

NOTES FROM BVB MEETING IN TOKYO
17-19 July 2023

The Business Valuation Board held a physical meeting in the offices of KPMG in Tokyo over two and a half days, from 17th to 19th July 2023.

SYNOPSIS OF WORK SESSIONS

1. Impact of ISSB S1 and S2 on IVS

- General agreement that S1 and S2 are very generic for the moment.
- **Actions required:**
 - Focusing on requirements for valuation professionals

2. Intangible Assets

- SG: update on the Intangible Asset framework to be implemented in Singapore.
- **Actions required:**
 - IVSC to remain involved with the Singapore IP valuation ecosystem.
 - IVSC BVB should intensify its contacts with EFRAG and IASB

3. Is there a need for fewer basis of value?

- Some BVB members deal exclusively with IFRS FV, and sometimes MV.
- Discussion reflects differences in BVB members and practitioners' practices, not any inherent flaw in the bases.
- **Actions required:**
 - Retain mention of OECD FMV basis to facilitate a dialogue.
 - Bases of value should be included in the forthcoming agenda consultation.

4. Data Providers, Specialists and Service Providers for BV

- The emergence of service organisations, data providers and other consultants is creating some ambiguity and confusion.
- **Actions required:**
 - Formulate a suggestion for IVS to clarify the requirement for competence.

5. Automated Valuation Models (AVM) for Business Valuation

- AVMs poses create several issues for Business valuation, including the use of "black boxes" and apportionment of liability.
- **Actions required:**
 - Consider whether proposed IVS 105.10.3 should be expanded to include mention of "responsibility".
 - Consider whether proposed IVS 500.180 should be adapted to BV Standards.

6. Appropriateness of Ranges

- Use of ranges is widespread in BV practice, depending on jurisdiction and purpose.
- Ranges communicate several things
- **Actions required:**
 - Area is ripe for standard-setting.
 - Valuation ranges should be the subject of a perspective paper.
 - Valuation ranges should be included in forthcoming agenda consultation.

7. Appropriateness of Weightings

- The issue of weightings of valuation findings is related to the issue of ranges.
- IVS 105.10.6 (2021) precludes weighing widely divergent indications of value.
- **Actions required:**
 - Issue of weightings should be included in forthcoming agenda consultation.

8. Valuation of Data:

- Presentation by Laura Veldkamp (Columbia)
- **Actions required:**

- Submission of topic form to SRB for approval of topic.
- Assuming approval, preliminary draft by Paris meeting.

9. Transfer Pricing and IVS

- No luck so far engaging with OECD.
- **Actions required:**
 - Include or retain language in the new IVS that is compatible with TP (e.g. bases of value).
 - Respond to HMRC consultation.
 - Issue of Transfer Pricing should be included in forthcoming agenda consultation.

10. Public vs Private

- Examination of document submitted by Alexander Aronsohn and Kim Hildebrandt.
- **Actions required:**
 - NK to collate comments on the paper and forward for further discussion.

11. Agenda consultation

- Proposed topics to be included in 2024 agenda consultation.
- **Actions required:**
 - Design appropriate questions for agenda consultation

12. Governance of collective investments (ESMA report on Common Supervisory Action)

- Clear distinction by ESMA between normal and stressed market conditions.
- ESMA recommends valuations of funds at same frequency as computation of NAV.
- **Actions required:**
 - Start discussions with ESMA.
 - Reach out to Alternative Investment Management Association (AIMA)

13. Cryptocurrencies

- Under IAS 38, Crypto currencies are intangible assets.
- BVB consensus is that they do not fall under the remit of Intangible Asset standards as understood.
- **Action required:**
 - Monitor changes.

14. Intangible Asset series of perspective papers

- Discussion around what BVB want to achieve with series.
- **Actions required:**
 - Publish a perspective paper asset on data.
 - Publish a final capstone paper on intangible assets.