



MINUTES OF THE MEETING OF THE IVSC STANDARDS BOARD

HELD IN HONG KONG

ON 3 NOVEMBER 2011

PRESENT:

Steve Sherman - Chairman
Frank Bollmann – Vice Chairman
Tom Boyle
Bob Connolly
Jim Eales
Jeffrey Harder
Simon Landy
Siu Yu Nova Chan
Ana Castaneda

IN ATTENDANCE:

Chris Thorne – Technical Director IVSC - part only

1. CHAIRMAN'S INTRODUCTION

- 1.1. The Chairman opened the meeting and welcomed all observers to the meeting. He advised that this was Bob Connolly's last meeting and wished to record the Board's appreciation of his seven years of service with the IVSC. Although he is relinquishing his Board role, he will continue his work with the IVSC through participation in working groups.
- 1.2. The Chairman also thanked HKIS for hosting this Board meeting and other IVSC meetings over the next two days.

2. APOLOGIES FOR ABSENCE

- 1.3. There were no apologies for absence.

3. MINUTES OF PREVIOUS MEETING & MATTERS ARISING

- 3.1 Nova Chan requested two amendments to the minutes of the meeting held on June 12, 2011, (amendments in red).
 - 3.1.1 Amendment to the beginning of the second sentence to 6.4 to read..."**In response to the Chairman's comments on the need to continually improve the standards**, Nova Chan asked whether there needed to be a project recorded in the IVSC Work Plan to review the standards."
 - 3.1.2 Amendment to item 7.1, After "important issues" in the 5th line add a bracket with the text "**clarification of the exact subject to be measured**".

3.2 Subject to these amendments the minutes were approved as representing a true record.

4. OVERVIEW OF IVSC ACTIVITY

4.1 A report on activity since June 2011 had been circulated with the agenda, including a few upcoming events. The chairman highlighted the Users Round Table that had been held the day before the meeting and which had been successful. It is intended to hold another in London around one of the meetings in 20102 and other venues are being discussed,

4.2 In addition to the items referenced in the attachment:

4.2.1 Jeff Harder spoke at two Deloitte conferences for clients concerning developments of fair value in financial reporting, including in front of mining clients at one. Received positive comments on IVSC during both conferences.

4.2.2 Jim Eales presented at an ICAEW meeting in July 2011 on the IVSs, which was well received despite not being widely known to the audience beforehand. He has also been invited to chair a RICS valuation conference in the first half of 2012.

4.2.3 Simon Landy is working with the SEC in Thailand to give a presentation to regulators on the IVSC standards. He also has a speaking engagement at a valuation conference in March 2012 in Beijing.

4.2.4 Nova had also made a further presentation about the new IVS at another seminar held during October in Beijing, which was co-sponsored by the ASA China Chapter and RICS Asia Pacific. He had also been invited to speak about the new IVS in Jakarta and Taipei in November and December 2011 respectively.

4.2.5 Ana Castaneda had written an article that had been published in the leading Spanish newspaper, El Pais.

4.3 Tom Boyle suggested that the IVSC allow organisations to request speaking engagements through the website. In addition, he suggested that that 1 or 2 members make a video presentation that discusses the standards and make it available on the website. The Chairman mentioned that after his presentation to the CFA Institute they video recorded a short Q&A session with him that would be combined for a multi-organisation video montage.

4.4 Bob Connolly would like more IVSC contact with organisations in Australia.

5. REPORT ON INTERNATIONAL VALUATION PROFESSIONAL BOARD ACTIVITY

5.1 The Chairman stated the Professional Board is far along in its development of the Code of Ethical Principles and TIPS on intangible assets, contributory asset charges, discounted cash flow and the cost approach. The Board has also formed a Credit/Debit Valuation Adjustment working group, which includes Ana Castaneda from the Standards Board.

5.2 Nova Chan expressed concern about names of deliverables and how they link together and form a cohesive framework of the IVS. He has concern that the distinction between TIPS, standards, and guidance could be perceived as blurred. The Chairman recommended that this topic needed discussion with the Professional Board and the Technical Director.

