

IVSC SRB Public Meeting Update November 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 held a virtual public meeting on 29th November 2023. The IVSC SRB public meeting Agenda was as follows:

1. Welcome and Attendance
(2023.11.29. IVSC SRB Conference Call Agenda V1 PDF)
2. IVSC SRB Meeting Update October 2023– All
(IVSC SRB October Meeting Update 2023)
3. Introduction of Approval of publication of IVS (Effective 31 January 2025)
4. Confirmation that due process has been followed
5. Board comments on IVS (Effective 31 January 2025)
 - *SRB Summary of Revisions since consultation - Susan DuRoss/Alexander Aronsohn*
 - *BVB Summary of revisions since consultation – Richard Stewart/Nicolas Konialidis*
 - *FIB Summary of revisions since consultation – Thomas Lee/Kumar Dasgupta*
 - *TAB Summary of revisions since consultation – Kim Hilderbrandt/Alex Aronsohn*
6. Any other comments from SRB
7. Vote on whether there have been substantial changes since the Exposure Draft such that re-exposure is necessary (Yes/No)
8. Vote for approval of publication of final revised content of IVS (Effective 31 January 2025) on 31 January 2024 (Yes/No)
9. 2023.11.22. IVS (Effective 31 January 2024) Publication Timetable
(2023.11.22. IVS (Effective 31 January 2025) Publication Process and Timetable and 23.08.23. IVSC Publication Schedule)
10. IVS Agenda Consultation Topics and Process
(IVS Agenda Consultation Summary of Responses Published Final and 2023.11.22. Proposed Agenda Consultation Topics)
11. Upcoming meeting dates and closing comments
 - *26 February – 1 March 2024 (New York)*
 - *13 May – 17 May (TBC)*
12. AOB

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

1. Welcome and Attendance

SD welcomed the Board, stakeholders and other observers to the public meeting.

SD advised that today was an exciting meeting as it was a culmination of two years work from the SRB and Asset Boards to update IVS in readiness for publication in January 2024.

2. IVSC SRB Meeting Update October 2023 (IVSC SRB October Meeting Update 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 SRB.

Next steps

None.

3. Introduction of Approval of publication of IVS (Effective 31 January 2025)

SD advised that today's meeting is a public meeting to approve the proposed IVS Standards, effective 31st January 2025.

SD further advised that it is an exciting meeting and added that the Standards Review Board and Asset boards have been working for over 2yrs to modernise IVS.

SD added that as part of this process the SRB have included the following additional topics within IVS:

- *Valuation Quality Controls*
- *Data and Inputs*
- *Valuation Models*
- *Documentation*

SD further added that as part of this process the Boards had tried to improve the clarity and flow of IVS.

SD advised that this process initially began with our previous Chair, Mark Zyla, who led us through much of the development of the proposed IVS.

SD further advised that as part of the IVS Exposure Draft presentation the Board had provided numerous presentations on the Exposure Draft including:

- *6 public meetings (incl. CFA, S&P and Advisory Forum).*
- *29 other presentations aimed at key stakeholders.*

SD also advised that the revised IVS was officially exposed for public comment from 18th April 2023 until 28th July 2023. The Board was advised that consultation process was for three months, which was in line with the due process requirements of 30 to 90 days.

SD added that in accordance with the Due Process requirements, the Boards used their best judgement to

- *Consider all comments.*
- *Determine changes to be made.*
- *Address significance of the change.*

SD further added that today, the Board Chairs and senior technical staff will

- *Summarize the significant changes since the Exposure Draft went into public consultation.*
- *Advise the Board on whether due process has been followed.*

SD also added that during the course of today's public meeting the Board will vote on;

- *Whether there has been substantial change to the exposed document that would require re-exposure*
- *Final approval of proposed Standards*

SD advised that as per the bylaws, a quorum is 2/3rds, and a majority vote is needed for publication approval.

Next Steps

None.

