

IVSC SRB Hong Kong Meeting Update November 2024

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 in person on the 21st and 22nd November 2024. The topics in order of Discussion were:

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Agenda Consultation Key Topic Responses

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- Agenda Consultation Responses Key Topic 1- ESG
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Agenda Consultation Current and Future Topic Responses

(2024.11.20. IVS Agenda Consultation Presentation Final and 2024 .11.07 - IVS Agenda Consultation Responses)

- IVSC Agenda Consultation Responses - Current Topics (0-2 Years)
Private vs Public Markets, Weighting of Inputs or Outputs
- IVSC Agenda Consultation Responses – Future Topics (2 Years plus)
- Agenda Consultation Next Steps (working groups for responses, etc.)Outputs

Public Meeting

(2024.11.20. IVS Agenda Consultation Presentation Final)

- Agenda Consultation Review

IVS Conceptual Framework

((IASB Conceptual Framework)

- Conceptual Framework IVSC Intended User Discussion

IVS and Financial Reporting

- IVS and Financial Reporting Discussion

Administration

- AOB

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

Administration

Welcome, Attendance and Agenda

SD welcomed the Board and advised the Board that there was a full agenda over the next two days.

SD highlighted key items within the agenda for the next two days and advised that the main focus would be on the Agenda Consultation responses.

SD further advised that during the course of the next two days the Board would also discuss the creation of an interpretation committee and a conceptual framework.

AA advised that both these topics had emanated from initial discussions with IOSCO and were mission critical to the maturity of IVS.

AA recorded board attendance, both physical and virtual.

Next steps

AA to check with RS whether a portal could be created for confidential Board documents.

IVSC SRB London Meeting Update October 2024 (IVSC SRB Meeting Update October 2024)

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 SRB.

Next steps

None.

IVSC SRB CEO Update

NT advised that IVSC was establishing a presence in the Middle East and Africa and were recruiting a MENEA Director.

NT further advised that the IVSC had set up an Academic Forum, which was a working group that would provide input into the IVSC and help ensure that IVS was taught within university courses.

NT also advised that IVSC had been working on their relationship with IOSCO for some time and that IOSCO was in the latter stages of preparing a report on IVS that should be completed in February.

NT informed that IVSC's main aim was to emerge as a credible organisation.

NT further informed that IOSCO was comparing the IVSC to the IASB and the IAASB.

NT also informed that IOSCO had made the following initial recommendations:

- Creation of a Conceptual Framework similar to the IASB. *(This will identify the ultimate end use of IVS.)*
- Creation of an interpretations committee.

NT advised that IOSCO was looking at things from a professionalism angle, but this would also come with a price tag and the IVSC may need some additional funds to complete these objectives.

NT further advised that IOSCO had made some recommendations in relation to the inclusion of additional standards in relation to Financial Reporting within IVS.

NT added that the IVSC would provide further details on the IOSCO recommendation's when they had received the report.

NT further added that this was a long-term project and the IVSC would give a considered response to the report, once received.

NT also added that from his perspective this was the most exciting evolution in the development of IVS. But until the final report was issued the IVSC was taking nothing for granted.

NT advised that the report may lead to a change in the structure of the IVSC and would also result in the need for more employees.

NT further advised that he hoped that IOSCO would make a public statement on the use of IVS , which may help with providing more resources.

NT also advised that the IVSC was also in communications with the UN and the added that the IVSC had referenced IVS in the UN Global Habitat manual on unregistered land.

NT added that the IVSC had an MOU with WIPO (World Intellectual Property Association).

NT advised that the only standard the UN, WIPO and the World Bank recommend is IVS.]

NT further advised that the Asian Development Bank is now a member of IVS.

NT added that the World Bank is a sponsor through a personal relationship though due to the size of the organisation it is difficult to find a central point of contact and it largely depends on who is sitting on the team.

NT also advised that the IVSC was involved in a Project with the World Bank in Ethiopia and elsewhere.

NT added that V20 has been growing and IVSC is helping drive this process, but it is politically challenging as there are 175 countries that the IVSC would like to get involved.

NT further added that V20 is trying to get on the G20 agenda and though valuation was mentioned by G20 it was not in a positive way.

NT also added that this was one of many initiatives to raise the profile of the IVS.

NT advised that the IVSC was also involved with APEC (Asian Pacific Economic Cooperation) and are included in their minutes and agenda.

NT added that IVSC have different points of access to this organisation, but it is best to get involved from a country perspective.

NT advised that the IASB, IOSCO and other key stakeholders were interested in the forthcoming perspective paper on private vs public markets.

NT further advised that during 2025 the IVSC was looking to do a joint event with IOSCO and private vs public markets could be a good topic.

NT also advised that the IVSC had also been communicating with the FCA and would provide further details on this initiative in due course.

NT added that many key stakeholders were considering the same key topics (*ESG, Use of Technology in Valuation and Valuation Risk*) as those feature in the IVS Agenda Consultation.

NT further added that Intangible Assets and Public vs Private Markets also seemed to be common key stakeholder topics.

NT asked if there were any questions and as there were no questions.

NT thanked the SRB for all their hard work and wished them a successful meeting.

Next steps

None.

Asset Board Updates

BVB Update

The Board was advised that the BVB had met on the 19th, 20th and 21st September.

The Board was further advised that BVB had the following external speakers:

- *Ricky Lee, the head of valuation at Kroll Hong Kong,*
- *David Liu, the ESG specialist at Kroll (slides forthcoming) and*
- *James Moulton, from PWC Australia on The Impact of Generative AI on BV*

DL advised the Board that he had attended the BV Board meeting and that there was an excellent presentation provided by James Moulton on "*The Impact of Generative AI in Professional Services and Business Valuation.*"

NK advised that he would share the presentation with the Board.

