

IVSC TAB Meeting Update June 2023

Items shown in bold italics should include links to the relevant documents.

This IVSC Update highlights preliminary decisions of the IVSC Tangible Assets Board (Board). Projects affected by these decisions can be found on the ***IVSC Publication Schedule***. The Board's final decisions on IVS® Standards and Amendments as set out in the ***IVSC Standards Review Board Due Process and Working Procedures***.

The Board met remotely on 14 June 2023. The topics in order of Discussion were:

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- IVSC Publications Update
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(API response to IVSC Perspectives Paper AVMs 17032023)
- Cost Approach
(2023.06.07. APV Feedback on Cost Approach)

Standard Setting

- IVS Exposure Draft and Presentation Update
(2023.06.07. IVS Exposure Draft Presentations)

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- Automated Valuation Models- Jim Gavin/Alexander Aronsohn
(FDIC request Comment on Quality Control Standards for Automated Valuation Models and Quality Control Standards for Automated Valuation)

Updates

- Prudential Value Update
(2023.05.23 IVSC response to RICS on Prudential Value)
- Valuation of assets in a listed v unlisted environment Update
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Updates

- IVSC SRB Topic Form
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- Key Topics for 2024 Agenda Consultation
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(2023.06.07. IVSC SRB Working Groups New Proposed and 2023.06.06. IVSC TAB Working Groups)
- IVSC AGM 9th to 11th October
- Potential meeting with APRA
- AOB

The Board was asked if there were any conflicts of interest in relation to the proposed topics and no conflicts were declared.

Administration

IVSC TAB Meeting Update May 2023 (IVSC TAB Meeting Update May 2023)

The Board reviewed the IVSC meeting update and agreed that it was an accurate report of the meeting. There were no further revisions suggested and the meeting update was approved by the TAB.

IVSC Publications Update (23.05.02. IVSC Publication Schedule)

The Board met on the 14th of June 2023 and discussed the proposed timetables for some of its forthcoming consultation documents. The Board felt that the publication dates might vary depending on the responses received from the IVS Exposure Draft consultation.

Next steps

No action required.

API response to IVSC Perspectives Paper AVMs 17032023 (API response to IVSC Perspectives Paper AVMs 17032023)

The Board reviewed the API response to IVSC Perspectives Paper AVMs 17032023 and agreed that the response and any issues raised should be incorporated within the IVS Exposure Draft consultation responses workbook.

Next steps

The API response to the IVSCD perspective paper on AVMs and residential valuation is to be considered by the Board as part of the IVS Exposure Draft consultation process.

Cost Approach (2023.06.07. APV Feedback on Cost Approach)

The Board was advised that they had received a response from David Edgerton FCPA of APV Valuers and Asset Management in relation to the IVS Exposure Draft. The Board was further advised that the response stated as follows;

“Apart from definitions. the main difference is the cost approach where the determination of the Replacement Cost under IVS, IFRS and GASB is the same (Highest and Best Use) whereas under IPSAS the replacement cost for specialised public sector assets is an ‘entity specific’ value based on the cost to provide the existing service.

From that point onwards, the process should be same as all require the adjustment to the replacement cost to be an adjustment to account for technical, functional, economic and physical obsolescence.

However, while the high-level process is the same, the specific requirements as set out in the IVS are explicitly different to those required in the accounting standards.

The IVS standards adopt a Depreciated Replacement Cost (DRC) approach based around the useful and remaining life of the asset (specifically the physical and economic lives of the asset)."

The Board discussed the issue and felt that this issue related more to IVS 103 Valuation Approaches and as such should be considered by the Standards Review Board in the first instance.

Next steps

The response is to be incorporated within the IVS Exposure Draft consultation workbook and is to be initially considered by the "SRB IVS 102 Bases of Value & IVS 103 Valuation Approaches Working Group".

Standard Setting

IVS Exposure Draft and Presentation Update (2023.06.07. IVS Exposure Draft Presentations)

The Board was advised that the IVS Exposure Draft consultation will close on the 28th of July 2023.

The Board was further advised that the IVSC had only received limited consultation responses so far, but this was not unusual as the majority of responses tended to be received either in the last two weeks of the consultation or a few weeks after the consultation had closed.

The Board was also advised that in previous consultations the Board had received a maximum of 30 to 50 consultation process, but the IVSC were aiming for over 100 consultation responses as part of the IVS Exposure Draft consultation process.

