



17 December 2013

Proposal for a New Legal Framework of valuating Real Estate Assets: An integrated approach to the Portuguese Financial System

Based on recent developments in the Portuguese real estate market and its respective impact on the Portuguese financial system, the Bank of Portugal, the Portuguese Securities Commission and the Portuguese Institute of Insurance, as members of the Financial Supervisors National Committee, issued a joint statement last December 12, 2013, on the preparation of a working document regarding the assessment and evaluation of real estate assets, which aims to contribute to increase the confidence and credibility of the evaluation of real estate assets and the activity produced by the real estate expert appraisers.

This document presents proposals to ensure an integrated approach to the assessment and valuation of real estate assets in the Portuguese financial system, aiming to strengthen the evaluation of real estate assets and work done by the real estate expert appraisers, being also established rules on the accounting valuation of these assets through the definition of criteria and periodicity for the evaluation, which must be conformed with the objectives of supervision.

Regarding the conditions under which the real estate expert appraisers must meet to carry out evaluations of real estate assets it is proposed to define a single regulatory framework, to be applied transversely to the evaluation of real estate assets in any of the three sectors of the Portuguese financial system services.

The main elements related to the management of real estate investment funds are (i) the maintenance of the obligation of existing two distinct evaluations of the real estate assets, being, in addition, required a third review in the cases where there is a difference of evaluation greater than 20% between both the appraisals; (ii) the elimination of the discretion presently given to the fund managers, being the real estate assets evaluated solely on the basis of the assessment made by real estate expert appraisers; and (iii) the reduction of the minimum frequency of evaluation of the real estate assets, being in the case of closed-ended real estate investment funds the periodicity reduced to 1 year and in the open-ended real estate investment funds this period reduced to between 6 months and 1 year.

This document is subject to public consultation until January 15 2014, [being available here](#). It shall, subsequently, be produced and released a report containing the findings of this consultation.

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