



Exposure Draft
Valuation Regulations for Financial Reporting, 2024

Comments to be received latest by December 3, 2024

1. THE PROPOSALS

The Financial Reporting Council of Nigeria (FRC) proposes issuing the **Valuation Regulation for Financial Reporting, 2024** that would provide a regulatory framework for valuers in Nigeria offering valuation services for the purpose of Financial Reporting and to give effect to Section 29 (a-g); Section 73 and other relevant provisions of the FRC Act 2011 (as amended). The proposed regulations are set out in Parts I to V and is accompanied by the *Valuation for Financial Reporting Guide*; a non-authoritative guidance that is presented in a separate booklet.

2. WHEN WOULD THE PROPOSALS BE EFFECTIVE?

This Exposure Draft proposes that the Regulation will become effective on **January 1, 2026**. This is to allow for sufficient time to plan for the adoption of the requirements. Early application of the requirements of this Regulation in its entirety would be permitted.

3. PROJECT STAGE

The FRC is seeking comments on the proposed Valuation Regulation for Financial Reporting, 2024 (exposure drafts).

4. DUE PROCESS PROVISIONS APPLICABLE TO THE EXPOSURE DRAFT

In developing the requirements in these proposals, the Council consulted widely among its stakeholders. A Technical Working Group (TWG) was constituted comprising relevant stakeholders to assist in formulating the proposals. These proposals are now being exposed for comments. During the comment period, the Council will embark on various advocacy engagements utilizing official visits, webinars, outreach events, conferences, podcasts, and social media campaigns to sensitize stakeholders to provide comments.

5. NEXT STEPS

The FRC will consider comments it receives on the exposure drafts in developing its final requirements. It plans to consider the comments in **December 2024** and aims to finalise the requirements and unveil/issue the regulation in **February 2025**.

6. COMMENT DEADLINE

The deadline for submission of comments on this exposure draft is **December 3, 2024**.

7. INVITATION TO COMMENT

The FRC invites comments on the Exposure Draft, particularly on the *specific matters for comments*. Comments are most helpful if they:

- a) respond to the questions as stated;
- b) specify the part(s) of the proposed regulation to which they relate;

- c) contain a clear rationale;
- d) identify any wording in the proposals that is difficult to translate; and
- e) include any alternative approach the FRC should consider, if applicable.

Comments need to be received by **December 3, 2024**, and should ***preferably*** be submitted by email to **dvs@frcnigeria.gov.ng** or hardcopy (***not preferred***) forwarded to;

FRC Head Office

Alexander House (5th Floor)
Plot 8, Jobi Fele Way
Central Business District
Alausa, Ikeja
Lagos.

Or

FRC Abuja office address:

Nigerian Investment Promotion Commission (NIPC) Building
3rd Floor, Block B
Plot 1181, Aguiyi Ironsi Street
Maitama District
Abuja.

8. CONFIDENTIALITY

Unless the respondent specifically requests confidentiality, all comments will be on the public record and posted on the FRC website at www.frcnigeria.gov.ng. Such requests for confidentiality should be supported by a good reason. If you would like to request confidentiality, please contact us at **dvs@frcnigeria.gov.ng** before submitting your comments.

9. DISCLAIMER

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SPECIFIC MATTERS FOR COMMENTS

1. Objectives and Application

- a) Are the objectives of the proposed regulation clearly stated? If not, how could the objectives be made clearer?
- b) Do you agree that the proposed requirements set out in the exposure draft meet its proposed objectives? If not, briefly state how the objectives be achieved.
- c) Do you think the scope of application of the proposed regulation is adequate? If not what changes do you think can be made and why?

2. Registration, Registration Requirements and Deregistration

- a) Do you consider the requirements for registration of a valuer as provided in the proposed regulation sufficient? If not, what other requirements do you think should be considered?
- b) Are the conditions for deregistration of a valuer as proposed in the regulation adequate? If not, what other conditions should be considered in deregistering a valuer?
- c) Do you think the conditions stated in the proposed regulation for a valuer to cease to exist are comprehensive? If not, what other conditions can you suggest?