The Board was advised that most of the meeting was focussed on the results of the IVS Agenda Consultation.

The Board was further advised that the BVB discussed the following key topics;

- *ESG*
- *Use of Technology in Valuation*

- *Valuation Risk*

The Board was also advised that the BVB discussed the following current and future topics:

- *Bases of Value for BV / "Fundamental" Value?*
- *Capital Structure Considerations*
- *Discounts & Premia*
- *Model Calibration*
- *Intangible Assets / Internally Generated Assets*
- *Early-Stage Businesses*
- *Trophy Assets*
- *Transfer Pricing*

The Board was informed that the BVB also discussed Digital Assets.

The Board was further informed that the BVB and some representatives from the IVSC Asset Boards had been invited to meet Simon Hawkins, a partner at Latham and Watkins in Hong Kong on the 21st November 2024 to discuss cyber currency.

The Board was also informed that the BVB asked whether a portal could be created on the IVSC website for confidential documents.

SD said that she would ask Mark Smith if we could share the AICPA guidance with the Boards.

AA advised that he check with RS whether a portal existed or could be created.

The Board was advised that the BVB discussed whether the IVS website could contain other VPO's guidance.

The Board was further advised that the BVB also discussed that the IVSC website could just include links to relevant guidance and academic papers.

The Board further discussed this issue and noted that there may be an issue on maintaining the guidance to ensure that it was up to date.

AA advised that the website could include a caveat placing the onus on the user to ensure that the guidance was up to it.

Next steps

NK to share James Moulton's presentation on *"The Impact of Generative AI in Professional Services and Business Valuation."*

FIB Update

The Board was advised that the FIB had been discussing a competency map and what a competent financial instruments valuation looks like.

The Board was further advised that the FIB had begun drafting a competency framework for financial instruments valuers.

The Board was also advised that the main emphasis of the meeting was illustrative Examples based on the application of IVS 500.

The Board was informed that the FIB had discussed two potential Illustrative examples.

The Board was further informed the FIB put up the following problem statement and worked through it as follows:

Example 1: What is the structure of IVS 500 and how does it work?

- *What is the basis of value?*
- *Who is the intended user?*
- *How do you value?*
- *Where to look in IVS 500?*
- *Are you using a pre-existing model?*
- *Can you do the same with a digital asset?*
- *How do you deal with different products?*

Example 2: Valuation Adjustments for Financial Instruments

Does IVS 500 work?

Are the standards sufficient?

Do we need to enhance IVS 500?

How does IVS deal with other matters such as liquidity adjustments?

The Board was advised that the FIB also reviewed the Agenda consultation responses and noted that there were many positive comments on IVS 500 and how it integrated with IAS 23.

The Board was further informed that several agenda consultation respondents had wanted IVS 500 to be more prescriptive and liked the fact that IVS 500 was process driven.

The Board was also informed that the FIB had also discussed whether the Illustrative Examples should be more prescriptive.

The Board was advised that the FIB also discussed Governance in this area and whether governance comprises interpreting what is done or adding to it.

The Board was further advised that FIB noted that if Governance was additive then a different process was required.

The Board was advised that though IVS 500 was procedural there was a need for guard rails such as :

- *Pre-existing models*
- *Input and Output*

The Board discussed whether some of IVS 500 should be contained within the General Standards.

The Board further discussed the importance of Illustrative Examples for Financial Instruments valuations.

The Board also discussed examples issued by other firms such as PwC guidance on AI which provided the putting guides for standards as it basically said here's what the standard says and here's how it fits.

The Board considered whether the provision of Illustrative Examples added to or subtracted from the standards.

The Board was advised that the FIB felt the provision of Illustrative Examples should help fill gaps in IVS.

The Board was advised that the FIB discussed providing Illustrative Examples for each chevron in the IVS General Standards.

The Board was advised that the FIB further discussed whether additional standards were needed in relation to the use of AI and whether AI could help find a credit spread.

The Board was advised that the FIB also noted that it didn't matter who provided the data but the data needed to be checked and the valuer needed to apply professional judgement.

The Board was further advised that the FIB also discussed the competency map for financial instruments and what competency a valuer needs such as a certified CFA.

The Board was also advised that as part of this discussion the Board considered the following matters:

- *Do they do the valuation?*
- *Can they do the valuation?*
- *What is necessary for a credible valuation?*
- *Who is the valuation for?*

The Board was informed that when the FIB reviewed the Agenda consultation feedback they considered how the feedback related to illustrative examples and whether there were any key topics to consider such as a yield curve and whether it is the same in all markets.

The Board was informed that the FIB needed to consider illustrative examples in a global context and to understand who is the valuer.

The Board was further informed that the FIB considered whether a VPO would be able to use the illustrative examples for their technical guidance.

The Board was also informed that the FIB had set up a working group under KD to explore these issues.

The Board was advised that the FIB considered AICPA to be a key VPO who could assist in the adoption of IVS 500.

However the Board was further advised that the FIB noted that AICPA agenda consultation response stated that in their opinion valuation risk was not a topic to be considered by the IVSC.

The Board was also advised that the FIB further noted that the CFA also had some concerns in relation to the IVSC considering the topic of valuation risk.

The Board discussed reaching out to the AICPA and CFA directly to understand their concerns.

The Board also discussed broadening the valuation risk working group.

Next steps

The Board will consider broadening the valuation risk working group and reaching out to the AICPA and CFA to discuss their concerns in relation to the inclusion of valuation risk within IVS.

TAB Update

The Board was advised that the TAB met on Tuesday 19th November at Colliers in the Central Plaza and on Wednesday 20th November at the Dorset Kai Tak Hotel.

The Board was advised that CK provided an overview of the Hong Kong Real Estate market from their offices.

