

**Code of Conduct  
and  
Code of Professional Ethics for Valuers**



**RVO ESTATE  
MANAGERS & APPRAISERS FOUNDATION**

[www.iesmarvo.net](http://www.iesmarvo.net)

## **Preamble**

Asset is the basic sources of wealth in the economy. The buyers, sellers, investors, business entities, Government, individuals should have access to unbiased, not predetermined, sound value opinion, analysis or conclusion or report for review on the wide range of issues concerning different kind of assets, namely Land & Building, Plant & Machineries and Financial or Security Assets.

By providing such service, a truthful valuer is playing a vital role on the well being of our society as well as our economy. In this way a valuer may become the cause of economic growth, stability and gain public confidence. Present situation demands transparency, consistency and avoidance of conflict of interest etc. to have the priority. There were never been such demand of insight and experience from the valuers, in the history of valuation practice.

To maintain this RVO Estate Managers & Appraisers Foundation adopted the Code of Conduct & Professional Ethics for Valuer Standard to establish the requirement of Competent and Ethical practice.

Code of Conduct is the set of guidelines that governs members' conduct and Code of Professional Ethics of Valuer means a set of rules or principal that influences on the judgement.

Code of conduct and Ethics composed mainly of two parts :

**Part 1:** This is Code of Conduct of a Registered Valuer prescribed in under the Companies (Registered Valuers and Valuation) Rules 2017. As per clause (g) of rule 7 and clause (d) of sub-rule (2) of rule 12]. *This is given in the Code of Conduct in the website [www.iesmarvo.net](http://www.iesmarvo.net).*

*Part 2 is given here, this is prepared by RVO ESMA Team in addition to the Code of Conduct of a Registered Valuer prescribed in the Rule.*

**Part 2:** Code of Professional Ethics of Valuer, as postulated by RVO Estate Managers & Appraisers foundation.

The following material also includes some further Code of Conducts.

Discussions on Professional's / Business's Ethical behavior

Threats

Some Explanations.

Competency

Scope of work

Registered Valuers who are our members (RVM) including Registered Valuer Entity (RVE) follow the requirements of this Code of Conduct & Professional Ethics for Valuer, Standard.

The obligations for all other members to act in accordance with the same codes as suitable. This ethics code applies to a various types of activities of the members ie in person, telephone, postal, internet or any electronic transmission etc. Primary members are also to comply with the points postulated in this Ethics code which are within their scope.

This code can be treated as the standard of the Code of Ethics and Code of Conduct, in this edition, it is focused on addition of some more points in ethics and endeavor to have more stream lined Standard.

**RVO ESMA Team**

## PART 2

### **Code of Professional Ethics & Conducts**

In ancient Greece, Hippocrates postulated a Code of Professional Ethics for physicians that emphasized service to the patient and the advancement of the healing arts over the comfort and profit of the physician.

Many common themes are found in the codes of ethics of various professions. Nearly all codes of ethics of various profession contain:

1. Strict requirements for ethical behavior, honesty, integrity
2. Requirements to assist the profession in enforcing its code of conduct.
3. Strict requirements regarding competent performance
4. Provisions addressing problems that can arise when a conflict exists between the interests of the client and the professional practitioner.

#### **Public Trust**

The most significant thing of any profession is its ability to promote and maintain public trust. Without which, ( that means the public to have confidence in the services provided by the professionals ) that profession will not survive. *Trust* means “faith in,” “confidence in,” “the ability to rely upon.” *Public* can be defined broadly as “all people,” or narrowly as “all people who use the professional’s services.”

Some Code of Professional Ethics and Standards of Professional Valuation Practices are adopted. The Code of Professional Ethics is composed of some Definitions, Ethical Rules , and explanatory Comments resembled with the International Valuation Standards (IVS) and USPAP.

On the basis of Fundamental Principles of Professional Ethics this codes have been adopted.

- a) **Integrity:** to be straightforward and honest in professional and business relationships.
- b) **Objectivity:** not to allow conflict of interest, or undue influence or bias to override professional or business judgement.
- c) **Competence:** to maintain the professional knowledge and skill required to ensure that a client or employer receives a service that is based on current developments in practice, legislation, and valuation techniques.
- d) **Confidentiality:** to respect the confidentiality of information acquired as a result of professional and business relationships and not to disclose such information to third parties without proper and specific authority (unless there is a legal or professional right or duty to disclose
- e) **Professional behavior:** to act diligently and to produce work in a timely manner in accordance with applicable legal requirements, technical and professional standards. To always act in the public interest and to avoid any action that discredits the profession.

## **Ethical Rule**

*If any part of an Ethical Rule is contrary to the public policy or law of any jurisdiction, such part shall be considered as void.*

Exception to the ethical rule : Ethical Rule can be violated only due to an event beyond control, such as an act of God, illness etc.