3. Valuation Execution

- a) Are the measures proposed in the regulation to eliminate conflict of interest sufficient? If not, what other measures should be considered?
- b) Are the duties of a valuer in the conduct of valuation comprehensively stated? If not, what other duties of a valuer should be considered?
- c) Are the conditions for the rotation of a valuer adequate? If not, what other conditions do you think should be considered?
- d) Are there other disclosures you think the valuation report should contain? Please state them clearly.

4. Monitoring and Enforcement

- a) Do you think the provisions for monitoring a valuer are adequate? If not, what other measures do you think should be considered by the Council in monitoring a valuer?
- b) Are the enforcement procedures of the proposed regulation sufficient? If not, what other procedures do you think should be considered?
- c) Are the procedures for appeal of sanctions adequate? If not, what other procedures are you suggesting and why?

- d) Are the administrative sanctions sufficient to deter non-compliance? If not, what other sanctions do you think can improve compliance and why?

5. Miscellaneous Provisions

- a) Is the proposed effective date of the Regulation (January 1, 2026) adequate? If not, when do you think the regulation should become effective, and why?
- b) Do you agree that the choice of early application of the requirements of the regulation should be retained? If not, why?
- c) Are the transitional arrangements provided sufficient to improve compliance? If not, what other transitional arrangements do you think should be considered?
- d) Do you think the reference to the valuation for financial reporting guide in the Regulations is necessary? If not, what do you suggest?

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**FINANCIAL REPORTING COUNCIL ACT, 2011 (AS AMENDED)
VALUATION REGULATIONS FOR FINANCIAL REPORTING, 2024
ARRANGEMENT OF THE REGULATIONS**

Regulation:

**PART I
OBJECTIVES AND APPLICATION**

1. Objectives
2. Scope of Application

**PART II
REGISTRATION, REGISTRATION REQUIREMENTS AND DEREGISTRATION**

3. Registration
4. Registration requirements
5. Deregistration

**PART III
VALUATION EXECUTION**

6. Prohibited valuation services
7. Conflict of Interests
8. Responsibilities of a valuer in the conduct of valuation
9. Conditions for rotation of valuers
10. Disclosure requirements

**PART IV
ENFORCEMENT AND COMPLIANCE**

11. Monitoring of valuers
12. Enforcement of Regulations
13. Procedure for regulatory sanction and appeal
14. Administrative sanctions
15. Enforcement of sanctions

**PART V
MISCELLANEOUS PROVISIONS**

16. Commencement date
17. Transitional arrangement
18. Interpretation
19. Citation
20. Valuation guide (in separate booklet)

PART II
REGISTRATION, REGISTRATION REQUIREMENTS, DEREGISTRATION

3. Registration

A valuer who wishes to carry out valuation services for financial reporting purposes in Nigeria shall register with the Council and comply with the requirements and guidelines prescribed by the Council.

- (1) The Council shall keep and maintain a register, which shall have the following information-
 - a) name, address, including email and web address where applicable, and registration number of a valuer.

4. Registration requirements

- (1) A valuer shall comply with the following requirements for registration,
 - (a) An individual professional shall provide the -
 - (i) name,
 - (ii) address,
 - (iii) valid membership or registration certificate issued by Relevant Professional Body (“RPB”), and
 - (iv) National Identification Number; and
 - (v) any other relevant information that may be required from time to time by the Council;
 - (b) firm shall provide -
 - (i) the name and address of the firm,
 - (ii) the certificate of registration with Corporate Affairs Commission(CAC),
 - (iii) a valid practice license issued by a RPB,
 - (iv) an address of its branch offices, if any,
 - (v) the name and evidence of registration of each partner, and
 - (vi) any other relevant information that may be required from time to time by the Council.

5. Deregistration

- (1) The Council may deregister a valuer, where the -
 - (a) valuer fails to comply with these Regulations;
 - (b) Council receives an application from the valuer to cancel the registration;
 - (c) licence is withdrawn by a RPB ;

- (d) valuer fails to act on notices, rules, guidelines and regulations issued by the Council; or
 - (e) valuer ceases to exist.
- (2) In these Regulations, a valuer shall cease to exist –
- (a) where the valuer goes into liquidation or wind-up;
 - (b) where the valuer ceases to carry on its business;
 - (c) in the event of death of an individual professional or incapacity to carry on business; or
 - (d) where an event impacted the conduct of the firm's business such as bankruptcy, fraud, government prohibition and such other factors as may be specified.