4. Confirmation that due process has been followed

AA to advise the Board that they had all received the *"2023.11.22. IVS 2024 Publication Process and Timetable"*, which provide a detailed summary showing that the IVS Processes has been followed.

AA provided the following shortened summary of the due process.

AA advised that to date, the Standards Review Board and Asset Boards (*Business Valuation Board, Financial Instruments Board and Tangible Assets Board*) have followed all of the requirements for a new IVS, including due process for:

- Development of proposed International Valuation Standards. *(see page 4)*
- Consideration of Respondents' Comments on an IVS Exposure Draft. *(see page 5)*
- Interaction with IVSC's Advisory Forum. *(See page 5 to 6)*

AA further advised that in advance of the meeting all Asset Boards have already:

- *Approved publication of the revised Asset Standards.*
- *Submitted them to the SRB for final publication approval.*

The Board was also advised that the Board is currently at the final stage of the due process for publication, which comprised:

- a) consideration of the need for Re-Exposure*
- b) approval of an International Valuation Standard by the SRB*

AA added that both these matters would be dealt with under agenda items 7 and 8 of today's meeting.

SD asked AA if *"in your judgement, has due process has been followed with proper regard for the public interest?"*

AA confirmed that *"due process has been followed with proper regard for the public interest"*.

Next Steps

None.

5. Board comments on IVS (Effective 31 January 2025)

In respect of the IVS Exposure Draft consultation process AA advised as follows;

- *IVS was in consultation for 3 months from 28th April 2023 until 28th July 2023.*
- *116 consultation responses received -greater global outreach than previous consultations. (Global 15% i.e. multinational organisations, Africa 9%. Americas 17%. Asia Pacific 32%, Europe 24%, Middle East 3%)*
- *SRB set up four working groups to review the IVS General Standards and reviewed responses on an individual basis.*
- *Majority of respondents agreed to proposed changes.*

SRB Summary of Revisions since consultation

SD provided the following summary of key changes made to the IVS General Standards since consultation:

- *Review of use of “must” and “should” for consistency.*
- *Additional Guidance on how IVS integrates with Reporting Standards.*
- *Definitions for AVM, Data, ESG, Input, Observable Data, Professional Scepticism and Valuation Review now included.*
- *Sections on Specialist and Service Organisation combined as same requirements.*
- *Section on Assumptions and Special Assumptions divided to provide additional clarity.*
- *Review of requirements for quality control and ESG.*
- *Additional clarity provided for sections on compliance, data and input characteristics and valuation model characteristics.*
- *Revisions to section on Valuation Review – now called valuation process review and value review.*

SD asked AA in respect of the IVS General Standard if *“in your judgement, has due process has been followed with proper regard for the public interest?”*

AA confirmed that *“due process has been followed with proper regard for the public interest”*.

BVB Summary of revisions since consultation

RS provided a summary of changes in relation to the IVS Business Valuation Standards since consultation.

RS advised that there had been minimal revisions to the Business Valuation Standards since consultation.

RS further advised that the *majority of respondents agreed to proposed revisions and that IVS 200 -230* effectively represent current international best practice and that the existing Business Valuation Standards are congruent with proposed changes to IVS.

RS provided the following summary of key changes made to the IVS Business Valuation Standards since consultation:

- *Revisions to standards made to provide additional clarity.*
- *Review of use of “must” and “should” for consistency.*
- *References updated.*

SD asked NK in respect of the IVS Business Valuation Standards if *“in your judgement, has due process has been followed with proper regard for the public interest?”*

NK confirmed that *“due process has been followed with proper regard for the public interest”*.

FIB Summary of revisions since consultation

TL advised that in respect of the IVS Financial Instruments Standards there had been two financial instruments Exposure Draft issued during the past two years and that the majority of respondents agreed to proposed changes.

