

COMPANIES (REGISTERED VALUERS AND VALUATION) RULES, 2017



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COMMENCEMENT OF SECTION 247 OF THE COMPANIES ACT, 2013

- The ministry of corporate affairs has issued notification for commencement of **section 247** of the companies act, 2013 **relating to valuation by registered valuers** with effect from **18th october, 2017**.
- The Companies (Registrered Valuers and Valuation) Rules, 2017, have also been issued simultaneously which provide for registration of valuers for conduct of valuation under the companies act, 2013.

DESIGNATED AUTHORITY

- Ministry of Corporate Affairs (MCA), vide notification dated October 18, 2017, has delegated the power and functions vested with Central Government under section 247 of the Companies Act, 2013 to the **Insolvency and Bankruptcy Board of India (IBBI)**, in exercise of power under section 485 of the Companies Act, 2013.
- Accordingly, IBBI is the “authority” to perform the functions under the rules.

WHO IS RESPONSIBLE TO CONDUCT VALUATION

- Valuation shall be done by a person registered as a valuer and is a member of RVO (Registered Valuation Organisation).
- To be Registered as a Valuer, person must be **eligible** in terms of **Rule 3**.
- To be Registered as a Valuer, person must be having **prescribed qualification and experience** as specified in **Rules 4**.
- The Rules has identified '**asset class**' in **Annexure IV** for which the registered valuer is required to conduct the procedure of valuation.

ELIGIBILITY TO BE REGISTERED VALUER {RULE 3 (1)}

To become a registered valuer, one has to fulfill **all** the eligibility criteria mentioned below:

S.No.	ELIGIBILITY
1.	Is a valuer member of a Registered Valuers Organisation (RVO).
2.	Is recommended by the Registered Valuers Organisation (RVO) of which he is a valuer member for registration as a valuer.
3.	Has passed the valuation examination under Rule 5 within three years preceding the date of making an application for registration under Rule 6.
4.	Possesses the qualifications and experience as specified in rule 4.
5.	Is not a minor.
6.	Has not been declared to be of unsound mind.
7.	Is not an undischarged bankrupt, or has not applied to be adjudicated as a bankrupt.
8.	Is a person resident in India.

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S.No.	ELIGIBILITY
9.	Has not been convicted by any competent court for an offence punishable with imprisonment for a term exceeding six months or for an offence involving moral turpitude, and a period of five years has not elapsed from the date of expiry of the sentence. <u>Restriction:</u> If a person has been convicted of any offence and sentenced in respect thereof to imprisonment for a period of seven years or more, he shall not be eligible to be registered.
10.	Has not been levied a penalty under section 271J of Income-tax Act, 1961 (43 of 1961) and time limit for filing appeal before Commissioner of Income-tax (Appeals) or Income-tax Appellate Tribunal, as the case may be has expired, or such penalty has been confirmed by Income-tax Appellate Tribunal, and five years have not elapsed after levy of such penalty; and
11.	Is a fit and proper person viz, (i) integrity, reputation and character, (ii) absence of convictions and restraint orders, and (iii) competence and financial solvency.

RESTRICTIONS TO BE REGISTERED VALUER {RULE 3 (2)}

The below mentioned restrictions apply **only** to the **partnership entity or company** from becoming a registered valuer:

S.No.	RESTRICTIONS
1.	It has been set up for objects other than for rendering professional or financial services, including valuation services and that in the case of a company, it is not a subsidiary, joint venture or associate of another company or body corporate.
2.	It is undergoing an insolvency resolution or is an undischarged bankrupt.
3.	All the partners or directors, as the case may be, are not ineligible under clauses (c), (d), (e), (g), (h), (i), (j) and (k) of sub-rule (1).
4.	Three or all the partners or directors, whichever is lower, of the partnership entity or company, as the case may be, are not registered valuers, or
5.	None of its partners or directors, as the case may be, is a registered valuer for the asset class, for the valuation of which it seeks to be a registered valuer.

QUALIFICATIONS AND EXPERIENCE TO BE A REGISTERED VALUER

{RULE 4}

S.NO.	QUALIFICATION <i>(from University or Institute established, recognised or incorporated by law in India)</i>	EXPERIENCE <i>(in the specified discipline)*</i>
1.	PG degree/ PG diploma in specified discipline,	Minimum 3 years
	OR	
2.	Bachelor's degree or equivalent in specified discipline,	Minimum 5 years
	OR	
3.	Membership of a professional institute established by an act of parliament and having qualification mentioned at (1) and (2) above	Minimum 3 years after such membership

* The 'specified discipline' shall mean the specific discipline which is relevant for valuation of an asset class for which the registration as a valuer is sought under these rules.

