



Circular No. CFC 01/2022

29 June 2022

To: Holders of a Capital Markets Services Licence for conducting the regulated activity of Real Estate Investment Trust (“REIT”) Management under the Securities and Futures Act (Cap. 289) (“REIT Managers”)

Dear Sirs

APPOINTMENT OF SAME INDEPENDENT VALUER FOR PERFORMING DESKTOP VALUATION IN RESPECT OF INTERIM FINANCIAL REPORTING UNDER FINANCIAL REPORTING GUIDANCE 3

The Institute of Singapore Chartered Accountants (“ISCA”) issued Financial Reporting Guidance 3 (“**FRG 3**”) on 3 May 2021 to aid issuers in understanding the implications of SGX Listing Rule 705(3A) to their interim financial statements and to highlight the key areas to take note of when preparing a set of interim financial statements under Singapore Financial Reporting Standards (International) (“**SFRS(I)**”) 1-34 or International Accounting Standards (“**IAS**”) 34. ISCA noted that a key area of focus an issuer should consider when preparing interim financial statements is the appropriateness of significant judgements and estimates made. In particular, an issuer whose investment property accounting policy is the fair value model under SFRS(I) 1-40 Investment Property should ensure that the fair value measurement of investment properties in the financial statements is appropriate, both for financial year end reporting and interim reporting.

2 MAS has received feedback from the industry that to comply with FRG 3, a REIT would minimally require a desktop valuation of its properties to be performed when preparing its interim financial statements. The industry also noted that in a year where a new valuer is appointed in compliance with paragraph 8.3(e) of Appendix 6 of the Code of Collective Investment Schemes (the “**Property Funds Appendix**” or “**PFA**”) ¹, the new valuer would in practice insist on performing a full valuation for its first report even if it is an interim report, as the new valuer has to familiarise itself with the properties. However, to commission a full valuation for such purpose is costly and such costs would be borne by the REIT, which would ultimately reduce the distribution available for unitholders. For half-

¹ Under paragraph 8.3(e) of the Property Funds Appendix, a valuer should not value the same properties of a REIT for more than two consecutive financial years.

yearly financial reporting, the last full valuation would have been performed six months before and the next full valuation will be performed six months after. Performing two full valuations within a few months may provide limited usefulness.

3 To facilitate the preparation of the interim financial statements in accordance with FRG 3, and taking into account feedback from the industry, MAS will waive the requirement under paragraph 8.3(e) of the PFA. A REIT may therefore appoint a valuer who had valued a property of the REIT for the past two consecutive financial years to perform a desktop valuation of the same property for the purposes of interim financial reporting in the third financial year. For the avoidance of doubt, the annual full valuation for the third consecutive financial year would need to be performed by a different valuer as required under paragraph 8.3(e) of the PFA.

4 If you have any queries on this matter, please contact your MAS officer-in-charge.

Yours faithfully

KEE RUI XIONG
EXECUTIVE DIRECTOR
CORPORATE FINANCE & CONSUMERS DEPARTMENT