### **Ethical Rules**

#### **ER1. It is unethical to knowingly**

- i) act in a manner that is misleading or fraudulent or permit any party to use, a misleading analysis, opinion, conclusion.
- ii) communicate or third party to communicate, any analysis, opinion, conclusion, or report in a manner that is misleading;
- iii) contribute to or participate in the development, preparation, or use of an valuation, opinion, or conclusion that reasonable valuers would not believe to be justified.
- iv) It is unethical to engage in misconduct of any kind that is involving crime or fraud, dishonesty, or false statements.
- v) It is unethical to fail to identify the issue to be addressed and have the inadequate knowledge and experience to complete the service competently prior to the agreement.

**ER2. It is ethical to disclose** the lack of knowledge and/or experience to the client before agreeing to perform the service , take all steps necessary to complete the service competently; and describe the lack of knowledge and/or experience and the steps taken to complete the service competently in the report.

**ER3. It is unethical in the performance** of a service to knowingly fail to:

- vi) identify the appropriate procedure to be applied;

vii) Not to disclose other procedure, which could also be appropriate but not arriving desired result.

**ER4. A Valuer Must Develop and Report Unbiased Analyses, Opinions, and Conclusions.**

It is unethical to knowingly contribute to or participate in the development, preparation, use, or reporting of an analysis, opinion, or conclusion that is biased.

**ER5. It is unethical** to knowingly permit an entity that is wholly or partially owned or controlled by a Valuer to contribute to or participate in the development, preparation, use, or reporting of an analysis, opinion, or conclusion that is biased.

**ER6. It is unethical** to agree to provide or provide a service (valuation etc.) that is contingent upon reporting a predetermined analysis, opinion, or conclusion.

**ER7. It is unethical** to agree to or accept compensation for an Valuation, Valuation review, or Valuation consulting assignment when such compensation is contingent on the analysis, opinion, or conclusion reached, the attainment of a stipulated result, or the occurrence of a subsequent event, unless:

- a). it is appropriate to perform the assignment under the International Valuation Standards or any National standard (accepted)
- b) *Contingent fee, if any, arrangements are customary for the assignment and are permitted by appropriate national Standards; and the Valuer honestly, clearly and conspicuously discloses the existence and basis of any contingent fee in the reporting the results of the assignment. Some*

*standard may allow this when the situation badly needs. Ethically it should not be charged.*

**ER8. It is unethical** to agree to provide or provide a service that includes a hypothetical condition, unless: use of the Special Assumption of IVS\* or hypothetical condition as per USPAP\*\* is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison; and use of the hypothetical condition results in a credible analysis.

**ER9. It is unethical** to agree to provide or provide a service that includes an extraordinary assumption as the term coined in USPAP or special assumption, the term coined by IVS unless: the extraordinary assumption is required to properly develop credible opinions and conclusions the Valuer has a reasonable basis for the extraordinary assumption use of the extraordinary assumption results in a credible analysis and the Valuer should disclose the applicable requirements for the purpose of extraordinary assumptions.

**ER10. It is unethical** to agree to provide or to provide a service if a valuer has any direct or indirect, personal interest in the subject or outcome of the service or with respect to the parties involved in the service, unless: prior to agreeing to provide the service, the Valuer carefully considers the facts and reasonably concludes that his or her judgment will not be affected under the same circumstances, would reach the same conclusion.

\* IVS : International Valuation Standard

\*\*USPAP Uniform Standard of Professional Appraisers Practice

**ER11. It is unethical**, during the period that commences at the time that a Valuer is contacted concerning a service and expires a reasonable length of time after the completion of such service, to knowingly acquire an interest in property or assume a position that could possibly affect the Valuer's judgment or violate the Valuer's responsibilities to the client .

A Valuer Must Not Violate the Confidential Nature of the Valuer-Client Relationship

**ER12. It is unethical** to disclose confidential information or an analysis, opinion, or conclusion specific to a service (Valuation, Valuation Review, Valuation consulting) to anyone other than the client and those persons specifically authorized by the client Unless the Valuer er is legally required to do so by statute, ordinance, or court order.

**ER13. A Valuer Must Not** Advertise or Solicit in a Manner that is Misleading or Otherwise Contrary to the Public Interest.

**ER14. It is unethical** to utilize misleading advertising.

**ER15. It is unethical** to knowingly permit a business entity that is wholly or partially owned or controlled by a Valuer to utilize misleading advertising.

**ER16. It is unethical** to solicit services in a misleading manner. Further,

**ER17. it is also unethical** to knowingly permit an entity wholly or partially owned or controlled by a Valuer to solicit services in a misleading manner.

**ER18. It is not prudent** to fail to disclose the payment by the Valuer, or by an entity wholly or partially owned or controlled by the Valuer, of a fee, commission, or thing of value for the procurement of a service. The disclosure of fees, commissions paid in connection with the procurement of a service should appear in the certification of any resulting written report and in any transmittal letter in which an analysis, opinion, or conclusion is stated.

