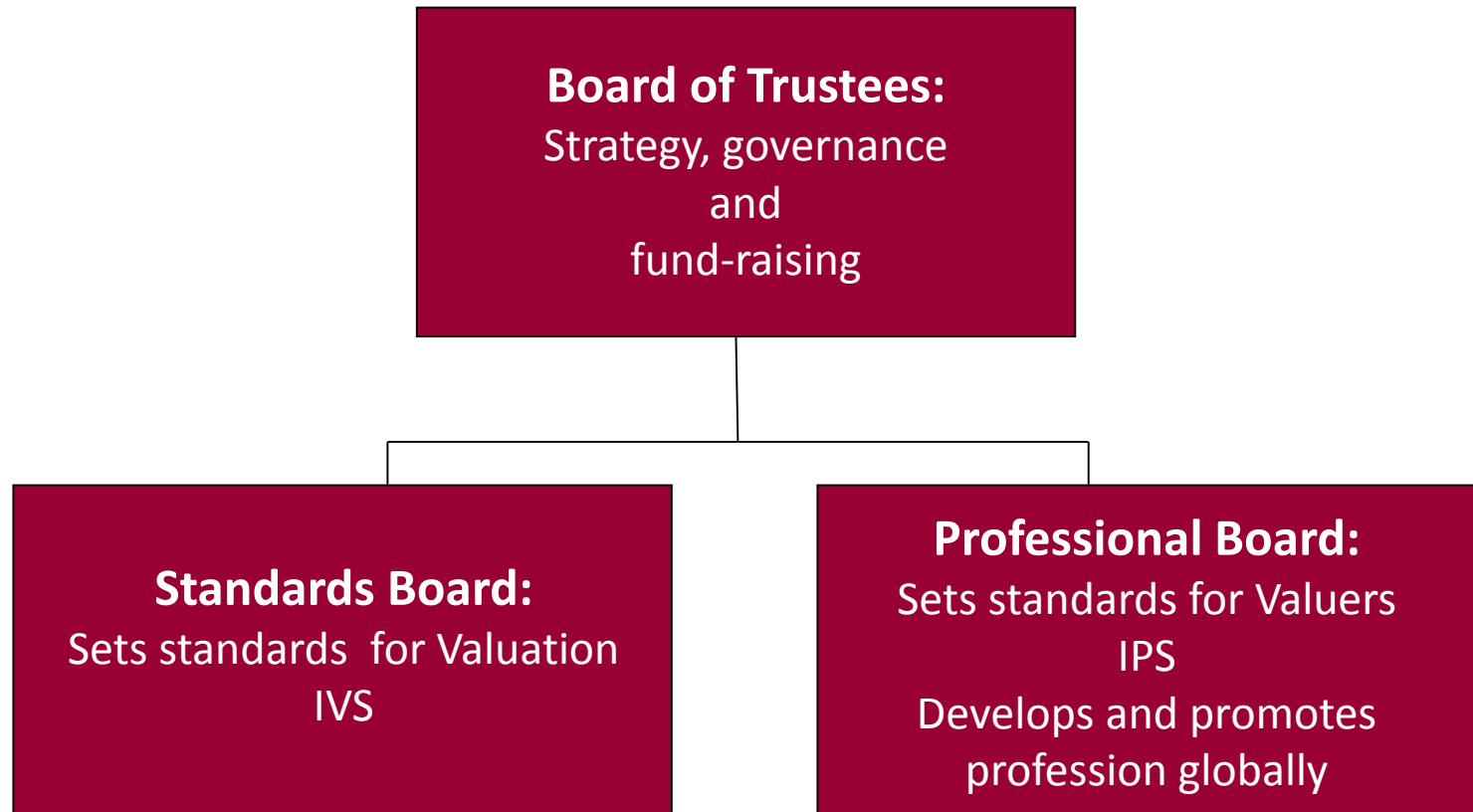


# Strategic Objectives

- Developing and promoting a single set of high quality global valuation standards
- Developing and promoting International Professional Standards (IPSs)
  - The IPSs will serve as a benchmark for professional bodies to drive global consistency in competency and ethics for professional valuers



