Republic of the Philippines
Department of Trade and Industry
SECURITIES AND EXCHANGE COMMISSION
SEC Bldg. EDSA, Greenhills, Mandaluyong City

SEC Memorandum Circular No. 4
Series of 2010

GUIDELINES ON PROPERTY VALUATIONS

Recognizing the importance of reliable, competent and independent valuation of properties, the Commission adopted in its meeting on 15 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 its clients;

iii. **Public company** is an entity with assets of at least P50 Million and have 200 or more shareholders who each own at least 100 shares of a class of its equity securities;

iv. ***Secondary licensees*** *are grantees of a license from the Commission, namely:*

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 as may be required by law to secure a secondary license from the Commission to be able to engage in certain business activities.

b. Accreditation

i. The following corporations shall engage the services of an appraisal company 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 that propose to receive or transfer property in exchange for shares of stock, as provided for in Section 62 of the Corporation Code, which states that where the consideration is other than actual cash, or consists of intangible property, its valuation 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 that 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 Republic Act No. 9646;

3) Public companies and secondary licensees that have adopted the fair value model in measuring their properties pursuant to the Philippine Financial Reporting Standards;

4) Such other entities that the Commission may determine as requiring the services of an appraisal company.

ii. The criteria for accreditation shall be the following:

1) The applicant shall be registered with the Commission either as a corporation or general professional partnership organized by individuals engaged in appraisal work;

2) The certifying property valuer employed or engaged by the applicant 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 its Implementing Rules and Regulations, and an officer/member in 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 under relevant Philippine rules and regulations;

c. has personnel who possess the requisite licenses and are qualified to perform property valuations;

d. has sufficient financial resources to enable it to conduct its business effectively and meet its liabilities. This must be reflected through positive financial ratios (e.g., current, solvency, liquidity and debt to equity ratios) based on the latest financial report of the company;

e. has effective internal controls and checks and balances to ensure the integrity of valuation reports and their preparation is in accordance with the relevant provisions of the Philippine Valuation Standards;

f. has adequate insurance to cover its usual professional risks, or professional liability insurance for errors and omissions in the amount of at least Five Hundred Thousand Pesos (P500,000.00).

4) The applicant shall have rendered professional services to at least two (2) banks, or two (2) public companies or secondary licensees;

5) The applicant and/or any of its directors/officers or partners, as the case may be, and its property valuers shall have no adverse judgment against them on any administrative, civil or criminal case involving its appraisal business.

iii. The qualifications stated above should be maintained during the period of effectivity of the accreditation.

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) Profile showing the history, scope of services, list of employees and their corresponding profession, and bio-data of the directors/executive officers or partners, and certifying property valuer;

4) Copy of the license of the applicant's property valuer;

5) Certificate of good standing issued by a professional association of real estate service providers accredited by the Professional Regulation Commission's Board of Real Estate Service;

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 its appraisal services;

8) Notarized certification of the applicant signed by its president or managing partner that it 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 applicant and/or any of its directors/officers or partners, or property valuers have no adverse judgment against them on any administrative, civil or criminal case involving its appraisal business;

9) Copy of its 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) Payment of an annual fee of One Thousand Pesos (P1,000.00) not later than January 31st of the year;

2) Submission of a copy of the renewed license of the appraisal company's property valuer within fifteen (15) business days from its expiration.

c. Valuation Standards

i. All accredited appraisal companies and their property valuers shall adopt the Philippine Valuation Standards (1st Edition, 2009)-*Adoption of the IVSC[1] Valuation Standards under Philippine Setting*, as embodied in 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 in paragraphs 5.12.2 to 5.12.6 of GN1-Real Property Valuations of the Property Valuation Standards.

iii. To determine compliance with the prescribed standards, the Commission may require an accredited appraisal company to submit a copy of any of its appraisal reports for evaluation.

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, with the following information:

i. List of licensed property valuers;

[1] International Valuation Standards Committee.

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, and 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 any of the requirements described in paragraph (b) (iii) & (v), or any of the valuation and reporting requirements under paragraphs (c) and (d) above, shall be a sufficient ground for the suspension or revocation of the accreditation of the appraisal company, after due notice and hearing.

f. 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 with existing accreditation with the Commission need not re-apply under this Circular. 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 in paragraph (c) above, all accredited appraisal companies and their property valuers must adopt such standards for valuation engagements beginning **September 1, 2010**. An earlier adoption of the said standards is nonetheless encouraged.

Issued this 27th day of July 2010, at Mandaluyong City, Philippines.

For the Commission:

FE B. BARIN
Chairperson