



Republic of the Philippines
Department of Trade and Industry
Securities and Exchange Commission
SEC Bldg. EDSA, Greenhills, Mandaluyong City

NOTICE

Notice is hereby given that the Commission shall issue a circular on the **Guidelines on Property Valuations** which aims to amend the existing Guidelines on Accreditation of Appraisal Companies under SEC Memorandum Circular No. 3, Series of 2003.

An exposure draft of the proposed Guidelines accompanies this notice.

If you have any comments on the proposed Guidelines, please submit them in writing not later than **08 July 2010** to the following address or fax number:

Office of the General Accountant
7th Floor, SEC Building
EDSA, Greenhills
Mandaluyong City

Fax Number: 584 6120

DRAFT
June 28, 2010



Republic of the Philippines
Department of Trade and Industry
Securities and Exchange Commission
SEC Bldg. EDSA, Greenhills, Mandaluyong City

SEC Memorandum Circular No. _____
Series of 2010

GUIDELINES ON PROPERTY VALUATIONS

Recognizing the importance of reliable, expert and independent valuations on properties, the Commission resolved to adopt during its meeting on ____ July 2010 the following guidelines:

a. Definitions

- i. **Property valuer** is an individual who possesses the necessary qualifications, ability, and expertise to estimate property value for relevant purposes;
- ii. **Appraisal company** is a corporation or partnership engaged in the appraisal business and employs a property valuer to conduct valuations of properties of such entity's clients;
- iii. **Public company** is an entity with assets of at least P50 Million and having 200 or more holders each owning at least 100 shares of a class of its equity securities;
- iv. **Secondary licensees** are grantees of a license from the Commission, as follows:
 - 1) Issuers of registered securities to the public;
 - 2) Investment houses;
 - 3) Brokers and dealers of securities;
 - 4) Investment companies or mutual funds;
 - 5) Government securities eligible dealers
 - 6) Universal banks registered as underwriters of securities;
 - 7) Investment company advisers;
 - 8) Clearing agency and clearing agency as depository;
 - 9) Stock and securities exchange/s;
 - 10) Financing companies;
 - 11) Transfer agents;
 - 12) Such other corporations which may be required by law to be supervised by the Commission.

b. Accreditation

i. The following corporations shall engage the services of an appraisal company which is accredited by the Commission:

- 1) Real estate investment trust (REIT), as required under Rule 9 of the Implementing Rules and Regulations of the Real Estate Investment Trust Act;
- 2) Public companies and secondary licensees of the Commission which propose to receive or transfer property in exchange for shares of stock, as provided for under Section 62 of the Corporation Code, which states that where the consideration is other than actual cash, or consists of intangible property, the valuation thereof shall initially be determined by the incorporators or the board of directors, subject to the approval by the Commission. To support the request for approval of the said valuation, the appraisal report shall be issued by an appraisal company accredited by the Commission.

For entities which are not public companies or secondary licensees, the appraisal shall be conducted at least by a property valuer who is licensed by the Department of Trade and Industry or the Professional Regulatory Board of Real Estate Service pursuant to R. A. 9646;

- 3) Public companies and secondary licensees of the Commission which adopted the fair value model in measuring their properties pursuant to the Philippine Financial Reporting Standards;
- 4) Such other entities that the Commission may consider necessary.

ii. The criteria for accreditation shall be the following:

- 1) The appraisal company shall be registered with the Commission either as a corporation or partnership;
- 2) The certifying property valuer employed or engaged by the appraisal company shall be a professional appraiser licensed by the Department of Trade and Industry or the Professional Regulatory Board of Real Estate Service pursuant to R. A. 9646 and an officer/member of good standing of any registered association of property valuers and/or appraisal companies;
- 3) At the time of application, the applicant shall have a minimum experience of five (5) years in the appraisal business that:
 - a. provides property valuation services on a regular basis;
 - b. possesses the requisite licenses required under relevant Philippine rules and regulations;
 - c. has key personnel who possess the requisite licenses and are qualified to perform property valuations;