The Board was further advised that the TAB had received good stakeholder engagement on their published perspectives papers on Inspection and ESG and Real Estate.

The Board was also advised that the TAB and the TAB working groups were still in the process of reviewing the comments received.

The Board was informed that the inspection perspectives paper had received widespread support in the USA, Europe, South America though inspection is compulsory in most of these markets.

The Board was further informed that in India the perspectives paper is being used as a guidance note and has been referred to and accepted in court.

The Board was also informed that in Australia there is a very polarising view in relation to inspections with the API believing that inspection should be mandated for real estate inspections.

The Board was advised that for PEI most respondents agreed that inspection should not be mandatory but should be considered on an asset-by-asset basis.

The Board was further advised that the ESG and Real Estate perspectives paper had been well received in all markets.

The Board was also advised that the TAB had published an update on Prudential Value in the EU within the IVSC Enews advising stakeholders that Prudential Value would be implemented within the EU from January 2025.

The Board was informed that there was a divergence in both interpretation of the definition and appropriate valuation methodology for Prudential Value within the EU.

The Board was further informed that that this was very much an awareness piece and further to publication CBRE and a number of other professional advisors had received enquiries in relation to Prudential Value.

The Board was also informed that the TAB had engaged with stakeholders globally on this issue and further engagement would be undertaken over the next 6 months.

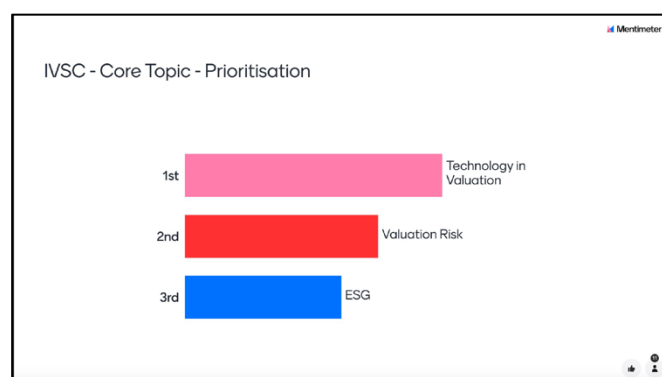
The Board was advised that the TAB also reviewed the Digital Assets and other topics and reviewed the Agenda Consultation feedback on a topic-by-topic basis. The Board was further advised that the TAB sought to prioritise topics and focus on key issues for each Agenda Consultation topic.

The Board was also advised the Dirk Hennig, who was a previous member of TAB, provided a presentation on ESG in Europe from a tangible assets perspective.

The Board was informed that the TAB reviewed the Following core topics from a tangible aspects perspective:

- *ESG*
- *Valuation Risk*
- *Use of Technology in Valuation*

The Board was provided that TAB provided the following IVSC Core Topic Prioritisation:

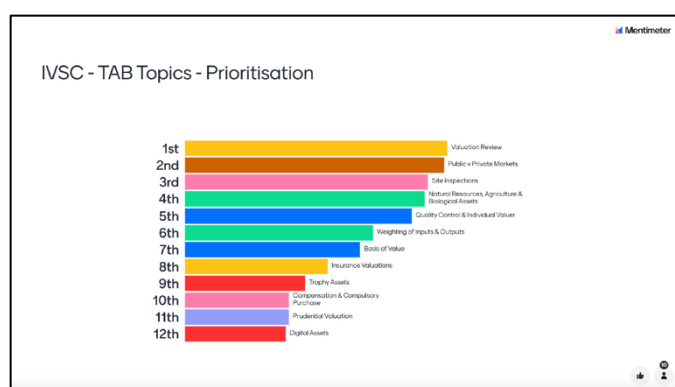


The Board was further informed that the TAB discussed implementation guidance on these topics.

The Board was also informed that the TAB discussed the following topics:

- *Insurance Valuation*
- *Site Inspections*
- *Prudential Value*
- *Digital Assets*
- *Basis of Value*
- *Public vs Private*
- *Trophy Assets*
- *Weighting of Outputs and Inputs*
- *Agriculture and Biological Assets*
- *Compulsory Purchase and Compensation*
- *Valuation Review*
- *Quality Control and Individual Valuer*
- *Natural Resources/ Agriculture/Commodities/ Extractive Industries*

The Board was advised that TAB provided the following prioritisation in relation to these topics:



The Board was further advised that in relation to IVS 101 the following section required further clarification:

30.01 (b) a value review addresses the reasonableness of a value.

The Board was also advised that the TAB noted this caused an issue in some markets as 30.01 states that section 30 also stated that "*a valuation review is not a valuation*" and that this seemed to conflict with 30.01b as you could not ascertain the reasonableness of a value without carrying out a valuation.

The Board was informed that the TAB had set up a Valuation Review working group to make recommendations to the SRB.

The Board was further informed that the TAB had previously published a perspectives paper on Biological Assets and would review this to see if further guidance was needed.

The Board was also informed that there were not really any Agricultural and Biological Assets or Natural Resources experts on the TAB and the TAB would need to wait and see if there were any applications to the TAB from specialist in these areas.

The Board was advised that the TAB had also participated in IMVAL meetings and that the current IMVAL requirements were compliant with IVS though may need updating post publication of IVS (effective 31 January 2025).

The Board was advised that though Digital Assets was not necessarily a key topic for the TAB, but the TAB wanted to stay involved in Board discussions due to the tokenisation of real estate assets.

The Tab was further advised that the TAB discussed the topic of insurance valuations and estimated reinstatement cost being entered as book value and felt that this was an important topic to be considered.

The Board also advised that there were financial reporting implications particularly in relation to requirements contained within IFRS 17 and IFRS 4.

The Board was informed that the TAB noted that this topic also included the valuation of insurance policies, and many insurers had large portfolios of actuarial policies.