**ER19. It is unethical** to prepare or use in any manner a resume or statement of qualifications that is misleading.

**The Code of Ethics comprises two parts:-**

**A:** *Public Statement of the principles, values and behaviour expected from Registered Valuer Members:*

**ER20. COMPLIANCE WITH STANDARDS**

Valuers shall, at all times, observe the requirements of the Code of Ethics and Rules of Conduct.

**ER21. PROFESSIONAL DUTY**

It is the duty of Valuers to render service to their clients and employers with fidelity, to practice their vocation with integrity, honour and professionalism, to act impartially and objectively when providing independent advice, and to respect the public interest.

**ER22. COMPETENCE**

A Valuer shall not accept order in a matter where, based on a reasonable objective standard, the Valuer does not have the competence, skill and/or experience to complete the assignment, unless the assignment is completed in conjunction with a qualified and suitably experienced practitioner.

**ER23. CONFLICT OF INTEREST**

Valuers shall consider and identify any actual or potential conflict of interest when carrying out their professional duties. He will not act in a matter where such conflict or potential conflict has been identified by the Valuer or any other interested party unless all interested parties have been made aware of the situation and have consented to the Valuer continuing in the task.

**ER24. CONFIDENTIALITY**

Valuers must maintain the requirements of confidentiality in their dealings with clients and the public.

**ER25. THE PROFESSION**

Valuers shall at all times conduct business in a manner befitting their profession in accordance with reasonable public expectations.

**B: Rules of Conduct**

The following clauses are an expansion of the preceding public statement.

*B. Professional and Personal Conduct*

**ER26.** Valuers shall conduct their professional duties and activities in a manner that reflects credit upon themselves and their profession.

High standards of competence, honesty, loyalty, integrity and fairness shall be observed at all times.

**ER27.** Valuers shall not accept an assignment that is contingent upon or influenced by any condition or requirement for predetermined results where the exercise of objective judgment is required. Valuers shall maintain the strictest impartiality in undertaking their professional duties.

**ER28.** No Valuer shall adopt the role of advocate in a case where their duty is to exercise independence and impartiality.

**ER29.** No Valuer shall allow the performance of their professional duties to be improperly influenced by the needs or preferences of a client or other party.

**ER30.** No Valuer shall rely upon critical information supplied by a client without appropriate qualification or confirmation from other sources.

**ER31.** No Valuer shall act in any other way inconsistent with the duties of independence and impartiality.

**ER32.** Valuers in providing a valuation of real property or an opinion on a valuation matter must give a considered and reasoned answer. A Valuer's professional advice must be prepared to the highest standards of competency and rendered only after having properly ascertained and weighed the facts.

**ER33.** Valuers shall not claim or present professional qualifications which may be subject to erroneous interpretations or which they do not possess.

**ER34.** Valuers shall not maliciously or carelessly do anything to injure, directly or indirectly, the reputation or business of other Valuers.

*Instructions, Inspections, and Reports*

**ER35.** Instructions accepted by Valuers should preferably be in writing and/or be confirmed in writing by the Valuer with sufficient detail to avoid any misinterpretation. Any variations or extensions of the original instructions should similarly be confirmed in writing.

**ER36.** Valuers shall not accept instructions beyond their competence;

**ER37.** A valuation shall not be performed by a Valuer without an inspection of the asset concerned. The necessary inspection shall in all cases be sufficiently comprehensive to enable the Valuer to complete the valuation.

**ER38.** A Valuers shall not reproduce any work or reference prepared and presented by any other Valuer, person, body or authority which creates the impression that it is their own. (In India case laws are generally taken for example).

**ER39.** Valuers shall include in reports reference to any relevant assumptions, conditions, requirements and limitations arising from their instructions or enquires, or imposed from any other source.

**ER40.** Valuers shall accept full responsibility for the content of their reports. Where the report relies on professional opinion from outside experts, the degree of reliance must be indicated.

The following portion of Ethical Rule & Code of Conduct of the members of RVO ESMA (*generally, it is given at the time of training before COP*)

**ER41.** If a member knowingly acts in a misleading or fraudulent manner when providing a valuation service or engaged in an activity unrelated to the valuation service, but which is detrimental to RVO ESMA, the member would disrepute the profession and RVO ESMA. Action will be taken against the member.

Example 1 If a member prepares report knowingly which is misleading to the users and with improper conclusion, that would be a violation of the ethical rule.

Example 2 If a member is engaged in brokerage of the same asset on which the member is opining.

Example 3 If a member misleads RVO ESMA in any manner.

**ER42.** A misleading analysis, opinion, conclusion report, which harms the public interest that results in disrepute to the profession as well as RVO ESMA. On and above the public and client reliance on the profession and on the RVO will be jeopardised.

Example 1 A valuer knowingly develop a misleading comparison chart

Example 2 A valuer knowingly mislead in assuming appropriate depreciation

Example 3 A valuer knowingly mislead in assuming appropriate obsolescence type

**ER43.** A member should use its opinion in a justified manner, otherwise it would harm the repute and undermine the respect and public confidence on the particular valuer as well as on RVO ESMA.