The Board were asked to contact organisations and key stakeholders within their markets to participate in the consultation process to ensure that any revisions to the next edition of IVS were in line with market needs.

The Technical Director advised that the IVSC had provided or were in the process of providing the following presentations on the IVS Exposure Draft;

IVS Exposure Draft Presentations - Provided

16 April 2023 - European Mortgage Federation
08 May 2023 - RICS
09 May 2023 - IVSC EMEA
11 May 2023 - IVSC Americas
16 May 2023 - IVSC Asia
16 May 2023 - Mazars
18 May 2023 - Chamber of Valuers North Macedonia
24 May 2023 - TAQEEM
29 May 2023 - CMVM Portugal
30 May 2023 - Officer of the Valuer General of South Africa
31 May 2023 - ISCTE University Portugal - Real Estate Masters

IVS Exposure Draft Presentations – To be provided

05 June 2023 - SSBV
16 June 2023 - ISEG (RICS Accredited Course)
19 June 2023 - Bank of Portugal
20 June 2023 - Carter Jonas
21 June 2023 - APFIIP - Portuguese Association of REITS
20 June 2023 - Hypzert
22 June 2023 - Luxembourg VPO
23 June 2023 - AVI
23 June 2023 - ASB
04 July 2023 - API
04 July 2023 - CFA

Next steps

The Technical Director asked the TAB to encourage their organisations and key stakeholders within their markets to participate in the consultation process.

Discussion

Automated Valuation Models (FDIC request Comment on Quality Control Standards for Automated Valuation Models and Quality Control Standards for Automated Valuation)

The Board were advised that the Office of the Comptroller of the Currency (OCC), the Treasury; Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration (NCUA), the Consumer Financial Protection Bureau (CFPB) and the Federal Housing Finance Agency (FHFA) had issued “*Quality Control Standards for Automated Valuation Models*” for consultation.

The Board were further advised that any response was due by Wednesday 31st July 2023.

Next steps

The Board felt that as they were originally advised of this issue by the SRB chair (*Susan DuRoss*) and as this issue related to all IVS Asset classes it was more of an issue to be dealt with by the SRB directly.

Updates

Prudential Value Update (2023.05.23 IVSC response to RICS on Prudential Value)

The Board was advised that this issue was discussed during the previous call and that the Basel Committee were looking to impose a new definition of Prudential Value, which would be a requirement for all secured lending valuations from January 2025.

The Board was further advised that the TAB had taken a proactive stance on prudential value thus far by providing feedback to the Basel Committee on Banking Supervision (BCBS), discussing with the EU Banking Unit, directly responding to elements of the Bank of England Prudential Regulation Authority (PRA) consultation, and responding to the RICS statement on Prudential Value.

The Board also discussed writing an awareness piece within IVSC Enews to inform members of the issues in relation to the imposition of Prudential Value for secured lending purposes and that the Chair and Technical Director had received an initial draft from Wolfgang Kälberer of the IVSC EMRSB.

Further to discussions the Board agreed that an article should be posted in Enews to make IVSC members aware of the current issues.

Next steps

The Chair and Technical Director will prepare a draft Enews article to be reviewed by the TAB during the next TAB conference call on Wednesday 12th of July 2023. Post approval the article is to be published in the July IVSC Enews.

Valuation of assets in a listed v unlisted environment Update (2023.06.07. **Valuation of assets in a listed v unlisted environment)**

The Board discussed the latest version of the briefing paper on the valuation of assets in a listed vs unlisted environment and agreed with the content of this paper and further agreed that for the time being the scope should be limited to REITS for real estate and listed infrastructure.

The Board was advised that in line with the new SRB processes the Chair and Technical Director would prepare an SRB Topic Proposal form on the "*valuation of assets in a listed and unlisted environment*" as this was an issue which related to all the IVSC Technical Boards.

The Board was further advised that the topic form would be presented to the SRB at their next meeting on the 28th of June 2023 and subject to any comments or revisions from the SRB the SRB listed vs unlisted working group would be activated asap.

Next steps

The Chair and Technical Director are to prepare a SRB Topic Proposal form on the "*valuation of assets in a listed and unlisted environment*" to be discussed by the SRB at their next meeting on the 28th June 2023. Subject to any comments emanating from this meeting the SRB listed vs unlisted working group is to be activated during July 2023.