- d. has sufficient financial resources at its disposal to enable it to conduct its business effectively and meet its liabilities. This must be reflected by positive financial ratios (e.g., current, solvency, liquidity and debt to equity ratios) based on latest financial report of the company;
 - e. has robust internal controls and checks and balances to ensure the integrity of valuation reports and that these reports are properly and professionally prepared in accordance with international best practices;
 - f. has adequate professional insurance to cover its usual risks, or a professional liability insurance for errors and omissions amounting to at least Five Hundred Thousand Pesos (P500,000.00).
- 4) It shall have rendered professional services to at least two (2) banks, or two (2) public companies or secondary licensees;
 - 5) The appraisal company or any of its directors/officers or partners, as the case may be, and any of its property valuers shall have no adverse judgment on any administrative, civil or criminal case involving its appraisal business.
- iii. The qualifications stated above shall be continuing during the effectivity of the accreditation of the company. Otherwise, it shall be sufficient cause for the suspension or revocation of the company's accreditation, after due notice and hearing.
- iv. The applicant shall submit to the Commission the following documents:
- 1) Notarized application for accreditation;
 - 2) Proof of payment of the prescribed processing fee;
 - 3) Company profile indicating the history, scope of services of the appraisal company, list of employees and corresponding profession, and the bio-data of directors/executive officers or partners, and certifying property valuer;
 - 4) Copy of the license of the company's property valuer;
 - 5) Certificate of good standing issued by any registered association of property valuers and/or appraisal companies;
 - 6) List of past and present clientele;
 - 7) Certifications from at least two (2) banks, or two (2) public companies or secondary licensees that they have engaged the services of the appraisal company;
 - 8) Notarized certification of the appraisal company signed by its president or managing partner that the company meets all the qualification requirements under paragraph (ii) above; that it has not been declared liable by the Commission or any competent court for violation of the Corporation Code, Securities Regulation Code or Real Estate Investment Trust Act and that the

company or any of its directors/officers or partners, or property valuers has no adverse judgment on any administrative, civil or criminal case involving its appraisal business;

- 9) Copy of the company's latest audited financial statements.
- v. The accreditation that may be granted by the Commission under these Guidelines shall be effective for a period of five (5) years subject to the following requirements:
- 1) Submission of an annual report as prescribed under paragraph (d) hereof;
 - 2) Payment of an annual fee of One Thousand Pesos (P1,000.00) not later than January 31st of the year;
 - 3) Submission of a copy of the renewed license of the company's property valuer within fifteen (15) business days from its date of expiration.

c. Valuation Standards

- i. All accredited appraisal companies and their property valuers shall adopt the Property Valuation Standards (1st Edition, 2009)-*Adoption of the IVSC¹ Valuation Standards under Philippine Setting*, as embodied in the Department of Finance Order No. 37-09, dated October 19, 2009.
- ii. For valuations of real properties relative to transactions of a REIT, the property valuer shall use the income capitalization approach as provided for under paragraphs 5.12.2 to 5.12.6 of GN1- Real Property Valuations of the Property Valuation Standards.

d. Reporting Requirements

All accredited appraisal companies shall submit not later than January 31st of every year, an annual report duly signed by the president, indicating the following information:

- i. List of licensed property valuers;
- ii. List of clients for the immediately preceding year and a brief description of the engagement for each, e.g. properties covered by the valuation, appraised value, the basis of valuation;
- iii. Summary of financial information; and
- iv. Other information that may materially affect the operation of the company.

e. Sanction

Failure to comply with the requirements set forth under paragraph (b) (iii) & (v) or paragraph (c) or (d) above shall be a sufficient ground for the suspension or revocation of the accreditation of the appraisal company, after due notice and hearing.

¹ International Valuation Standards Committee.

e. Transition

- i. SEC Memorandum Circular No. 3, Series of 2003 (Guidelines for the Accreditation of Appraisal Companies) is hereby superseded by this Circular.
- ii. All appraisal companies which have an existing accreditation with the Commission need not re-apply under these amended Guidelines. They shall comply with the revised accreditation requirements after the expiration of their accreditation and upon renewal thereof. However, they shall be covered by the annual fee and reportorial requirements starting January 31, 2011.
- iii. Except for valuation of properties relative to Real Estate Investment Trust which should immediately adopt the Property Valuation Standards mentioned under paragraph (c) above, all accredited appraisal companies and their property valuers must adopt such standards for valuation engagements beginning **August 1, 2010**. An earlier adoption of the said standards is encouraged.

Issued this ___ day of July 2010, at Mandaluyong City, Philippines.

For the Commission:

FE B. BARIN
Chairperson