**ER44.** Ethical rule prohibits a Member contributing or participating in the development of analysis, opinion or conclusion that a reasonable valuer would not believe to be justified.

Example If a Valuer uses unjustified weight age in comparison chart which misleads the analysis, opinion or conclusion – this is against the ethical rule.

**ER45.** Confidentiality encourage for Members to advance their knowledge, latest updation through attending Continuous Education Program and peer review programs which meets the stringent requirements of these processes. Discouraging these processes are against the Ethical rules.

**ER46.** Natural justice on value opinion should not be deprived by any means of acts and rules or different complicated jargons. Excuses for mislead Value opinion for these reasons are against the ethical rule.

**ER47.** Members should be fully honestly corporate with RVO ESMA.

**ER48.** As a member of RVO ESMA they agree to comply with the Bylaws, Regulations and Code of Conduct and Ethics code of RVO ESMA. Members cannot enter into a contract that is inconsistent with these by avoiding obligations.

**ER49.** Members must ensure that their client must understand and agree that the Member develops the Value opinion conforming to the

Standard adopted by RVO ESMA and Bylaws, Regulations and Code of Conduct and Ethics code.

**ER50.** As the role of a Member to serve in our society and the global economy, the public interest demands that the Members must provide the unbiased opinion and conclusion. The Ethical rules prohibit a Member from providing a biased opinion and conclusion.

**ER51.** The Ethical rules prohibit a Member from providing a predetermined opinion and conclusion. Actual and perceived predetermined result will undermine the profession. Actual means the request for pre determined result comes from the client. Perceived means if the Valuer is interested to opine a pre determined result .

**ER52.** The Ethical rules also prohibit a member from holding special assumptions as per IVS or extra ordinary assumptions or hypothetical condition as per Uniform Standard of Professional Appraisal Practice (USPAP) when it is unnecessary. It must be justified to proceed through such assumptions.

**ER53.** A Member will violate the Ethical rule by signing a report without or partially going through the report itself. If the report is a wrong one, the Member's contribution or participation in the report will attract its responsibility to develop a biased report knowingly. Co-signatories to reports shall indicate the extent of their involvement or the capacity in which they are signing.

**ER54.** An Ethical responsibility cannot be avoided by a Member by doing a particular job indirectly, which cannot be done directly. If a Valuer Member does a Value opinion indirectly, he or she will be held responsible also for the job.

**ER55.** Confidentiality is a critical component between a Member Valuer and its client. A Member does the valuation opinion which based on the Client's confidential information. The Client has a legitimate interest on the opinion, conclusions made by the Member Valuer, because the client has paid to the Valuer member for rendering the service. A Valuer Member must use these data in the market judiciously / rationally without causing any harm to the client.

**ER56.** A valuer member can not declare the value of the property publicly if not permitted by the client.

Example: If a client is telling confidentially to a Valuer Member about selling an asset in certain value, the same data if used by the Valuer Member to make a comparison statement of another valuer before the sale is made, will be in violation of Ethical Rule.

**ER57.** A valuer Member is to avoid an assignment if the request from the client harms ethical rule.

**ER58.** The Client of a Valuer Member must understand that the information of the client to be shared with the appropriate committee of the RVO ESMA if asked for. It is the duty of a Valuer Member to make its client understand about this.

**ER59.** It is unethical to knowingly violate the rules set forth in the Code of Conduct of RVO ESMA.

**ER60.** It is unethical to violate the rules that govern the confidentiality of a peer review proceedings.

**ER61.** It is unethical for a Valuer member who has made a referral initiating a peer review proceeding to fail to treat such knowledge confidentially.

**ER62.** It is unethical to knowingly to ignore environment issue or hazardous material use issue.

**ER63.** It is unethical to knowingly to ignore any acquisition issue pending by the Government or any appropriate authority.

**ER64.** It is unethical to knowingly to make false statement or misleading information to IBBI or RVO ESMA or it's any committee/ sub committee or any Court of Law or any authorised agency on demand.

**ER65.** It is unethical to knowingly fail to promptly answer all the relevant questions when requested to do so by IBBI or RVO ESMA or it's any committee/ sub committee or any Court of Law or any authorised agency.

**ER66.** It is unethical to knowingly fail or refuse to promptly produce any relevant document or information which is in the possession of a member, if requested by RVO ESMA.

**ER67.** It is unethical to knowingly fail or refuse to a personal interview or to take call over telephone when requested to do so by IBBI or RVO ESMA or it's any committee/ sub committee or any Court of Law or any authorised agency.

**ER68.** It is unethical to knowingly to not to comply a summons issued.

**ER69.** It is unethical to knowingly fail or refuse to cooperate with the IBBI or RVO ESMA or its any committee/ sub committee or any Court of Law or any authorised agency.