The Board was further informed that the TAB may need to reach out to insurers and actuaries to discuss potential issues.

The Board was also informed that the TAB discussed Trophy Assets.

The Board was advised that the TAB was satisfied that the current content within IVS on the weighting of outputs and inputs was sufficient.

The Board was further advised that the TAB agreed that the valuer shouldn't average multiple valuation approaches but instead should choose the most appropriate valuation approach and rationalise their conclusions.

The Board was also advised that the most important TAB topics were as follows:

- *Prudential Value*
- *Use of Technology in Valuation*
- *ESG*

The Board was advised that the IVSC had recently had positive meetings with TEGoVA and that TEGoVA had recently appointed a new President who was well known to JC.

The Board was further advised that during 2025 the TAB would be focussing on potential revisions to IVS 300, IVS 400 and IVS 410 and had set up the following working groups to discuss these issues:

1. *TAB IVS 400 and IVS 410 Working Group*
2. *TAB AI Working Group*
3. *TAB Inspection Working Group*
4. *TAB Valuation Review Working Group*

Next steps

TAB to keep SRB informed of the tangible assets perspective on core topics and to advise the Board of proposed revisions to the sections on valuation review and IVS 300, IVS 400 and IVS 410.

Working Group Updates

(2024.10.07. IVSC SRB Working Groups)

Academic Working Group Update

The Board was advised that JC, AA and NK had a conference call with Mauro Bini and Fank Harrington, who are the co-chairs of the Academic Forum, to discuss the role of each group and ensure that there was no unintentional crossover.

The Board was advised that the Academic Forum was a high level group similar in structure to the Investment Forum with the aim of bringing academics together to discuss key valuation issues and with the aim of integrating the study of IVS within relevant university courses.

The Board was advised that the working group aimed to bring valuation challenges to the Academic Forum and to get relevant academics to join IVSC SRB working groups.

The Board was further advised that the Academic Forum would hopefully provide input into the core topics such as AI, ESG and valuation risk.

The Board was also advised that the two groups would work closely together and in order to ensure good coordination JC would be a member of both groups.

The Board was informed that there may be some challenges as the academics may wish to go deeper on some topics than required for IVS.

The Board was further informed that there would be a premeeting of the Academic Forum on the 27th January 2025 to discuss and agree the role of the Forum and working group.

The Board was also informed that the Academic Forum would probably meet on a quarterly basis and would be overseen by NT and NK.

The Board was advised that the Academic Forum were seeking academics with a high level of experience in the academic world.

The Board suggested that JC should reach out to Stephanie Mason to ensure that she is involved in either the SRB Academic working group, the Academic Forum or both.

Next steps

AA and JC to reach out to Stephanie Mason regarding membership of the IVSC SRB Academic working group and Academic Forum.

Listed vs Unlisted Working Group Update (2024.09.06.IVSC - Perspectives Paper - Exploring the divergence in public and private real estate markets – clean and with track changes)

The Board was advised that the working group had received feedback from the Boards on the draft perspectives.

The Board was further advised that the general feedback was that the perspective paper was not sufficiently broad.

The Board was also advised that the working group was still considering the comments received and making the appropriate revisions.

Next steps

Working Group to revise the perspectives post comments received and to resubmit the perspectives paper to the SRB.

Valuation Risk Update (2024.11.12. Valuation Risk and 2024.11.05 Henk Valuation Risk - first draft)

The Board was advised that the working group had received two separate draft papers on this issue.

The Board was further advised that some of the main issues revolved around disclosure, the level of observability and the complexity of the valuation.

The Board discussed reasonable range and if there is a reasonable range for the valuation then should the valuer disclose it.

The Board also discussed Value risk and whether this should be defined within IVS.

The Board considered bias and whether bias applied to all parts of a valuation.

The Board noted that this topic would be further discussed within the Agenda when the Board considered the Agenda Consultation responses on this topic.

Next steps

None.

Use of Technology in Valuation Update (2024.11.11. Draft Use of Technology in Valuation Perspectives Paper)

OP advised that the working group had completed an initial draft of the perspectives paper and had received a number of comments and proposed revisions.

OP further advised that OP, DS and AA were currently in the process of reviewing the proposed revisions.

OP also advised that the working group was currently reviewing the comments received on this topic in the Agenda Consultation.

OP added that the working group was looking to have a finalised draft towards the end of the year and was aiming to publish the perspectives paper in Q1 2025.

OP further added that the working group was also reviewing IVS 101, IVS 104, IVS 105 and IVS 106 to see if further revisions were needed.

OP advised that this would be the first in a series of perspectives paper and was aimed at highlighting the key issues.

OP further advised that future perspectives paper in the series would explore the use of AI and data.

OP also advised that S7P Capital IQ had recently published some information on the way AI tools inform their data.

OP added that it would be good to get similar information on Bloomberg and the use of AI for their data.

OP noted that the working group needed to consider the ways that AI added to valuation risk.

OP further noted that requirements within IVS 101 Scope of Work probably needed to be revised to include a requirement to notify the client of the use of AI within the gathering of data, the valuation or report writing.

OP advised that his firm was in the process of testing a few AI products.

AA advised that AI was being used in real estate valuations not only for data gathering and report writing but also the use of AVMs for valuation and to inform secured lending decisions.

AA further advised that these valuations were largely not compliant with IVS as these valuations did not include professional judgement.

OP advised that the working group was also considering the use of technology for inspection such as GPS data.

OP further advised that the working group was pro technology providing that there was transparency and disclosure, a framework and quality control.

OP also advised that the working group was considering the use of Chat GPT and other similar systems for market commentary.

The Board discussed whether AI could be used in future for developing the red line version of IVS.

The Board noted that the capability of AI is continually developing, and it was difficult to project where the standards needed to be in the next two years.

