About the Author –

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Specializes into valuation for corporate companies for balance sheet purpose, impairment of assets, Presented more than 30 papers in various National and International Seminars, Past chairmen of institution of valuers Hyderabad, Telangana

Peer Review- Its importance in Bank Valuation

Valuation report given by members are necessarily to be reviewed in order to understand whether the compliances are adhered by the members. It is the primary responsibility of the Registered Valuer Organization to review the performance of its Registered Valuers.

As per International Valuation Standards, Valuation Reviewer is a professional valuer engaged to review the work of another valuer. As part of a valuation review, that professional may perform certain valuation procedures and/or provide an opinion of value.

Presently in India, Insolvency and Bankruptcy Board of India (IBBI) is the authority which is monitoring and controlling the functioning and performance of all the Registered Valuers Organization.

IBBI have come out with findings of Peer review report conducted by different RVO in all the three class of assets. The review report is very clear to show the way forward regarding the expectations of end users from the Valuers. The report suggests how to write a report which is proper without diluting the responsibility of the Valuer. The Use of Caveats, Limitations and Disclaimers should be used diligently by Valuers in their report.

Banking Industry:

The Bank Valuation and reporting has undergone a significant change after the Indian Bank Association has released a Hand Book on Policy, Standards and Procedures for Real Estate Valuation by Banks and HFIs in India-2011.

As per this Handbook, International Valuation Standards should be adopted by all Empanelled Valuers for preparation of Valuation reports. The Banks while preparing the format of Valuation report, have adopted and designed the format of the report as per International Valuation Standards.

Suggestions:

1. The formats given by IBA, however does not provide for Caveats, Limitations and Disclosure (CLD). In the absence of these, the Valuer prepares the report with their own CLD and thus the standardization of the reports would not be possible. Hence the IBA should also like IBBI should circulate the standard CLD to be incorporated in the Valuation Reports by the Valuers.

2. The IBA should devise mechanism to peer review the reports given its panel valuers. It should be undertaken by a review panel valuer separately appointed in the Bank. This should be undertaken initially for High Value properties like Audit review & Legal review. This should be technical review.

Advantages of Peer Review in Bank Valuation:

1. The Valuation report will be thoroughly checked and vetted by the peer reviewer who is Panel Valuer in the bank. The Scope of the review should be clearly defined.
2. This will help reduce the difficulties faced by the Bank/Financial Institutions with respect to shortage of documents/improper assessment and in turn help the Bank to reduce potential NPAs.
3. The Bank may assess the quality of report given by its empaneled valuers and do the necessary corrections during review of empanelment periodically.