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PART III

VALUATION EXECUTION

6. Prohibited valuation services and use

Any valuation carried out for other purposes not within the provisions of these Regulations is prohibited for financial reporting purposes.

7. Conflict of interest

A valuer shall act with objectivity in all professional dealings by -

- (a) ensuring that decision is made without bias, conflict of interest, coercion, or undue influence from any party, whether directly or indirectly in connection with a valuation assignment;
- (b) disclosing in writing any conflict of duties and interests, while providing a service to a client who may choose to confirm the appointment of such valuer on the basis of the report of the valuer ;
- (c) not dealing in the securities of the company after having knowledge of the possibility of the valuation, in accordance with the Securities and Exchange Commission Regulations on Insider Trading, or where the valuation report is made public ; and
- (d) ensuring that in the event that joint valuers are appointed, the joint valuers shall be subject to the same requirements individually and severally as regards independence under this regulation.

8. Duties of a valuer in the conduct of valuation

A valuer who is registered by the Council shall -

- (a) comply with relevant valuation standards and regulations;
- (b) deliver objective and unbiased valuation report, maintain objectivity, integrity and independence from interested parties;
- (c) show professional competence and diligence while engaging in continuous professional development;
- (d) understand the scope and purpose of the valuation;
- (e) gather comprehensive and relevant data necessary for the valuation and ensure they are accurate and reliable;
- (f) ensure that appropriate valuation approaches are selected and thereafter provide clear justification for the chosen valuation method;
- (g) make reasonable and supportable assumptions and documented in accordance

- with applicable standards;
- (h) maintain records of the valuation process and ensure the working papers are retained for a duration of six years;
- (i) ensure confidentiality of information obtained during the valuation and comply with data privacy regulations when handling sensitive information; and
- (j) adhere to ethical standards set by professional bodies and ensure the valuation reflects fair value.

9. Conditions for rotation of a valuer

- (a) The tenure of a valuer for PIEs shall be a maximum period of 10 years, subject to the rotation of the engagement partner at least once in every five years.
- (b) For a valuer to be reappointed by the same entity, a cooling-off period of five years shall be observed.

10. Disclosure requirements

A valuation report shall at a minimum-

- (a) disclose the purpose for which the valuation is conducted;
- (b) describe the methods and approaches used for the valuation;
- (c) disclose the key assumptions and inputs used in the valuation process;
- (d) specify the valuation date;
- (e) disclose the risks and uncertainties inherent in the valuation;
- (f) disclose compliance with relevant financial reporting standards; and
- (g) disclose the methodology used in the determination of the valuer fees.

PART IV ENFORCEMENT AND COMPLIANCE

11. Monitoring of valuer

- (1) The Council shall adopt the Code of Ethical Principles for Valuers as issued by the RPBs.
- (2) The Council shall monitor matters relating to valuation standards and the quality of services rendered by a valuer.
- (3) The Council may, for any purpose related to inspection, monitoring, or investigation of a valuation report for financial reporting purposes, give notice to a valuer to request any information on any matter related to the valuation performed with respect to any element of the financial statements or the consolidated financial statements of a public interest entity.
- (4) A person to whom a notice is given under sub-regulation (3) of this regulation may be a valuer involved in -
 - (a) the activities of valuation for financial reporting purposes; and
 - (b) PIEs and its related entities.
- (5) A notice under sub-regulation (3) of this regulation shall be in writing and specify the purpose for which the information is required.
- (6) A notice under sub-regulation (3) of this regulation shall -
 - (a) specify the time and manner within which the valuer shall comply with the notice; and
 - (b) require for the provision of relevant documents to the valuation.
- (7) A valuer who violates any provision of these regulations is guilty of an offence and may be liable to sanctions or prosecution as may be specified in these Regulations.