# The IVSC - How we are Organized



# The IVSC - How we are Funded

- Membership
  - About seventy professional organizations with members involved in providing valuation services from over fifty countries
  - About twenty institutional (e.g.; public sector) and academic members
- Sponsorship
  - Twenty sponsoring organizations including six global accounting networks, banks and large valuation firms



# How do we Function?

- Consult with valuation users and regulators to identify their concerns
- Work with professional valuers to identify solutions
- Develop and promote those solutions
- Establish standards through a transparent process

**Compliance with IVS is by those adopting the standards, e.g. regulators and professional bodies**



# Interaction with other Organizations

- MOU signed with 20 Valuation Professional Organizations in 2014
- Active dialogue with other standard setters that reference valuation to promote consistency, (e.g.; IASB, IAA, IPEV and CFA Institute (GIPS)).
- Agreement with IFAC signed in 2010.
- IVSC represented on IAASB CAG.
- Statement of Protocols signed with IASB in February 2014.
- Engagement with intergovernmental bodies, (e.g.; IOSCO, Financial Stability Board, Basel Committee, APEC, and the European Union).





# The International Valuation Standards: Objectives

- **Building Confidence and Trust:**

The IVSs require transparency in the set-up, execution and reporting of valuation assignments, with the objective of building trust among those who rely on valuations.

- **Narrowing Differences in Valuation:**

The IVSs provide guidance on matters that should be considered when valuing different types of assets for different purposes with the objective of providing greater consistency.



# The IVSs - Overview

- **IVS Framework** defines and describes concepts and principles applicable to most purposes for which valuation is required.
- **IVS General Standards** set requirements for accepting, undertaking and reporting applicable to most types of valuation.
- The IVSs include **guidance** on how these principles should be applied to different types of asset or for different valuation purposes.



# The IVSs - Asset Types Covered

- Business Interests
- Intangibles
- Plant and Equipment
- Real Property
- Financial Instruments



# The IVSs - Valuation Purposes

- Financial Reporting
- Secured Lending
- Recovery and Resolution (pending)
- Other: M&A, tax, litigation support, etc.



# Current Standards Board Projects

- Liabilities
- Derivative Valuation issues:
  - Credit and Debit Valuation Adjustments
  - Funding Valuation Adjustments
- Valuations for Resolution and Recovery

**Biennial review of all IVSs in issue – exposure draft expected Q1 2015** (includes updates in all sections with the greatest enhancements related to real property and financial instruments)



# IVSC Professional Board

- International Professional Standards being developed for:
  - Entry Requirements for Education Programs
  - Technical Competence
  - Professional Ethics and Attitudes
  - Practical Experience
  - Continuing Professional Development



# IVSC Professional Board - IPSs

- IPSs will set common benchmark for individual professional bodies in setting their own criteria for issuing their members with credentials and monitoring their conduct.
- The IVSC intends to develop a program to monitor compliance with IPSs by member bodies (will not be involved in credentialing or disciplining of individual valuers).



# IVSC and Intangibles

- Standards Board has issued standards and guidance on the valuation of intangibles since 2000
- IFRS 3 and FAS 141, first introduced in early 00s require intangibles to be valued in business combinations
- Undertook a comprehensive review of intangibles from 2006-2009 with much attention on financial reporting
- This resulted in a major expansion of intangible asset valuation
- Current IVS guidance:
  - IVS 210 Intangible Assets, which sets requirements, and
  - TIP 3 Intangible Assets, provides guidance to support IVS 210





# IVSC and Intangibles – Possible Future Developments

- Valuation of intangibles historically driven by financial reporting requirements.
- Growing recognition that intangibles have value that can be utilized for other purposes including:
  - Hong Kong govt promoting a “trading hub” for Intellectual Property (IP)
  - Singapore looking at allowing IP to be used as security for bank lending
  - Forbes annual valuation of the Top 100 Brands
  - MASB’s focus on marketing standards for IP
- Trend is towards greater differentiation between types of intangible assets beyond accounting definitions
- Standards Board viewing developments to consider whether more granular guidance needed.



# IVSC and MASB: How can we work together....

- A major goal of MASB is to link marketing activities more objectively and more closely to the financial performance of the firm
- This approach is consistent with the overall philosophy of the IVSC in setting standards
- IVSC would welcome MASB input and involvement as we consider establishing a project on Intangible Assets



# Questions?



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**Thank You!**



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