The Board also discussed whose responsibility it was if the AI went wrong.

The Board considered that the SRB could not wait until the next edition of IVS to take a position in relation to the use of AI.

The Board noted that the TAB published a perspectives paper on AVM and Residential Valuation several years ago and it seemed that this perspectives paper was still relevant.

The Board considered the creation of an IVS compliance check list that could provide transparency on how AI is used.

The Board discussed confidentiality and how open sourced and close sourced AI could be in breach of IVS compliance regulations.

DS advised that many systems also use AI as a copilot and that many valuers use data created by generative AI.

The Board noted that there had been two excellent papers on the use of AI published by CBVI and NACVA.

The Board further noted that AI could be used not to carry out the valuation but to help process and as part of the monitoring process.

Next steps

The Board to develop a working group to consider how AI could be used to assist in developing a red line version of the IVS Exposure Draft. A to share the papers on AI published by NACVA and AI.

ESG Working Group Update (2024.11.14 Draft IVSC ESG Survey Perspectives Paper clean)

The Board was advised that the working group had more or less finalised the perspective paper on the ESG survey responses.

The Board was further advised that the working group was making final amendments to the perspectives paper prior to submitting the perspectives paper to the IVSC publishing team.

The Board was advised that the IVSC was aiming for the perspectives paper to be published in the January Enews.

Next steps

IVSC to publish the ESG Survey perspectives paper in the January Enews.

TIP and White Paper Working Group Update (2024.10.17. Code of Ethical Principles)

The Board was advised that the working group had combined the previous Code of Ethics for Professional Valuers and the Competency Framework.

The Board was further advised that the previous documents were 12 years old and in parts not compliant with IVS (effective 31 January 2025).

The Board was also advised that the previous version of these document referred only to VPO's and as such did not apply to all IVS qualifying organisations.

The Board was informed that the working group had revised the Code to refer to qualifying organisations so it was equally applicable to all members of the IVSC.

The Board was further informed that the revised document was now being by the Advisory Forum.

Next steps

The working group to revise the Code Of Ethics for Professional Valuers post comment received from the Advisory Forum.

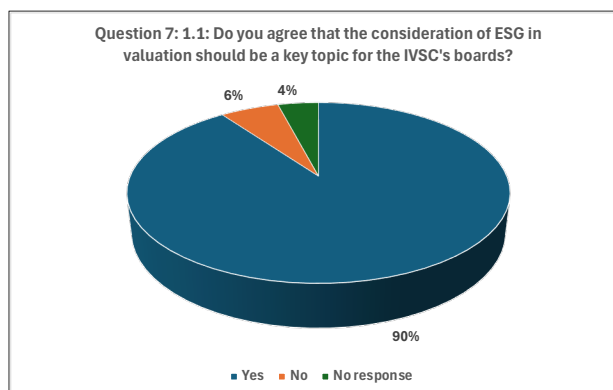
Agenda Consultation Key Topic Responses

(2024.11.20. IVS Agenda Consultation Presentation Final and 2024 .11.07 - IVS Agenda Consultation Responses)

Agenda Consultation Responses Key Topic 1- ESG

The Board reviewed the IVS Agenda Consultation responses on ESG.

The Board noted that the majority of Agenda Consultation respondents felt that ESG should be key topic for the Boards.



The Boards further noted that the majority of Agenda Consultation respondents felt that additional guidance would be helpful. (70% yes, 24% no and 6% no response)

The Board was advised that the comments received were quite broad and a sample of the comments received were as follows:

- *IVS should not refer to ESG but should refer to sustainability.*
- *Publicly available information is not reliable.*
- *There is insufficient data for Social and Governance.*
- *Further guidance required for quantifying ESG using existing valuation approaches and methodologies.*

The Board discussed issuing further guidance but noted that most respondents requested technical guidance which was beyond the remit of IVS.

The Board noted that this was more a matter for the VPO's and asked AA to advise the Advisory Forum that additional technical guidance was needed in relation to the quantification of ESG within valuations.

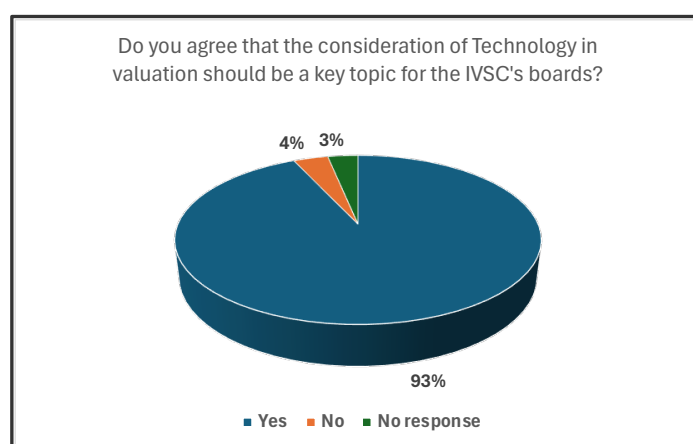
Next steps

AA to advise the Advisory Forum that the majority of Agenda Consultation respondents were requesting additional technical guidance on ESG.

Agenda Consultation Responses Key Topic 2 - Technology in Valuation

The Board reviewed the IVS Agenda Consultation responses on the Use of Technology in Valuation.

The Board noted that the majority of Agenda Consultation respondents felt that the Use of Technology in Valuation should be key topic for the Boards.



The Boards further noted that though there was a variation in responses the majority of Agenda Consultation respondents felt that additional guidance would be helpful. (68% yes, 24% no and 8% no response)

The Board was advised that the comments received were quite broad and a sample of the comments received were as follows:

- *Yes, for the mere fact that we now operate in a Technology-based World.*
- *Yes. Using AI Tech.*
- *Maybe. Such as the possible risks of using mainstream technologies to obtain data and inputs, the direction of technology and/or tool application, etc.*
- *The appraiser must always be responsible and never delegate decisions to technology.*

The Board discussed the responses and agreed that the IVSC SRB Use of Technology working group should consider the Agenda Consultation responses and make appropriate revisions to the perspectives paper.