12. Enforcement of these Regulations

- (1) The Directorate of Valuation Standards (“DVS”) shall constitute a Valuation Quality Review Team (“VQR”) and Enforcement Committee to monitor the implementation of these Regulations.
- (2) Membership of the VQR team shall include representatives of the Council’s DVS and any other person(s) that the Council may include in the team.

- (3) The roles of VQR team are to-
- (a) monitor the quality of valuation work of a valuer that render valuation services to PIEs;
 - (b) monitor valuation engagements delegated by the FRC to RPBs under an instrument of delegation.
 - (c) conduct thematic reviews of the policies and procedures developed by a valuer in respect of specific aspects that relate to valuation for financial reporting to make comparisons ;
 - (d) ensure that each RPB has the necessary arrangements in place to meet the requirements of the instrument of delegation and shall continue to be recognised as a RPB for the purpose of financial reporting valuation; and
 - (e) send reports of their reviews and findings on the conduct of a valuer to the Enforcement Committee.
- (4) Enforcement Committee shall consist of –
- (a) representatives from DVS;
 - (b) representatives from Directorate of Inspection and Monitoring (DIM); and
 - (c) any other person(s) the Council may appoint into the Committee.
- (5) The Enforcement Committee shall -
- (a) review monitoring reports of the VQR team;
 - (b) conduct investigations into the monitoring report by the VQR on a valuer where it appears that a valuer has committed an act of professional misconduct or a breach of the relevant professional standards;
 - (c) where an infraction has been established by the enforcement committee, the valuer shall be invited for clarification;
 - (d) consider any allegations of non-compliance and recommend appropriate sanctions against the valuer ;
 - (e) provide representation at Technical Committee hearing against the valuer;
 - (f) notify in writing and require any person to furnish, in such form as may be directed, any information on such matters as may be specified in the notice;
 - (g) ensure that investigations and prosecutions are conducted efficiently and fairly without violating the rights of the valuer under investigation;
 - (h) report non-compliance with the sanctions to the Technical Committee ; and
 - (i) conduct such other roles as may be delegated by the Council relating to enforcement.

13. Procedure for appeal of sanctions

Where there is a disagreement with the decision of the Enforcement Committee on non-compliance with the provision of this regulation by a valuer, an appeal may be made to the Technical Committee for remediation as provided in sections 15(2) and 28 of the Act 2011 (as amended).

14. Administrative sanctions

- (1) The following actions may be taken against a valuer who has been adjudged by the Council to be liable of professional misconduct under these regulations, –
 - (a) suspend the valuer for a period not exceeding 12 months;
 - (b) direct that the valuer complies with sanction imposed by the Council before the expiration of the period of suspension;
 - (c) the decision of the Council may be published in any two national daily newspapers and electronic media;
 - (d) make an order requiring the valuer to take such action as it considers necessary to mitigate the effect or prevent the recurrence of the contravention;
 - (e) make a recommendation to the RPB that the erring valuer be subjected to disciplinary actions in accordance with the RPB's disciplinary procedures.
 - (f) give a notice requiring the valuer to refrain from such conduct that led to the violation;
 - (g) publish a statement which may take the form of a warning;
 - (h) prohibit the valuer from being engaged in the financial reporting process.
 - (i) where a valuation report does not satisfy the requirement of these Regulations, the Council shall impose on the valuer a financial penalty of such amount as it considers appropriate.
- (2) The Council may, at the expiration of any Suspension Order and where it is certified that the valuer has satisfactorily complied with requirements of these Regulations, re-enter the name into the Council's Register, lift the Suspension Order and may publish same.
- (3) In this regulation, the Council shall determine the type and level of sanctions to be imposed taking into account all relevant circumstances, which include -
 - (a) the gravity and duration of the violation;
 - (b) valuer's degree of responsibility;
 - (c) the extent to which the valuer has co-operated with the Council; and

- (d) any previous violation of a relevant requirement by the valuer.
- (4) The Council may make an order in this regulation referred to as the “Cost Order” requiring the valuer to pay the costs incurred by the Council where a violation has been established, these may include –
- (a) its administrative costs;
 - (b) its costs of obtaining legal advice; and
 - (c) any costs incurred in considering any appeal by the valuer
- (5) Where the Council imposes a financial penalty or make a Cost Order against a valuer, it shall specify a date the penalty or the costs are required to be paid, provided that the date shall be at least 14 days after the date the financial penalty or the cost order was communicated.