6. REVIEW OF IVS PUBLICATION AND FEEDBACK RECEIVED

- 6.1 The Chairman reported that approximately two thousand copies of the 2011 IVS had been purchased and highlighted to the board members and observers that group discounts are available. The Chairman referred to the training event held on November 2nd on the new standards hosted by the HKIS and the HKICPA with over 100 attendees.
- 6.2 Chairman reported that the Appraisal Institute had raised concerns with the fact that the new IVS allowed firms and well as individuals to sign reports. However, after discussion with the AI President and an exchange of correspondence he believed the matter had been resolved. Although it is recognised that some institutes may require individual signatories, because the IVS allowed either an individual or a corporate signature an AI member could comply with both the AI and the IVS requirement without difficulty.
- 6.3 Frank Bollmann commented that the same issue had arisen during the ANEVAR conference in Romania that he had attended in October 2011. It was noted that the forthcoming IVS FAQs will address this issue and make it clear that while IVS has to allow either individual or firm signatories to accommodate the wide range of practice found globally, if a national association wishes to limit this it can do so and still be within IVS.
- 6.4 Frank Bollmann also advised that during the Romanian conference they requested more detailed guidance to support the standards.
- 6.5 A number of translation requests had been received. Ana Castaneda reported that ATASA was translating into Spanish, and a Romanian version had been available at the ANEVAR conference.
- 6.6 The Technical Director advised that individual IVSs can now be downloaded from the web site free of charge, although these are intended for occasional users and separate registration is required for each. Discussions on developing a subscription based on line publishing facility for all IVS publications are continuing, but this is unlikely to be ready before mid 2012.

7. EXTRACTIVE INDUSTRIES

- 7.1 Jeff Harder advised that the working group had been set as detailed in the report attached to the agenda. Some industry representatives are still required and he has been in touch with a number that have expressed interest. However, he has not yet had any success in generating interest from the oil and gas sector. The Chairman indicated that he would prefer at least two oil and gas companies within the working group to provide balance.
- 7.2 Jeff Harder stated that the working group currently has 15 items open for discussion, which will be discussed through primarily conference calls. The Chairman confirmed that no significant funding should be expected to come from the IVSC for the working group, and any meetings would need to be self funded.
- 7.3 The Board confirmed that this was a priority project. The topic had been raised at the User Round Table the previous day by the local exchange, who had indicated that a major problem was a disconnection between the reports of the technical experts on geology and extraction and the valuation reports.

8. LIABILITIES

- 8.1 Nova Chan reported that although three very experienced practitioners have volunteered for the working group so far, more are required to balance out the group from Europe and Asia and also with real estate experience. However a start can be made with the team already assembled and one of the first tasks is to clarify the scope of the project. Jim Eales reminded the board it had been agreed because of his other working group responsibilities he would not continue on this group.
- 8.2 An Exposure Draft is anticipated in Q3 2012.

9. OTC VALUATION METHODS

- 9.1 Ana Castaneda reported that the core working group has been formed, but expressed difficulty in finding representatives from the “buy-side”, which would be desirable to bring a different perspective to the group. Ideal candidates would hold risk management positions or CIO-type that specialise in valuation.
- 9.2 The objective is to have an exposure draft available in Q3 2012.

10. FORESTRY

- 10.1 Bob Connolly reported that the working group has been formed and begun to develop the framework for the standard. The initial views of the group are that the three main concerns are support for discount rates, determining the highest and best use of land and land value.
- 10.2 Aim to have an Exposure Draft available for Q3 2012. The Board discussed whether a standard or TIP would be issued.

11. PROTOCOL FOR INTERPRETATIONS AND CLARIFICATIONS

- 11.1 The Technical Director reported that not many questions have currently been asked. Since the publication of the new standards in July. The Board discussed the draft protocol. There was discussion as to how many Board members should be required to decide interpretations. No firm conclusion was reached and the matter will be kept under review depending on the number of requests received.

12. UNCERTAINTY

- 12.1 Ana Castaneda presented the project brief to the Board. Given that the group had only just been formed she had nothing to add beyond the comments in the report included with the Agenda papers. .

13. INVESTMENT PROPERTY

- 13.1 Simon Landy reported on the letters received from three trade associations representing property companies and investors in real property, EPRA, BPF, and APREA requesting the Board to develop a standard and/or guidance on the valuation of investment property (IP).

13.2 The Technical Director advised that under the By Laws the Board had the right to determine its own agenda, although under the inter-board internal protocol there should be consultation with the Professional Board via the Leadership Group. It was agreed that the Board wished to take on a project, which would be led by Simon Landy. Consultation with the Professional Board could take place following the meeting (*post meeting note – the project was discussed and confirmed with the Leadership Group*).

13.3 The next steps will be to develop a project brief and form a working group. It was noted that EPRA had offered support from its members and the Technical Director will discuss this with them further.

14. TRADE RELATED PROPERTY

14.1 The Technical Director commented that two calls for applications to join the working group had been made in the IVSC e-news and direct approaches had been made to the large institutes. However, only two volunteers had so far come forward. Given the controversy around this topic this was surprising and a further effort would be made to target suitable experts to ensure an adequate geographic and sector spread,

14.2 The Board agreed that the issues identified were probably best dealt with in a Technical Information Paper rather than attempting to resurrect the draft standard that had been developed during the rewrite process.

15. REVIEW ACTIVITY AND INTERACTION WITH OTHER BODIES

15.1 IOSCO – IVSC has been invited to make presentations to two of IOSCO's subcommittees, SC1 dealing with accounting and SC5 dealing with investment management. SC5 is particularly pertinent because it has a current project to update its valuation guidelines for collective investment schemes. .