TL provided the following summary of key changes made to the IVS Financial Instrument Standards since consultation:

- Review of use of “must” and “should” for consistency with IVS General Standards.
- Review of sections on Data and Inputs and Valuation Models to ensure alignment with the IVS General Standards
- Review of sections on Quality Control.
- Review of requirements for Review and Challenge, Valuation Control Framework, Valuation Model Use and Documentation

SD asked KD in respect of the IVS Financial Instrument Standards if *“in your judgement, has due process has been followed with proper regard for the public interest?”*

KD confirmed that *“due process has been followed with proper regard for the public interest”*.

TAB Summary of revisions since consultation

KH advised that the IVSC Tangible Assets Board had set up three working groups to review tangible asset responses and reviewed responses on an individual basis.

KH further advised that the majority of respondents agreed to proposed changes though some respondents requested some additional clarification and guidance. KH provided the following summary of key changes made to the IVS Tangible Asset Standards since consultation:

- *Consequential amendments in line with revisions to IVS General Standards.*
- *Review of use of “must” and “should” for consistency with IVS General Standards.*
- *Some minor text revisions to provide additional clarity.*
- *Data and Inputs section revised to reflect relevant and observable data.*
- *Additional requirements in relation to consideration of ESG factors.*
- *Valuation Models section revised to reflect use of appropriate valuation models.*
- *Reporting Section revised to reflect revised documentation requirements and revised definition of valuation review (valuation process review and value review).*

SD asked AA in respect of the IVS Tangible Asset Standards if *“in your judgement, has due process has been followed with proper regard for the public interest?”*

AA confirmed that *“due process has been followed with proper regard for the public interest”*.

Next Steps

None.

6. Any other comments from SRB

SD asked the SRB if there are any other comments in relation to the publication of IVS (effective 31 January 2025)

DL advised that he had been struggling with whether potential re-exposure of IVS was required and had been balancing this against the market need for the new standards incorporated in IVS.

DL further advised that on balance he felt that no re-exposure was necessary.

DL acknowledged that the due process had been followed but felt that the due process could be improved as in some instances further details of the process was required.

RH advised that he empathised with these thoughts and had many similar thoughts himself.

SD thanked DL and RH for their comments and advised them that Due process would be a key agenda item at the SRB physical meeting in February 2025.

Next Steps

AA to include due process as a key agenda item at the SRB physical meeting in January 2025.

7. Vote on whether there have been substantial changes since the Exposure Draft such that re-exposure is necessary (Yes/No)

AA advised, to avoid any confusion, that the Board would now vote on whether there have been substantial changes since the Exposure Draft such that re-exposure of IVS is necessary.

AA further advised that if Board members felt that no re-exposure of IVS was necessary then the correct answer in this instance is no.

AA asked each of the Board members for their answer to the question and all fourteen Board members unanimously agreed that no re-exposure was necessary.

Next Steps

None.

8. Vote for approval of publication of final revised content of IVS (Effective 31 January 2025) on 31 January 2024 (Yes/No)

AA advised that the Board would now vote on publication of final revised content of IVS (Effective 31 January 2025) on 31 January 2024.

AA further advised, to avoid any confusion, that if Board members that if they approved the publication of final revised content of IVS (Effective 31 January 2025) on 31 January 2024 then the correct answer in this instance is yes.

AA asked each of the Board members for their answer to the question and all fourteen Board members unanimously approved the publication of final revised content of IVS (Effective 31 January 2025) on 31 January 2024.

Next Steps

None.

9. 2023.11.22. IVS (Effective 31 January 2024) Publication Timetable

AA advised that the publication dates for IVS (effective 31 January 2025) were as follows:

- *IVS (Effective 31st January 2025) – to be published online on the 31st of January 2024*
- *IVS Red Line – to be published online on the 31st of January 2024*
- *IVS Basis of Conclusions – to be published online on the 31st of January 2024*
- *IVS Consultation Responses – to be published online on the 31st of January 2024*

AA further advised that the hard copy of IVS (Effective 31st January 2025) was to be sent to the publishers' post publication of the online copy and also advised that the hard copy would be published several weeks later.

Next Steps

Technical Director to provide the Board with regular progress updates.