PROCESS OF REGISTRATION

Application for
Enrolment as a
member with
RVO

- Individuals eligible to be registered as registered valuer with IBBI can make an application to RVO.

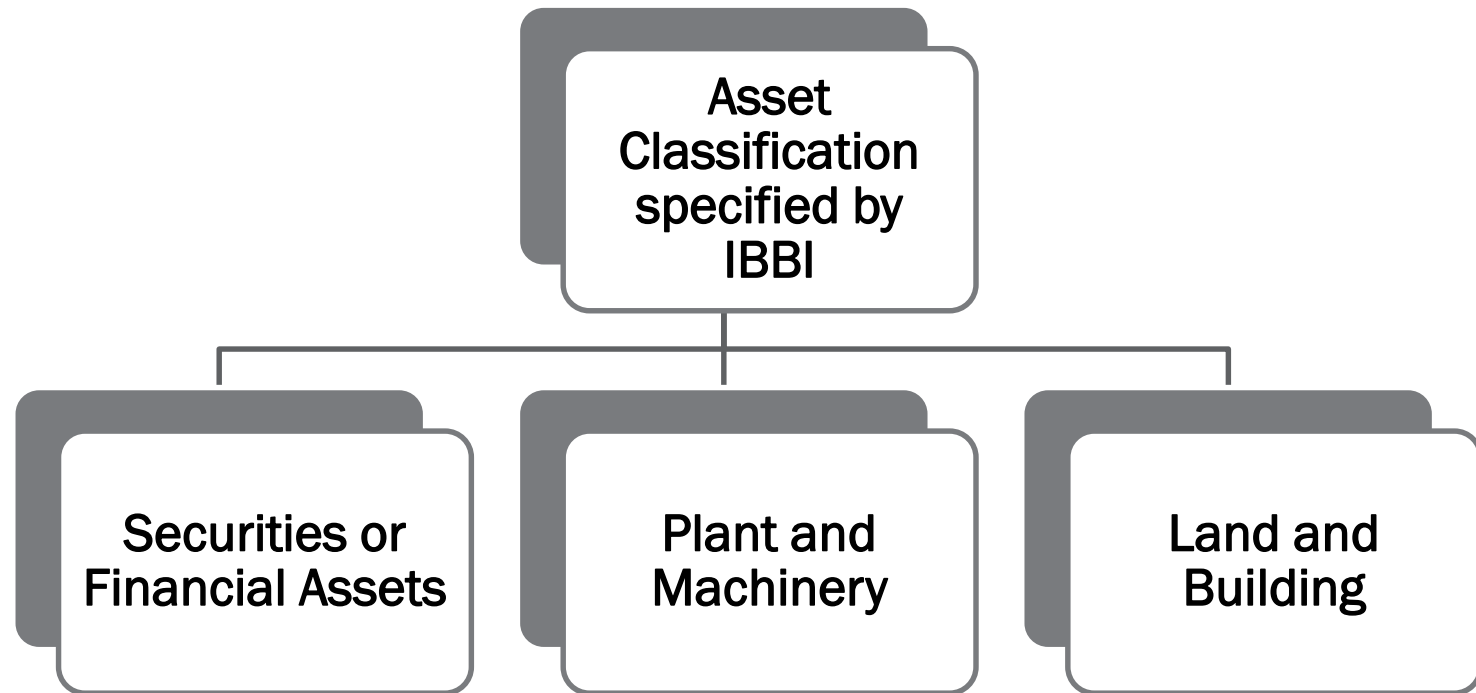
Valuation
Examination

- Individuals who possess the prescribed qualification and experience and have completed their educational courses as member of RVO can appear for exams.

Application for
Certificate of
Registration

- Eligible Individuals, partnership entities, companies may apply for the registration in Form A and Form B to the IBBI.
- If IBBI is satisfied, it may grant applicant Certificate of registration .