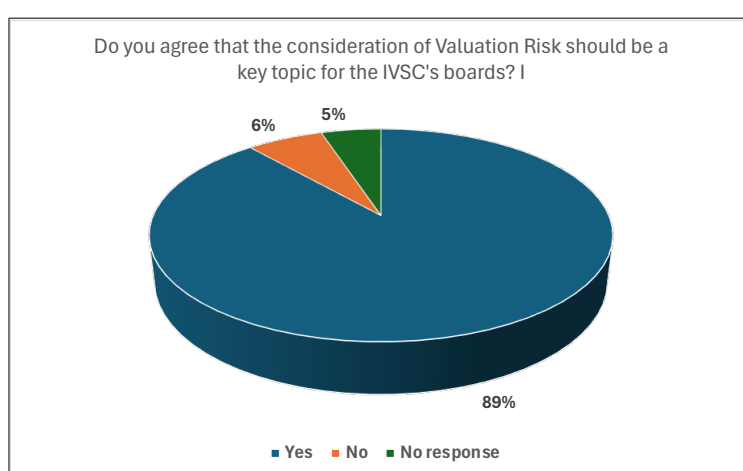
Next steps

IVSC SRB Use of Technology working group should consider the Agenda Consultation responses and make appropriate revisions to the perspectives paper.

Agenda Consultation Responses Key Topic 3 - Valuation Risk

The Board reviewed the IVS Agenda Consultation responses on Valuation Risk.

The Board noted that the majority of Agenda Consultation respondents felt that Valuation Risk should be key topic for the Boards.



The Boards further noted that though there was a variation in responses the majority of Agenda Consultation respondents felt that additional guidance would be helpful. (65% yes, 25% no and 10% no response)

The Board was advised that the comments received were quite broad and a sample of the comments received were as follows:

- *Yes, it is very important to understand the risk and potential impacts.*
- *Should try to measure the risks and evaluate them*
- *Additional requirement is required regarding valuation risk.*
- *In our view, we believe that the existing requirements in the IVS are adequate.*

The Board was advised that they had received the following two draft valuation risk perspectives papers:

- 2024.11.12. Valuation Risk
- 2024.11.05 Henk Valuation Risk - first draft

The Board was further advised that during the recent valuation risk working group meeting it had been agreed to focus on the “2024.11.12. *Valuation Risk*” perspectives paper, which reflected the working group discussions, introduced the topic and focussed on definitional issues

The Board was also advised that the “2024.11.05 *Henk Valuation Risk - first draft*” perspectives paper included a lot of good content and could form the basis of a second perspective paper in the series but the working group felt the topic and definitional issues needed to be introduced first.

The Board then generally discussed valuation risk and the “2024.11.12. *Valuation Risk*” perspectives paper.

The Board noted that valuation uncertainty was separate from valuation risk.

The Board further noted that would always be issues with the variability and credibility of a valuation.

The Board also noted that every valuation requires professional judgement in order to ensure that the resulting price is reasonable.

The Board discussed valuation risk and noted that in order to minimise valuation risk the valuation needed to be reasonable and supportable.

The Board separated valuation risk from uncertainty and noted that certain events such as the coronavirus crisis may have caused valuation uncertainty but was distinct from valuation risk.

The Board noted that valuation uncertainty was part of all valuations and was related to market risk and as such was distinct from valuation risk.

The Board further noted that valuers needed to carry out a due diligence process within their valuation and use their professional judgement in related to the reported values.

The Board discussed mitigants for the valuation of stock outputs and noted that the valuer would use quality control and as part of this process would benchmark against something.

The Board noted that if the value was imperfect then the valuer would consider a wider range.

The Board generally discussed the following factors that could increase the level of valuation risk for stock output valuations:

- Uncertainty of number
- Instability function of time
- Uncertainty in expected value
- Rise in expected market volatility

The Board further discussed how disclosure was extremely important, and the value should state in their valuation report that the market was volatile at this point in time, if this applied.

SD asked AA to provide a brief outline of the valuation risk perspectives paper.

The Board was advised that this was the first in a planned series of perspectives paper exploring valuation risk.

The Board was further advised that this perspective paper aimed to explore the existing definition of valuation risk within IVS and to examine different types of risk within the valuation process.

The Board was also advised that IVS (effective 31 January 2025) includes the following definition of valuation risk within the IVS Glossary:

Valuation Risk: The possibility that the value is not appropriate for its intended use.

The Board was informed that in addition to this definition the IVS Glossary includes the following definitions of professional judgement and professional scepticism:

Professional Judgement: The use of accumulated knowledge and experience, as well as critical reasoning, to make an informed decision.

Professional Scepticism: Professional scepticism is an attitude that includes a questioning mind and critical assessment of valuation evidence.

The Board was advised that when assessing valuation risk, the valuer must use both their professional judgement and professional scepticism to ensure that the valuation is compliant with the IVS and that the Value is appropriate for its intended use.

The Board was further advised that Valuation Risk Working Group has identified and described the types of risks that can occur during a Valuation and how they can impact the appropriateness of the Value for its intended use.

Risk Category	Risk Type
Proficiency Risk	a. Competency Risk
	b. Professionalism Risk
	c. Ethical Risk
Compliance Risk	d. IVS Compliance Risk
	e. Operation(Process) Risk
Valuation Uncertainty	f. Data and input Risk
	g. Model Risk
	h. Liquidity Risk
Investment Risk	i. Market Risk

The Board was also advised that the working group only intended to consider significant risks that could ultimately be considered components of Valuation Risk.