15.2 IASB – The Technical Director reported that a good dialogue continues with the IASB. It has been agreed that the IVSC will be part of the working group that the IASB is establishing to produce education materials relating to IFRS 13 Fair Value Measurements. Nova Chan reported that he had attended the inaugural Meeting of the IASB's Emerging Economies Group (EEG) held in Beijing which is providing input into the IASB's project as well.

15.3 FASB – The Valuation Resource Group has not met since November 2010 and in the light of the FASB's involvement in the Working Party referred to in 15.2 it is unlikely that this group will continue.

15.4 IAASB – IVSC is a member of Consultative Advisory Group (CAG) and is represented by Frank Bollmann. He recently made a presentation on IVSC and its activities to a meeting of the CAG that included representatives of many other global regulatory organisations.

15.5 IPEV – The Memorandum of Understanding was signed in early October and a number of action points have been agreed.

15.6 IPSAS – Andrew Lennard who works for the IPSAS Board on its Framework Project has agreed to join the IVSC project on Specialised Government Property. .

- 15.7 OECD – IVSC was invited to meet with them last November to discuss transfer pricing issues and intangible asset valuation. In March of this year, a representative of the IVSC presented a more detailed presentation on the subject matter to the OECD. Recently, the OECD requested us to provide more information on our current standards and guidance related to intangible assets.
- 15.8 CFA Institute: Both the Chairman and the Technical Director had met with the CFA Institute since the last Board meeting. The IVSC also worked with the Institute on the G20 Private Sector Task Force. The Global Investment Performance Standards (GIPS) which the CFA Institute publish contain a small section on valuation and discussions are taking place to see if this can be converged or made consistent with IVS when the GIPS are next revised.
- 15.9 Jim Eales questioned whether the IVSC needs a process for approving collaboration with other groups, or representations to other organisations. The Technical Director advised that at present Board members were consulted on an ad hoc basis depending upon the nature of the suggested collaboration or representation. In some cases, eg the recent comment letter to ESMA, we were reiterating points already discussed and agreed by the Board. Since this was a matter that affected the whole IVSC he would discuss with the Trustees and develop a simple protocol for discussion by the Boards a future meeting.

16. REVIEW AND UPDATE CURRENT IVSC WORK PLAN

- 16.1 The Board reviewed the work plan attached to the agenda and working group leaders were asked to review the target dates and let the Technical Director have any updates as soon as possible.
- 16.2 The Technical Director advised that the IVSC glossary will shortly be posted online. This will have a facility for additional definitions or amendments to be requested on line. This will be reviewed by the Board on a periodic basis,

17. DISCUSSION ON POSSIBLE FUTURE PROJECTS

- 17.1 It was agreed that a possible future project would be guidance on the reliance by the valuer on information provided by others, eg the client or another expert. This could discuss when reliance without further enquiry or verification was appropriate and any precautions that should be taken etc. It was felt that this was probably something that fell within the remit of the Professional Board.
- 17.2 Nova Chan raised the question of “valuation reviews” and suggested that IVS 101 could have an appendix that covers the scope of work for an expert in an audit review, it may be difficult to agree an audit review under the current standard. It could cover matters such as appropriateness of methods, reasonableness of assumptions and reviewing market data. It was questioned whether such material properly fell under the scope of a standard, and in any event was probably being covered in the Professional Board’s project on guidance for valuers on the audit process.
- 17.3 Tom Boyle commented that there are two types of reviews 1) developing an opinion based on facts determined by another, which is most likely covered by the existing standards and 2) advising on whether a valuer had properly followed a specific standard. The Technical Director advised that the latter was probably outside the scope of the IVS as it did not involve a valuation. It was questionable whether IVS should write standards for non valuation work. .

- 17.4 Jeff Harder commented that review reports are becoming more common as funds performing internal valuations seek outside professionals to review their compliance with standards. The Technical Director advised that this was one of the issues that had been identified as justification for a project on portfolio valuations. There was difficulty because the extent to which fund managers should involve external valuers was a matter for financial regulators rather than the IVS, although IVSC could still have a view on what is good (and bad) practice. It was agreed that this would need further discussion with the Professional Board.
- 17.5 Tom Boyle suggested a new project relating to real estate and the misunderstanding of non-conforming uses and the highest and best use principle. However other Board members considered that this would bring the IVSC into an educational role, which is not its remit. The Technical Director advised that the “Illustrative Examples” project being undertaken by the Professional Board would involve illustration of most of the principles in the IVS Framework, including highest and best use. He also noted that the list of matters to be considered in IVS 230 #3 probably should include responsibility for checking legally permissible uses – something to be borne in mind when next updating the standard.

18. ANY OTHER BUSINESS

- 18.1 No other business items were raised.

19. NEXT MEETING

- 19.1 The Technical Director advised that the next Standards Board meeting will be in London in March. *Post meeting note; the date provisionally identified is Thursday 15 March.*

20. CLOSE OF MEETING