

IVSC FIB Update February 2024

This IVSC Update highlights tentative decisions of the IVSC Financial Instrument Board (FIB). 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 in person in New York on the 26th, 27th and 28th February (half day) 2024.

Agenda

- Welcome / Introduction to the Agenda Consultation Process
- Agenda Consultation – Proposed Topics (Agenda Papers 1 and 1A)
- Application Guidance / Illustrative Examples
- CEO Update – Nick Talbot
- Outreach Plan
- Presentation – Professor Aswath Damodaran
- Competency Framework (Agenda Paper 2)
- Public Meeting
- Prudential Valuations
- Process Efficiency Review
- Forward Planning
- AOB / Meeting Close

Welcome / Introduction to the Agenda Consultation Process

Thomas welcomed Board members to the meeting and thanked them for their presence. He provided a background to the Agenda Consultation and outlined the steps that the FIB was required to undertake for the upcoming IVSC Agenda Consultation.

Agenda Consultation – Proposed Topics (Agenda Papers 1 and 1A)

The FIB considered the proposed agenda consultation topics outlined in papers 1 and 1A and tentatively decided to propose a selection of them to the Standards Review Board (SRB) for their consideration as per the IVS due process. The FIB noted that for certain topics the aim would be to work with the other Asset Standard Boards, as the impact of these topics cut across all asset classes and are not restricted to Financial Instruments.

Application Guidance on IVS 500

Doug proposed that the FIB should consider providing Application Guidance / Illustrative Examples on the application of IVS 500. The FIB noted that given the lack of Valuation

Professional Organisations (VPOs) dealing with Financial Instruments, providing this guidance would not only aid constituents with the application of the Standard but would also improve consistency of application in practice. Accordingly, the FIB tentatively decided to propose this topic to the SRB and also tentatively decided to form a working group to draft such Application Guidance / Illustrative Examples for the FIBs' consideration at a future date.

CEO Update

The FI Board received an update on IVSC affairs from the CEO of IVSC Nick Talbot. The FIB was not asked to make any decisions.

Outreach Plan

The FIB noted that subsequent to the publication of IVS 500 a key focus of the FIB should be on outreach to encourage and aid the adoption of the Standard. Accordingly, the FIB tentatively decided to form a working group to focus on outreach activities on IVS 500.

Presentation / – Professor Aswath Damodaran

The FIB attended a presentation by Professor Aswath Damodaran. The FIB was not asked to make any decisions.

Competency Framework/Professionalism (Agenda Paper 2)

The FIB discussed the importance of the concept of professional judgement as used in IVS 500 and other IVS Standards. The FIB noted that for a successful and high-quality implementation of IVS 500 the application of professional judgement would play a critical role. Accordingly, the FIB noted that it was essential that there exist high quality professionals who can apply such judgement. The FIB also noted that it is usually the function of VPOs to define the skill set or competency framework for valuers who are qualified to exercise professional judgement. However, unlike other asset classes, there are very few VPOs for financial instruments and accordingly there is a lack of a uniform competency framework for valuing financial instruments.

Accordingly, the FIB tentatively decided to develop a basic competency framework for financial instruments for consideration by the IVSC Membership Committee given the importance of such competencies in the application of IVS 500. The FIB tentatively decided to form a working group to develop a draft framework for their future consideration.

Public Meeting

The FIB had a public meeting on the 28th of February. At the meeting the FIB discussed the following:

1. Topics for the Agenda Consultation;
2. The working group formed to address the provision of Application Guidance/Illustrative Examples on IVS 500;
3. The working group formed to facilitate outreach on IVS 500;

4. The working group formed to develop a competency framework regarding valuation of financial instruments.

The FIB also tentatively approved the meeting notes for the January 2024 meeting.

Prudential Valuations

The FIB considered the consultation paper issued by the European Banking Association on Amending Draft Regulatory Technical Standards on prudent valuation under Article 105(14) of Regulation (EU) No 575/2013 and tentatively decided to coordinate with the SRB on the comment letter on the consultation.

Process Efficiency Review

The FIB discussed the process followed by the IVSC regarding the publication of IVS 500 with the objective of sharing any learnings and suggestions for future consideration to the SRB. The FIB was not asked to make any decisions.

Forward Planning

The FIB discussed forward planning for 2024. The FIB was not asked to make any decisions.

AOB / Meeting Close

Thomas thanked all the board members for their attendance and, there being no other business, the meeting ended.