The Board was informed that the working group considered that the majority of the risk categories such as proficiency risk, compliance risk and investment risk were either dealt with elsewhere within the IVSC or were outside the remit of the IVSC.

The Board was further informed that the working group felt that the following risks were within the remit of the IVS:

- Data and Input Risk,
- Model Risk,
- Liquidity.

The Board noted that these risks were contained under “*Valuation Uncertainty*” and felt that this could cause confusion as the Board had already stated that valuation uncertainty was separate for valuation risk.

The Board discussed whether the nomenclature of this should be changed to “*Value Risk*” or “*Value Uncertainty*” in order to avoid any confusion, but no decision was taken.

The Board also discussed Market Risk but felt that this was already incorporated within the valuation at the valuation date.

The Board considered the existing definition of valuation risk and noted that USPAP used the word credible within valuation risk (i.e. the risk is that the valuation is not appropriate and/or credible).

The Board discussed the concept of credibility and noted that it can be applied to the process including the person preparing the valuation, to the report and to the result (in the context of its intended and scope of work).

The Board discussed some of the following characteristics, which can make a valuer's work credible:

- Appraiser's qualifications
- Completeness of the work
- Knowledge and application of guidelines
- Ethical / moral character

Further to discussion the Board considered revising the definition of valuation risk as follows (**proposed revisions shown in red**):

Valuation Risk: *The possibility that the value is not **appropriate or credible** for its intended use*

The Board noted that the draft perspectives paper highlighted 12 main types of valuation risk.

The Board discussed valuation uncertainty, reasonable range and bias.

The Board noted that if the valuation was outside the reasonable range, then this just could just be valuer error.

The Board felt that professional judgment was the most important part of managing valuation risk.

The Bard noted that higher outcome risks required higher ranges.

The Board felt that market risk applied to all valuations to a certain extent and couldn't be managed within IVS.

The Board discussed that value was at a point in time and could vary according to the purpose and the basis of value.

The Board also noted that many statutory valuations such as tax valuation required a specific basis of value to be used.

The Board noted that the following factors can be cause of Value Uncertainty:

- Basis of Value (right or wrong)
- Valuation Approach(es) and/or Valuation Method
- Data and Inputs
- Model Risk
- Liquidity Risk

The Board noted that in some instances the use of multiple approaches could be a cause of valuation risk particularly if these approaches provided a wide range of potential values.

The Board discussed looking at different existing definitions of liquidity risk, which could be seen as a large part of valuation risk.

The Board discussed whether process risk should also be included within valuation risk, which would apply to both the valuation and value.

The Board felt that it was best to focus on what could be done to manage valuation risk within IVS.

The Board discussed whether IVS 100 Section 20 Quality Control should be expanded to provide more information on the management of valuation risk.

The Board further discussed whether IVS was light on outcome risk, but felt that this was largely dealt with professional judgement providing the judgement was reasonable.

The Board felt that it would be useful to examine each section of IVS to see how it deals with valuation risk.

The Board discussed whether the definition of “*Value*” contained within the IVS Glossary should state that value is an estimate.

The Board also discussed that whereas price was observable, value was subjective.

The Board noted that the existing definitions of price and value within the IVS Glossary may need revising as they could be the cause of some confusion.

The Board further noted that whereas price was largely a historically observed fact, value was an estimate.

The Board also noted that the objective of the valuation process was to provide an estimate of value.

The Board also noted that whereas price was observable, value was not observable.

The Board considered revising the definition of value as follows (**proposed revisions shown in red**):

*Value (noun): The valuer's **estimated** quantitative conclusion on the results of a valuation process that is fully compliant with the requirements of IVS as of a valuation date.*

The Board discussed range but felt that the reasonable range could vary according to the complexity and volatility of the asset and/ or liability.

The Board further discussed reasonable range but felt that this was more of a disclosure question, which would vary according to the intended use, intended user and the scope of work.

The Board noted that reasonable range was more applicable to business valuation and financial instruments valuation.

The Board further noted that whether a reasonable range was required varied according to the valuation instruction but did not necessarily need to be a requirement within IVS.

The Board discussed that that all valuation were estimates provided at a point and noted that two valuers could provide different values, both of which could be in a reasonable range.

The Board noted that reasonable range related to disclosure and that it was helpful for the valuer to disclose areas of valuation uncertainty.

The Board discussed Model Risk and Model Audits and how the valuer might pick a value at the lower end of the range.

The Board further discussed how there could be bias within the range.

The Board noted that the concept of reasonable range was quantitative whereas an estimate was qualitative.

The Board agreed that if the valuer was engaged to provide a range, then this would not be outside IVS.

The Board noted that valuation was not just provided for financial reporting and valuation could also be provided for other purposes where a range was not required.

The Board was provided with the following examples of valuation where reasonable range was not required:

- Compensation
- Disputes
- Secured Lending
- Taxation

Some members of the Board felt that the concept of reasonable range was unhelpful as it could be interpreted as the valuer being uncertain about the valuation.

IJ pointed out that reasonable range applied to most Fair Value valuations but also noted that buyers and sellers can have different perspectives so there can be different ranges.

The Board discussed whether it was reasonable for two valuers to come up with different opinions or estimates and felt that this was reasonable but partly depended on the asset, information being provided and the extent of the range.

The Board discussed whether the Scope of work could include reasonable range but no conclusion was reached.

Some Board members felt that the fact that a valuation was an estimate/opinion of value implied that there must be a reasonable range within this estimate.

The Board discussed reasonable range further and noted that any reasonable range would have to be justified under valuation uncertainty.

The Board further discussed how reasonable range would require quality control And a benchmark to test the reasonable range against.