**ER70.** It is unethical to knowingly fail or refuse to fulfil the members obligations set forth in the bye laws.

**ER71.** It is also ethical to maintain a work file for each service.

**ER72.** The work file should be prepared for each and every service before the issuance of the report.

**ER73.** The work file for each service must be maintained at least for three years from the date of submitting of such report. for production before a regulatory authority or for a peer review. In the event of a pending case before the Tribunal or Appellate Tribunal, the record should be maintained till the disposal of the case.

**ER74.** A Valuer Member must develop a report with the conformity with the requirements of code of conduct and rule of ethical Rule which are set forth by RVO ESMA.

**ER75.** It is unethical to enter in to contract that some obligations on the Valuer Member are against or inconsistent to the ethical rule or code of conduct requirements.

**ER76.** Registered Valuer Members are instructed not to undertake any Valuation Job under Companies Act, 2013/ Insolvency Bankruptcy Code from any person who is not IP/RVE( Vide Circular no. IBBI / RV/019/2018 dated 17.10.18 that provides IPs and RVE can only appoint Registered Valuers after 31.01.19 to conduct the Valuation job under the IBBI Code).

However, you, being a Registered Valuer, can undertake the Valuation

job relating to Assets or Liabilities of a Company directly from the Company itself.

**ER77.** It is unethical to not to visit site for Land & Building and Plant & Machinery valuers unless this is specifically instructed or limitation agreed between the client and the valuer with justification in writing. Disclosures must be given on support of this with the report.

**On**

### **Business/Professional Ethics**

Ethics is the study of moral decisions that are made by us in the course of performance of our duties.

**ER78.** A Business/Professional ethics covers the standards and the principles, that guides behavior in the conduct of business.

**ER79.** Business/Professional ethics must balance their desire to maximize profits against the needs of the stakeholders. Maintaining this balance often requires compromise. To address this compromise, a conduct should be developed to guide the businesses to earn profits without harming individuals or society as a whole.

**ER80.** In the present world, more Business/Professional houses consider most the compatibility of business ethics and financial performance. The business houses, who displaying a clear commitment to ethical conduct consistently outperform business houses those do not display ethical conduct.

**ER81.** A house, performing good ethics can attract talented people to join the organizations for having high ethical values. Also these business houses can retain the talented people and it is seen that if

they are taking care of its employees being equally dedicated in taking care of the organization.

**ER82.** The climate in a Business/Professional house, if it is maintained in ethical manner, it matters to the employees, the clients even the stake holders if any . Ethical organizations create an environment that is trustworthy, making all willing to rely.

**ER83.** Basically an honest loyal Investor is concerned about ethics, social responsibility and reputation of the company in which it can invest. Investors are becoming more and more aware that an ethical climate provides a foundation for efficiency, productivity and profits without breaking any law or harm to the society as a whole.

**ER84.** Though as per ethical rule a Valuer Member must disclose its previous involvement with the client if any, before accepting an assignment, but Customer Satisfaction is a vital factor in successful business strategy. Establishment of creditability and enduring relationship of mutual respect are essential for the success of a business. This is achieved by a house or a professional person that adopts ethical practices. When a company, a professional because of its beliefs in high ethics is perceived as such, any crisis or mishaps along the way is tolerated by the customers as a minor mistake.

**ER85.** A Business house/Professional must look in to the values of Transparency, accountability, responsibility and probability which are main factors of a business. These values should be prevailed in all aspects of governance and be displayed in all actions and decisions in the report writing, while opine the value.

## **General Comments on Professional behavior**

- a)** The principle of professional is an obligation on all professional valuers to act diligently and rationally in the service of their clients and to ensure that the service provided is in accordance with all legal, technical and professional standards that are applicable to either the subject of the valuation, the purpose of the valuation or both.
- b)** Professional behavior includes acceptance of a responsibility to act in the public interest.
- c)** A professional valuer's duty is not limited to satisfying the needs of a particular client or employer.
- d)** There is also a need to consider if professional decisions have a wider impact on unidentified third parties. For example, valuations are frequently undertaken that can directly impact upon third parties such as stockholders in a company or investors in a fund. While the client's needs are normally paramount, a professional valuer should avoid knowingly accepting any instruction that appears to be prejudicial to the interests of the wider public, and which could discredit their own reputation and that of the profession generally.
- e)** In marketing and promoting themselves and their work, professional valuers should not bring the profession into disrepute. Professional valuers should be honest and truthful and not:
  - f)** a) make exaggerated claims for the services they are able to offer, the qualifications
  - g)** they possess, or experience they have gained; or
  - h)** b) make disparaging references or unsubstantiated comparisons to the work of others.
- i)** Professional behavior involves acting responsibly and courteously in all dealings with clients and the public at large and

responding promptly and effectively to all reasonable instructions or complaints.

**j)** A professional valuer should avoid any action that may discredit the profession. Apart from the examples provided in this discussion this includes any action that a reasonable and informed third party, weighing all the specific facts and circumstances available to the professional valuer at that time, would be likely to conclude adversely affects the good reputation of the profession.