15. Enforcement of sanction

This regulation applies where the -

- (a) Council has imposed a sanction ;
- (b) Valuer on whom the sanction or cost order was imposed has –
 - (i) not by the specified date, appealed against the decision, or
 - (ii) appealed against the decision, but the appeal was unsuccessful or withdrawn.

PART V - MISCELLANEOUS PROVISIONS

16. Commencement date

These Regulations shall come into force on 1 January 2026. Early application of the requirements of this Regulation in its entirety would be permitted.

17. Transitional Arrangements

- (1) Notwithstanding the provision of regulation 16 of these Regulations, a valuer shall have one year transition period after the commencement date.
- (2) Where a valuer has been engaged by a PIE-
 - (a) for a maximum period of 10 years, the valuer may continue for a period of two years and no more; or
 - (b) between 11 to 15 years, the valuer may continue for a period of one year and no more.
- (3) The engagement of a valuer in other situations may continue until the end of the first maximum duration of 10 years.
- (4) For joint valuation arrangements by two or more valuers, the maximum period is 15 years.

18. Interpretation

In these Regulations –

“**The Act**” means Financial Reporting Council of Nigeria Act No. 6, 2011 (as amended).

“**Applicable laws and standards**” means the –

- (a) Constitution of the Federal Republic of Nigeria;
- (b) Companies and Allied Matters Act, 2020 (as amended);
- (c) Ethical Standards for valuers issued or adopted by the FRC;
- (d) Quality Control Standards for valuers issued or adopted by the FRC;
- (e) Valuation Standards issued by IFRS, IVS and all other relevant standard setters; and
- (f) any other legislation, standards, regulations, rules, or other documents from time to time in force and relevant to the performance and quality of valuation;

“**CAC**” means Corporate Affairs Commission;

“**Council**” means the Financial Reporting Council of Nigeria;

“Constitution” means Constitution of the Federal Republic of Nigeria;

“DVS” means Directorate of Valuation Standards;

“DIM” means Directorate of Inspection and Monitoring;

“Deregistration” means removal of the name of a valuer from the register;

“Enforcement Committee” means the Committee which comprises representatives of the Directorate of Inspection and Monitoring and Directorate of Valuation Standards (DVS) and any other person as appointed by the Council;

“FRC” means Financial Reporting Council of Nigeria;

“Minister” means the Minister charged with responsibility for matters relating to Industry, Trade and Investment;

“Practice” in relation to a valuer, means the practice of the valuer;

“PIEs” means Public Interest Entities as defined by the FRC Act 2011 (as amended);

“RPBs” means Relevant Professional Bodies “a body recognized under the FRC Act 2011 for the purposes of the registration and supervision of Valuers of Public Interest Entities”.

“Regulations” means the Valuation Regulations for Financial Reporting of the FRC;

“Regulatory penalty” means a penalty of an amount determined by the enforcement committee;

“Suspension” means temporary or partial withdrawal of FRC registration or prohibiting a registered professional from signing valuation report for a specific period;

“Technical Committee (TC)” means “a Committee of the Board established by Section 15(1)(a) of FRC Act No 6, 2011.(as amended);

“Valuation” means the act or process of determining an estimate of value of an asset or liabilities in accordance with the requirements of the accounting standards for public and private sectors as issued or adopted by FRC;

“Valuer” means an individual or organization possessing expertise, necessary qualifications and experience to execute valuation for financial reporting purposes in an objective, unbiased and competitive manner for both public and private sectors in accordance with the accounting standards issued or adopted by the Financial Reporting Council of Nigeria; and

“Withdrawal” means the act of taking back or away something that has been granted or possessed.

19. Citation

These Regulations shall be cited as the **Valuation Regulations for Financial Reporting, 2024.**

20. Valuation for Financial Reporting Guide

The guide is presented in a separate document and do not form part of this regulation. The guide provides information and recommendations for valuation professionals in Nigeria who produce valuations for financial reporting purposes. It also aims to help users of financial reports understand how valuations for financial reporting purposes are carried out.

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