10. IVS Agenda Consultation Topics and Process

AA advised that the structure of the IVS Agenda Consultation would be similar to the previous Agenda Consultation structure, which was as follows;

- *Introduction*
- *IVS Gap Analysis*
- *Automated Valuation Models (AVMs)*
- *Environmental, Social and Governance (ESG)*
- *Long-term Value*
- *Social Value*

- *Uncertainty and Risk*
- *Data Management*
- *Appendix: IVS 2017 Gap Analysis Invitation to Comment Update*

AA further advised that the prioritisation for key topics will be as follows:

- *Short Term* 0 to 2 years
- *Medium Term* 2 to 4 years
- *Long Term* 4 to 6 years

AA also advised that key Topics to be included in the Agenda Consultation would include background, scope and questions for respondents.

AA added that so far the SRB has agreed the following key topics to be included in the consultation:

AI and AVMs

ESG

Valuation Risk and Valuation Uncertainty

AA asked the Board if there were any other topics that should be included in the consultation.

Digital Assets

The Board discussed the key topics, and the topic of crypto currency was raised as an emerging area .

The Board noted that the current practice in relation to the valuation of crypto currency was quite divergent and the economics of how crypto currency worked was not generally well understood.

The Board further noted that several IVSC stakeholders were also exploring this issue and are seeking to clarify issues in relation to the valuation of these assets, these assets and unify valuation practice.

The Board also noted that crypto currency was a fast-developing field and that the correct term was digital assets and crypto currency was a subset of digital assets.

The Board also noted that digital assets also related to block chain and agreed that this topic should be explored further post the Agenda consultation.

The Board agreed that not only was this a key topic for the agenda consultation as it crossed all the boards, but also a good topic for a future perspective paper.

The Board discussed drafting a perspective paper exploring how the IVS General and Asset standards could apply to the valuation of digital assets and whether additional standards were needed for this evolving asset class.

The Board decided to wait for responses from the agenda consultation prior to proceeding with drafting a perspectives paper on this issue.

Valuation Risk and Valuation Uncertainty

The Board discussed valuation risk and felt that valuation uncertainty and reasonable range should also be included under this topic.

The Board discussed the agenda consultation and agreed that it should explore how valuers think about valuation risk and uncertainty and how can it be addressed in valuations.

The Board also felt that it would be helpful to reach out to valuation stakeholders to understand their requirements in relation to valuation risk and uncertainty.

The Board also discussed the definition of valuation risk and noted that the current definition contained in the revised IVS glossary was a holding definition and further research of existing definitions was required.

The Board received a comment that there was a difference between valuation uncertainty, valuation risk and market risk and the board agreed with this comment and planned to discuss this issue within the agenda consultation.

Next Steps

Technical Director to include Digital Assets as a key topic within the Agenda Consultation.

11.Upcoming meeting dates and closing comments

- ***26 February – 1 March 2024 (New York)***

The Board was advised that the SRB and Asset Boards would be meeting in New York between 26th February and 1st March 2024.

The Board was further advised that the Asset Boards would be meeting on the 26th and 27th February and the morning of the 28th February 2024.

The Board was also advised that the SRB would be meeting on the afternoon of the 28th February and on the 29th February and the 1st March 2024.

The Board was also informed that there would be a joint meeting for all the Boards on the evening of 27th February 2024.

Next steps

The Board to begin booking tickets for their New York meeting.

- ***13 May – 17 May (TBC)***

The Board discussed potential locations for the May meeting and agreed that the location for these meetings should also include consideration of opportunities for stakeholder engagement.

The Board also discussed London and Portugal as potential meeting for the May meeting, but no decision was taken.

The Board felt that it would be helpful carrying out a review of previous Board meetings prior to coming to a decision.

Next steps

Technical Director to carry out a review of locations for previous board meetings.

12.AOB

SD asked the Board if there was any other business and as there was no other business SD thanked the Board members and observers for their attendance and closed the meeting.