### **On Identify the Threats.**

#### **Threats and Safeguards in professional ethics**

- a) **Self-interest threat** – the threat that a financial or other interest will inappropriately influence the professional valuer’s judgement or behavior;
- b) **Self-review threat** – the threat that a professional valuer will not appropriately evaluate the results of a previous judgement made or service performed, or by another individual within the same firm or employing organization, on which the valuer may rely when forming a judgement as part of providing a current service;
- c) **Client conflict threat** – the threat that two or more clients may have opposing or conflicting interests in the outcome of a valuation;
- d) **Advocacy threat** – the threat that a professional valuer will promote a client’s or employer’s position to the point that their objectivity is compromised;
- e) **Familiarity threat** – the threat that due to a long or close relationship with a client or employer, a professional valuer may be too sympathetic to their interests or too accepting of their work; and
- f) **Frightening threat** – the threat that a professional valuer will be deterred from acting objectively because of actual or perceived

pressures, including attempts to exercise undue influence over the valuation opinion

RVO ESMA

## Competency

For each Valuation Report/Opinion or Conclusion to which standards apply must be prepared by or under supervision of an appropriately qualified Registered Valuer Member, who accepts the responsibility for it.

The following points to be satisfied.

1. A valuer Member must possess the appropriate academic /professional qualification.
2. Can demonstrate technical competence while opine a valuation conclusion.
3. Valid membership of RVO ESMA, committed to the ethical rule/code.
4. Compliance with the state regulations.
5. No proceedings are pending or any action has been initiated against the Member.

Prior to accepting an assignment or entering in to an agreement to perform any assignment a Valuer Member must

- a) Identify the problem to be addressed
- b) Have adequate knowledge
- c) Have experience necessary and sufficient

The valuer member has to achieve and maintain the defined standard adopted by the RVO ESMA. The Valuer Member must have the prescribed qualification, training and competence and also subject to compliance with the Code of Ethics and Conduct adopted by the Institution.

Membership of a professional body does not imply that the member has the necessary skills and competence to undertake a Valuation job, it needs proper knowledge, qualification, rationality and intelligence.

However, it is expected that the Valuer Members are active across a wide range of specialist field and corresponding market.

**Alternatively**

1. Disclose the lack of knowledge and/or experience to the job assigner before accepting a Valuation Job
2. Describe the lack of knowledge and the steps taken to fill the gap.
3. To complete the assignment competently the Valuer Member must take all steps which are necessary. These may be accomplished by various ways, including but not limited to personal study by the Valuer Member, association with a valuer who, reasonably believed to have sufficient knowledge in the matter.
4. In case, a Member Valuer employs another or a firm, client's approval is necessary before accepting the assignment.
5. If geographic competence is required, a valuer member preparing a valuation report for an unfamiliar site or location, must spend sufficient time to understand the nuances of the local market and economic factors of demand and supply.
6. The rule provides a safeguard to a valuer member, if at the mid of an assignment, any lack of knowledge or experience emerges which were not identified, unknowingly and eventually not notified, the Valuer Member is obligated to inform its client at the point of discovery and comply with point no. 2 & 3.
7. Contingent fee, if any, if arises due to point no. 6, arrangements are customary for the assignment and are permitted by appropriate national Standards and the Valuer clearly and conspicuously discloses the existence and basis of any contingent fee in the reporting.

**To Deal With Unacceptable Requests – Ethical Code**

8. Better understand the potential client's real needs

9. Educate the client about valuation practice and explain other aspects of valuation.
- d) The Valuer Member must have knowledge on local, national and if need be international market (as appropriate) and necessary skill to undertake the assignment.

### **Objectivity and Independence**

- e) A valuer Member, who under takes a valuation job must act with independence, Objectivity and Integrity.
- f) It is imperative to maintain high standard of ethics and code of conduct all the time.

## Scope of work Code

- The **scope of work** of an assignment will state all the **work** involved and the jobs to be completed.
- The **scope of work** should be an important part in the valuation report which should have the professional competence.
- Ensure that all the jobs done as per **scope of work** document are accurate and that the writing is specific and thorough.
- **Scope of work** to be well determined while accepting an assignment.
- The **scope of work** is acceptable when it has rationale with the expectations of market participants for the same or similar valuation services.
- And defining a **scope of work** is what the valuers peers' actions would be in performing the same or a similar assignment in compliance with defined standard.
- An assignment should contain a scope of work to provide a valuer a outline of job. A valuer can define the jobs, which falls within the scope and which are beyond the scope.

Always to be kept in mind that a Valuer's value opinion is based on assessment of what a knowledgeable buyer would pay a knowledgeable seller, the valuer needs to be aware of the steps that knowledgeable buyers and sellers now take in the marketplace.

1. A valuer Member must disclose the **scope of work** in the report. A Valuer Member to have flexible and significant responsibility while determine the scope
  - To the extent to the property is identified
  - To the extent of the property inspected (in case of tangible asset)
  - Type and extent of investigation
  - Type and extent of research and

- analysis
2. A Valuer Member must rationally gather the elements which are utmost necessary to opine a value and conclusion.