The Board continued to discuss how two valuers following IVS could come up with separate values and how both Values could be equally correct as they were within a reasonable range.

The Board discussed the variation in fairness opinions and how a reasonable range could be helpful to provide greater consistency.

The Board generally felt that the inclusion of reasonable range conflicted with a principle based standard and related more to court deliberations.

Further to discussion the Board felt that reasonable range was a complex topic and could be a good topic for a future perspectives paper within the Valuation Risk series of perspectives papers.

The Board generally had no issue with the draft valuation risk perspective paper but wanted some of this discussion reflected in final revisions to the perspective paper.

The Board also noted that the definition of value needed to be changed to incorporate the word estimate.

The Board did not feel that the current definition of valuation risk within IVS needed to be changed though did feel that it would be helpful to provide more guidance through a series of perspectives papers on this topic.

Next Steps

The draft “2024.11.12. *Valuation Risk*” perspectives paper be revised to reflect the points raised during this meeting.

The IVSC SRB valuation risk working group is to consider changing the nomenclature for “*Valuation Uncertainty*” within the chart is to be changed to either “*Value Risk*” or “*Value Uncertainty*”.

Agenda Consultation Current and Future Topic Responses

(2024.11.20. IVS Agenda Consultation Presentation Final and 2024 .11.07 - IVS Agenda Consultation Responses)

IVSC Agenda Consultation Responses - Current Topics (0-2 Years) **(Private vs Public Markets, Weighting of Inputs or Outputs)**

The Board discussed the Agenda Consultation responses on the following Additional Current Topics:

- *Capital Structure Considerations*
- *Digital Assets*
- *Discounts and Premia*
- *Investigations and Evidence*
- *Internally Generated Intangible Assets*
- *Model Calibration*
- *Private vs Public Markets*
- *Prudential Value for Immovable Assets*
- *Trophy Assets*
- *Valuation Adjustments for Financial Instruments*
- *Weighting of Inputs and Outputs*

The Board was further advised that the majority of respondents agreed with the proposed additional topics for consideration in the next two years. (89% yes, 6% no and 5% no response)

The Board discussed the process for considering the Additional Current Topics and agreed that these topics should initially be considered by the IVSC Asset Boards.

Next steps

BVB, FIB and TAB to consider the Agenda Consultation responses on the Additional Current Topics.

IVSC Agenda Consultation Responses – Future Topics (2 Years plus)

The Board discussed the Agenda Consultation responses on the following Future Topics:

- *Agricultural and Plantation Land /Biological Assets*

- *Bases of Value*
- *Compulsory Purchase*
- *Early-Stage Businesses*
- *Insurance Valuations*
- *Quality Control and Individual Valuer*
- *Transfer Pricing*
- *Valuation Reviews*

The Board was further advised that the majority of respondents agreed with the proposed future topics for consideration beyond the next two years. (84.5% yes, 6% no and 9.5% no response)

The Board discussed the process for considering the Future Topics and agreed that these topics should initially be considered by the IVSC Asset Boards.

Next steps

BVB, FIB and TAB to consider the Agenda Consultation responses on the Future Topics.

Agenda Consultation Next Steps (*working groups for responses, etc. and outputs*)

The Board briefly discussed Agenda Consultation next steps and agreed that the Asset Board should consider the responses for the additional current and future topics and make recommendations to the Board.

The Board discussed the creation of additional SRB standard setting working groups such as an IVSC SRB Glossary working group but considered that this should be an Agenda for the next IVSC SRB conference call.

The Board was r advised that AA would draft an IVS Agenda Consultation Basis of Conclusion to be considered by the Board.

The Board generally considered the Draft Basis of conclusion and felt that the Agenda Consultation presentation could form a large part of the Agenda Consultation Basis of Conclusions.

Next steps

AA to include the creation of new IVSC SRB working groups as an agenda item for the next IVSC SRB conference call. AA to draft the IVS Agenda Consultation Basis of Conclusion to be considered by the Board.

Public Meeting

(2024.11.20. IVS Agenda Consultation Presentation Final)

Agenda Consultation Review

The Board provided a presentation on the IVS Agenda Consultation and generally discussed the responses received.

Next steps

None.

IVS Conceptual Framework

((IASB Conceptual Framework)

Conceptual Framework IVSC Intended User Discussion

The Board had a general discussion in relation to the creation of an IVS Conceptual Framework.

The Board briefly reviewed the IASB Conceptual Framework and were advised that the conceptual Framework needed to state the ultimate intended user for IVS.

The Board was advised that this was a difficult project and took the IASB several years to complete.

RS used AI to see if it could provide a preliminary strawman conceptual framework.

The strawman highlight one of the disadvantages of AI as though it produced a preliminary strawman Conceptual Framework it was based on IFRS and not really relevant to IVS.

The Board noted that further details would be contained in the IOSCO review report and would consider further when more details were provided.

The Board asked AA to include the IVS Conceptual Framework as an agenda item for the next SRB conference call.

Next steps

AA to include the IVS Conceptual Framework as an agenda item for the next SRB conference call.

IVS and Financial Reporting

IVS and Financial Reporting Discussion

The Board was advised that from a preliminary meeting with IOSCO it seemed likely that their report would include a recommendation for greater interconnection with IFRS.

The Board discussed that it may be necessary to revised the Introduction of IVS 100 to provide greater detail on the integration of IVS with other standards such as IFRS.

The Board further discussed how though IFRS was only related to financial reporting IVS related to all aspects of valuation including such as litigation and taxation.

The Board noted that any revisions to IVS in relation to its use for financial reporting needed to be balanced with sections on the use of IVS for other purposes.

Next steps

The Board asked AA to include the IVS and Financial Reporting as an agenda item for the next SRB conference call.

Administration

AOB

There was no other business, so the chair thanked the Board for their attendance and closed the meeting.