

IVSC SRB January Meeting Update 2023

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

This IVSC Update highlights preliminary decisions of the IVSC Standards Review 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 are formally balloted as set out in the ***IVSC Standards Review Board Due Process and Working Procedures***.

The Board met remotely on 25 January 2023

PRESENT:

Mark Zyla – Chairman (MZ)	Olivier Peronnet (OP)
Ahmed Sabry (AS)	Richard Hayler (RH)
Colin Martin (CM)	Richard Stewart (RS)
David Larsen (DL)	Robert Boulton (RB)
Doug Summa (DS)	Roy Farthing (RF)
Ian Jedlin (IJ)	Susan DuRoss (SD)
Mauro Bini (MB)	Thomas Lee (TL)

IN ATTENDANCE: Alexander Aronsohn (AA) – IVSC Technical Director Real Estate Standards
Kevin A Prall (KP) - IVSC Technical Director of Business Valuation Standards
Nicolas Konialidis - IVSC Asia Director

APOLOGIES

Ben Elder (BE)
Kumar Dasgupta - IVSC Technical Director of Financial Instrument Standards

The topics in order of Discussion were:

Contents

Work Plan overview

- ***IVSC Standards Review Board Board January Meeting Update 2023***
IVSC Publication Schedule 16th January 2023

Research and standard setting

- ***IVS General Standards Review***
- ***IVS Asset Standards***
- ***Valuation Risk Management***
- ***Prudential Value***

Other

- ***IVSC SRB Physical Meeting March 2023***

IVSC Working Groups

- ***2023.01.13. IVSC Standards Review Board Working Group Update***
- ***2023.01.13. IVSC Tangible Assets Board Working Groups Update***

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

Work plan overview

IVSC Publication Schedule 16th January 2023 (IVSC Publication Schedule 13th January 2023)

The Board met remotely on 25th January 2023 to discuss proposals to adjust timetables for some of its published and forthcoming consultation documents. The Board agreed that the publication of any new perspective's papers should be put on hold until the latter half of Q2 as the Board are currently focussed on the publication of the IVS Exposure Draft in April 2023.

Research and standard setting

IVS General Standards Review

- The Board met remotely on 25 January 2023, discussed, and agreed potential revisions to the IVS General Standards as part of the IVS General Standards Improvement project.
- The Board also discussed the new draft ESG Appendix to be included within IVS 104 Data and Inputs.
- The Board tasked the ESG working group with reviewing the Appendix and proposing revisions to the SRB.
- The Board discussed the new section on quality control and felt that the contents was sufficient but also felt the Exposure draft consultation should include a specific question on quality control.
- The Board also noted that there was an issue in relation to the interpretation of valuation review within IVS and tasked the IVS Valuation Review with making recommendations to the Board.

The Board was not asked to make any decisions.

Next step

The SRB Board are still in the process of reviewing the comments received from the working groups and discussing the changes with the Asset Board. The SRB are aiming to finalise the iVS General Standards Exposure Draft during their March meeting with a view to going into a 12-week public consultation on the 28th April 2023. Further to public consultation, the Boards are planning to publish the next edition of IVS Effective 31st July 2024 on the 31st January 2024.

IVS Asset Standards Review

- The Technical Boards are in the process of reviewing the Asset standards to:
 - 1) Restructure and align the Asset Standards with the proposed revisions to the IVS General Standards.
 - 2) To include new topics within the Asset Standards such as the inclusion of infrastructure within IVS 300 Plant and Equipment to meet market needs.

- The Board discussed the proposed revisions to the asset standards further and agreed that it was the responsibility of the Technical Boards to propose revisions to their Asset Standards.

Next step

The Technical Boards are reviewing the proposed the amendments to the IVS General Standards Exposure and are to consider the following:

- Restructuring the Asset Standards to align with the IVS General Standards structure.
- Consequential amendments to the Asset standards including revised references to the IVS General Standards.
- Additions/Revisions to Asset Standards in light of new sections on Data and Inputs, Models and Quality Control within the IVS Asset Standards.

Valuation Risk Management

- The Board discussed Valuation Risk management and how this was not only a key topic for investors and valuers but also a key topic for regulators.
- The Board noted that the proposed IVS General Standards now included a definition for valuation risk and sections on quality control.
- The Board further discussed valuation risk and the different types of valuation risk and agreed to draft a paper on the “*Nature of Valuation Risk*” to be published in Q2/Q3 2023.
- The Board agreed that the paper would act as a precursor to the introduction of more specific requirements on the management of valuation risk within IVS.

Next step

The Boards set up a Valuation Risk Management working group to discuss valuation risk management issues and to draft a perspective paper on the “*Nature of Valuation Risk*”. The perspective paper will include consultation question and will be published in Q2/Q3 2023.

Prudential Value

- The Technical Director advised that the UK Prudential Regulatory (part of the Bank of England) had issued an Exposure Draft on Implementation of Basel 3.1 and responses were due by Friday 31st March.
- The Boards discussed a response to this Exposure Draft and agreed that as the issue related to all asset classes a response should be prepared by the SRB.
- The Board were concerned that the proposed long term value methodology would not work in Europe due to data challenges and were concerned that an inconsistent approach could be adopted across European markets.
- CM and DS volunteered to assist the Technical Director in preparing a response to this Exposure Draft.
- The Technical Director added that RICS were planning to hold a round table or discussion on the implementation in February/March 2023.

- The Technical Director further added that RICS would invite the IVSC to the panel discussion in due course.

Next step

The SRB set up an IVSC SRB Prudential Value working group (CM, DS and AA) to draft a combined response to the PRA Exposure Draft on Implementation of Basel 3.1 on behalf of all the IVSC Technical Boards. The Technical Director to keep the SRB informed of any RICS round tables or events on Prudential Value.

Other

IVSC SRB Physical Meeting March 2023

The agreed the following date for the SRB meeting in Singapore and the BVB and TAB Asset Board meetings in Sydney during March 2023.

Further to discussion, the Board confirmed the following schedule for the March meetings:

Singapore Meeting

Wednesday 15th March – Friday 17th March PM:

Standards Review Board

Sydney Meeting

Monday 20th March – Wednesday 23rd March AM:

Business Valuation Board and Tangible Assets Board

Next step

The Board to book their travel in advance of the March 2023 physical meetings.