Elements are

- Client and intended users
  - Intended use of the valuation opinion
  - Type and definition of the value
  - Effective dates ie date of Valuation, Inspection date etc.
  - The subject of the assignment and its characteristics
  - Condition of Assignment
3. The **scope of work** must include the research and analysis those are necessary to opine a credible value report
    - It is necessary to impress a veteran client, who has the experience of getting reports from other valuers.
    - It will impress the peers (in case of peer review)
    - It will have a credible impact on Committee of Experts of RVO ESMA.
  4. Determining the **scope of work** is an ongoing process, it may also happen in the course of doing an assignment, the valuer might needs to change the scope of work.
    - In this case client and intended user must be well informed in case of change of **scope of work**.
  5. Exclusion by a Valuer, of any result, investigation, information, method or technique is permitted, which were within the **scope of work** of an assignment.

- A valuer must be prepared to justify the decision to make change or exclude the **scope of work** that would appear relevant to the client, other intended user, peer or Committee of Experts of RVO ESMA. A valuer must have sound reasons in support of the scope-of-work decision, and must be prepared to support the decision to exclude any information or procedure that would appear to be relevant to the client, an intended user, or the Valuer's peers in the same or a similar assignment.
6. A valuer member must not limit the **scope of work** in such a degree that the assignment result is not sufficiently credible to the client or intended user.
- For the condition of the assignment if the relevant information is not possible to gather, that limits the research possibility, for limited scope of work a Valuer Member can refuse to take the assignment or withdraw.  
Alternatively
    - a) A valuer Member can expand the scope of work
    - b) Use a special assumption about such information
    - c) Any contingent fee on this, if charged, to be sought with prior permission from the client.
7. Special assumptions in a **scope of work** of a valuation job (assignment & report) should be determined judiciously.
- Special assumptions as per IVS or Extraordinary assumptions as per USPAP can be used in a **scope of work** of a valuation assignment only when it is required. Unsuitable or unnecessary use of these is against the ethical rule

8. It requires that, in any assignment, the Valuer establish the appropriate scope of work necessary to complete that assignment.
  - Part of the scope-of-work decision includes how, and to what extent, the valuation problem will address the known or suspected points that may impact the property.
9. A valuer member must provide sufficient information in the report to make the client understand about the **scope of work** is performed.
10. A valuer member, while declaring the **scope of work**, must not allow the intended use or client's objectives to cause the assignment results to be biased.
  - The clear segregation of scope and the matters which is beyond the scope of work to be declared by a Valuer Member in the report.

The client and intended user must understand that Proper framing of **scope of work** declared and the job performed according the scope of work.

## **SOME EXPLANATIONS**

### **Conflict of Interest**

Valuers shall not accept or carry out any instruction where there may be, or may reasonably be construed to be a conflict of interest. Valuers shall withdraw from any instruction if a conflict of interest arises or becomes known after an instruction has been accepted. An exception to this clause is where the conflict of interest is disclosed to and accepted by the party or parties.

Where a conflict of interest arises or could arise a Valuer shall promptly disclose the relevant facts to the client and where appropriate:

- (a) Advise the client to obtain independent professional advice;
- (b) inform the client that neither the Valuer nor the firm can act or continue to act for the client unless the appointment or instruction is confirmed in writing acknowledging the actual or potential conflict of interest; and
- (c) disclose the matter in any relevant document or report.

Where a conflict arises or could arise between the interests of different clients of a Valuer or a firm or company of which a Valuer is a partner director or employee, a Valuer shall promptly disclose the relevant facts to the instructing client and where appropriate:

Example : An independent Director may not be a share holder of the same Company, as that is a case of conflict of interest.

### **Client Relationships**

Valuers should not disclose to any other person or party any confidential information provided directly or indirectly by a client or to a client without the permission of the client except where there is a legal requirement for disclosure or the information is of public or common knowledge.

Valuers should conduct themselves in a manner and demeanour which is neither detrimental to their profession nor likely to lessen the confidence of clients or the public in the Institute or the profession.

Valuers should act promptly and efficiently in the servicing of their client's instructions.

Valuers should, in the case of unavoidable delay, communicate to the client the progress being or already made.

### **Identifying the Client's Needs**

One of the major abilities of a professional is the ability to identify the true nature of a client's problem – what the client needs – and then develop the appropriate solution. It's important to recognize the big distinction between needs and wants.

In the case of the valuer, the client might want an appraised value of Rs. A; what they need, however, is an objective opinion – which might not be Rs. A.

The valuer's goal should be to take care of the client's *needs* and *wants*.

### **Unacceptable request**

Specifically, an assignment condition is unacceptable when it:

- Destroys an valuer's impartiality, because such a condition breaks the objectivity and independence required for the development and resulting in to a wrong value;
- Limits the scope of work. It may lead to a wrong if the scope of work is limited to such a degree that the assignment results are not credible.;
- Limits the content of a final report in such a manner that results in the report be misleading.”