Administration and Processes

IVSC SRB Topic Form (2023.06.07. IVSC SRB Topic Form)

The Board was advised that in light of potential regulatory review from IOSCO the SRB had decided to use a topic form to provide a written record of the topics chosen for future perspective papers, the agenda consultation or for proposed revisions to standards/

The Board was further advised that the use of the topic form would enable the SRB to identify potential interest from the other Boards in relation to the topic being discussed.

The Board was also advised that the topic form comprised the following questions:

1. *What is the topic?*
2. *What is the problem statement?*
3. *Where does the problem exist?*
4. *How do you intend to address this problem?*
5. *How is the consideration of this topic consistent with the IVSC mission?*
6. *What is the process required to accomplish this solution?*

The Board agreed to the contents of the topic form, and suggested no further amendments,

Next steps

The Board are to use the topic form for future perspective papers, agenda consultation topics and proposed revisions to IVS

Key Topics for 2024 Agenda Consultation (2023.06.07. Proposed Agenda Consultation Topics)

The Board was further advised that the inclusion of the following topics were being considered for inclusion in the IVS 2024 Agenda consultation: -

- Agricultural Land (TAB)
- AVMs and Artificial Intelligence
- Biological Assets (forests, plantations etc) (TAB)
- Block Chain
- Compulsory Purchase (TAB)
- Crypto Currency
- Data and Data Handling

- Development Property (TAB)
- Discounted Cashflows (TAB)
- Expropriation/compensation
- Extractive Industries (TAB)
- Environmental, Social and Governance (ESG)
- Impairment of Assets
- Insolvency and Bankruptcy
- Insurance Valuations
- Private vs Public Markets
- Prudential Value
- Taxation (TAB)
- Trophy Assets
- Unregistered land
- Valuation in a volatile market (TAB)
- Valuation Risk

The Board was not asked to make any decisions.

Next steps

The Technical Director will provide the Board with an update on the Agenda Consultation during the next TAB conference call on the 12th July 2023.

SRB & TAB Working Groups (2023.06.07. IVSC SRB Working Groups New Proposed and 2023.06.06. IVSC TAB Working Groups)

The Board was advised that SRB were currently finalising a review of working groups and the TAB were invited to advise the Technical Director if they were interested in joining any of the TAB working groups.

The Board was further advised that the current IVSC TAB working groups were as follows: -

TAB Working Groups Active

- *ESG Working Group*
- *MV Working Group*
- *IVS 300 Working Group*
- *IVS 400 Working Group*
- *IVS 410 Working Group*

The Board was also advised that further to the integration of new TAB Board members the Chair and Technical Director were in the process of revising the working groups to incorporate the new TAB members.

The Technical Director advised that he would provide an initial proposal for TAB working group members to be discussed by the TAB at their next conference call on the 12th of July 2023.

Next steps

The Board are to advise the Chair and Technical Director of their interest in participating in any working group. The Technical Director is to include the TAB Working Groups as an agenda Item for the next TAB conference call.

IVSC AGM 9th to 11th October

The Board discussed the IVSC Paris AGM 2023 and were advised that the SRB would meet on Monday 9th and on the morning of Tuesday 10th October and the Board, in conjunction with the other IVSC Asset Boards would meet on the afternoon of the Tuesday 10th October and on Wednesday 11th October.

The Board was also advised that the SRB were looking to hold the following two physical meetings in addition to the AGM during 2024:

- *26 February – 1 March 2024 (Middle East)*
- *13 May – 17 May (USA)*

The Board discussed these physically meetings and provisionally agreed that it would be better to have one physical meeting with full attendance than two physical meetings with partial attendance.

Further to discussion the Board favoured meeting in the Middle East between the 26th of February and the 1st of March 2024.

Next steps

The Board was advised that as the IVSC AGM meeting was being held in Paris during the rugby world cup the Board should book their tickets and hotel accommodation as soon as possible. The Board was also advised that in the case of any difficulties Louise Nicholson (lnicholson@ivsc.org) would be able to assist them with this process.

Potential meeting with APRA

The Board was advised that Nicolas Konialidis (*IVSC Asia Director*) was in the process of setting up a meeting with the Australian regulator (APRA) to discuss common issues such as the valuation of listed and unlisted assets. Prudential Value and transparency.

The Board was further advised that both Kim Hilderbrandt and Richard Stewart (*IVSC BVB Chair*) would be invited to attend this meeting.

Next steps

The Chair will provide an update on this meeting during the next TAB conference call on Wednesday 12th of July 2023.

AOB

There was no other business.

Next steps

None.