CLASSES OF ASSETS AS PER ANNEXURE IV



- ❖ The Registered Valuer **cannot conduct valuation of the class of assets other than for which it has been registered.**

ELIGIBILITY FOR RECOGNITION OF REGISTERED VALUER ORGANISATION (RVOs) (CHAPTER III)

S.No	ELIGIBILITY
1.	Conducts educational courses in valuation, for individuals who may be its valuers members.
2.	Grants membership or certificate of practice to individuals, who possess the specified qualifications and experience.
3.	Conducts training for the individual members before a certificate of practice is issued to them.
4.	Lays down and enforces a code of conduct for valuers who are its members.
5.	Provides for continuing education of individuals who are its members.
6.	Monitors and reviews the functioning, including quality of service, of valuers who are its members; and
7.	Has a mechanism to address grievances and conduct disciplinary proceedings against valuers who are its members.

- ❖ All the RVOs who are not registered u/s 8 of the Companies Act, 2013 will be required to be converted or get registered as company u/s 8 of the Companies Act, 2013 within 1 year commencing from October 18, 2017.

PROCESS OF RECOGNITION OF RVOs

Application for recognition

- If the organization qualifies the eligibility criteria it may apply for recognition as RVO in Form E to IBBI for asset class or classes.

Certificate of Recognition

- If IBBI is satisfied that the applicant is eligible, then it may grant certificate of recognition.

CONDUCT OF VALUATION (RULE 8)

- ❖ The registered valuer shall, while conducting a valuation, comply with the valuation standards as notified or modified under **Rule 18**.
- ❖ Until the valuation standards are notified or modified by the Central Government, a valuer shall make valuations as per-
 - (a) Internationally accepted valuation standards;
 - (b) Valuation standards adopted by any registered valuers organisation.
- ❖ The Registered Valuer **may obtain inputs** for his valuation report or get a separate valuation for an asset class conducted **from another Registered Valuer**.

VALUATION STANDARDS

S.No.	Valuation Standard Number	Valuation Standard Name
1.	Valuation Standard 101	Definitions
2.	Valuation Standard 102	Valuation Bases
3.	Valuation Standard 103	Valuation Approaches and Methods
4.	Valuation Standard 201	Scope of Work, Analyses and Evaluations
5.	Valuation Standard 202	Report and Documentation
6.	Valuation Standard 301	Business Valuation
7.	Valuation Standard 302	Intangible Assets
8.	Valuation Standard 303	Financial Instruments

OBJECTIVE OF VALUATION STANDARDS

Valuation Standard	Name of the Standard	Description
Valuation Standard – 101	Definitions	The objective of this valuation standard is to prescribe specific definitions and principles which are applicable to the ICAI Valuation Standards, dealt specifically in other standards. The definitions enunciated in this Standard shall guide and form the basis for certain terms used in other valuation standards prescribed herein.

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Valuation Standard	Name of the Standard	Description
Valuation Standard – 102	Valuation Bases	This Standards: (i)defines the important valuation bases; (ii)prescribes the measurement assumptions on which the value will be based; and (iii)explains the premises of values.
Valuation Standard- 103	Valuation Approaches and Methods	This Standard: (i)defines the approaches and methods for valuing an asset; and (ii)provides guidance on use of various valuation approaches/methods.

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Valuation Standard	Name of the Standard	Description
Valuation Standard - 201	Scope of work, Analyses and Evaluation	This Standard prescribes the basis for: ▪ determining and documenting the scope/terms of a valuation engagement, responsibilities of the <i>valuer</i> and the client; ▪ the extent of analyses and evaluations to be carried out by the <i>valuer</i>; and ▪ responsibilities of the <i>valuer</i> while relying on the work of other experts.

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Valuation Standard	Name of the Standard	Description
Valuation Standard – 202	Valuation Report and Documentation	This Standard provides the: ✓ minimum content of the valuation report; ✓ basis for preparation of the valuation report; and ✓ basis for maintaining sufficient and appropriate documentation.

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Valuation Standard	Name of the Standard	Description
Valuation Standard - 301	Business Valuation	✓ This Standard provides guidance for business valuers who are performing business valuation or business ownership interests valuation engagements. ✓ The objective of this Standard is to establish uniform concepts, principles, practices and procedures for valuers performing valuation services.

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Valuation Standard	Name of the Standard	Description
Valuation Standard - 302	Intangible Assets	The objective of this Standard is to prescribe specific guidelines and principles which are applicable to the valuation of intangible assets that are not dealt specifically in another Standard.
Valuation Standard – 303	Financial Instruments	This Standard establishes principles, suggests methodology and considerations to be followed by a valuer in performing valuation of financial instruments. This Standard supplements the other ICAI Valuation Standards by providing specific principles and considerations in relation to financial instruments.



THANK YOU!

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