A valuer must decline if a request comes in some ways any of the above three.

#### **How To Deal With Unacceptable Requests**

- Better understand the potential client's real needs
- Educate the client about valuation practice and explain other aspects of valuation.

R/VO ES/MA

**DEFINITIONS**

**Appraisal / Valuation :**

The act or process of developing an opinion of value; an opinion of value. known as valuation. : An appraisal / Valuation must be numerically expressed as a specific amount, as a range of numbers, or as a relationship (e.g., not more than, not less than) to a previous value opinion.

### **Appraisal / Valuation Consulting**

The process of developing an analysis or opinion for recommendation, where an opinion of value is a component of the analysis leading to the results. An appraisal consulting assignment involves an opinion of value but does not have an appraisal or an appraisal review as its primary purpose.

### **Appraisal / Valuation Review**

The process of developing and communicating an opinion for a client about the quality of another Valuer's work.

### **Assignment**

A valuation, valuation review, or valuation consulting service provided for a client.

Three elements must exist in order to have an assignment:

1. An valuer
2. A client
3. An agreement

### **Assumption**

That which is considered, taken to be true. Normal assumption, Special Assumption, Extra ordinary Assumption.

### **Biased**

Not rationally supported, and favoring the cause or interest of the client, one's self and deviation from reasonable valuation, valuation review or valuation consulting, or real property consulting practices. A

biased report is not reasonably supported and that favors the client's, or another's interest or cause. : A Valuer may never develop, prepare, use, or report a biased analysis, opinion, or conclusion.

**Client**

The party or parties who engage a valuer / valuer in a particular service, having reasonable address and social identification. The client identified by the Valuer in an valuation, Valuation review, Valuation consulting service or real property consulting service is the party or parties with whom the valuer has a relationship in the related service, and may be an individual, group, or entity. It doesn't matter who pays the Valuer. The client is the entity who hires the valuer

**Confidential Information**

"A Professional Valuer must deal with clients' affairs with discretion and confidentiality. A Professional Valuer must not disclose factual data from a client, or the results of an assignment prepared for a client, to anyone other than those specifically authorized by the client, except when legally required in judicial proceedings or in quasi-judicial proceedings within recognized professional valuation bodies of which the valuer is a Valuer." --IVS Proposed code of Ethics 2010. A confidential Information is generally identified by the client.

**Existing use valuation :**

"The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing wherein the parties had acted knowledgeably, prudently and without compulsion, assuming that the buyer is granted vacant possession of all parts of the property required by the business and disregarding potential

alternative uses and any other characteristics of the property that would cause its Market Value to differ from that needed to replace the remaining service potential at least cost." --RICS Valuation Standards – Global and UK, UKVS 1.3, 2011

Valuation can be said to be the art of assessing or appraising the worth / utility of any asset or property. The value-in-exchange differs from value-in-use.

**Extraordinary Assumption as per USPAP or Special Assumption as per IVS.**

An assumption, if found to be false, could alter the valuer's opinions. An assumption, directly related to a specific service, which, if found to be false, could alter the Valuer's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

**Fair Value : Insolvency & Bankruptcy Code** has coined the term "Fair Value" means the estimated realizable value of the assets of the corporate debtors, if they were to be exchanged on the insolvency commencement date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

**Fair Value:** The term coined by International Financial Reporting Standard. IFRS 13 defines Fair Value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement time.

**Hypothetical Condition** that which is contrary to what exists but is supposed for the purpose of analysis. A hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.

**INTANGIBLE PROPERTY (INTANGIBLE ASSETS):** nonphysical assets, including but not limited to trademarks, patents, copyrights, goodwill, equities, securities, and contracts as distinguished from physical assets such as facilities and equipment.

**Intended Use /Purpose of the valuation**

The use of a report of a valuer. The use or uses of a Valuer's reported valuation, valuation review, valuation consulting, or real property consulting service analyses, opinions, and conclusions, as identified by the Valuer based on communication with the client at the time of the service.

**Intended User**

The client and any party as identified as users of the valuation report or real property consulting report by the Valuer on the basis of communication with the client at the time or before the time of the service..

**Know or Knowingly**

"knowingly" includes what the Valuer knew and what the valuer reasonably ought to know, given all the facts and circumstances of the case and the Valuer's training, background, and experience. A Valuer must not knowingly develop or communicate a report that containing false, incorrect or biased opinion and analysis. The determination of "knowingly" should be made in the context of the Valuer's education,

training, background, and other relevant experience. A Valuer must not accept an assignment of predetermined opinions and conclusions.

“knowingly” includes not only what the Valuer knew, but also what the Valuer reasonably should have known given all the facts and circumstances of the case and the Valuer's training, valuation background, and experience.

**MARKET VALUE as per IVSC:** a type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the valuer as applicable in an appraisal.

Market Value -\* Market Value is the estimated amount for which an asset or liability *should* exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion. -IVSC

Acknowledgements

IVSC, USPAP