



INTERNATIONAL VALUATION STANDARDS COUNCIL

A Competency Framework for Professional Valuers

EXPOSURE DRAFT

Comments on this Exposure Draft are invited before 28 February 2012. All replies may be put on public record unless confidentiality is requested by the respondent. Comments may be sent as email attachments to

CommentLetters@ivsc.org

or by post to IVSC, 41 Moorgate, LONDON EC2R 6PP, United Kingdom.

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Introduction to Exposure Draft

In mid 2010 the IVSC Professional Board published a discussion paper “Definition of a Professional Valuer”. This set out lists of suggested competencies and skills that a professional valuer should possess. Comments were invited and a report on the comment letters was received and considered by the Board in March 2011.

The comment letters were mixed, and indicated that respondents had interpreted the intention of the paper in different ways. For example:-

- A number were unclear as to the intended purpose of defining a professional valuer.
- Some considered that there was no definition of a professional valuer in the paper so it was unclear to whom the list of attributes was intended to apply.
- Some professional bodies saw the discussion paper as indicating that IVSC intended to comment on the validity or otherwise of their established qualification requirements and questioned IVSC’s mandate to do this.
- While some saw the merit in identifying core competencies, they also questioned whether these would be of value unless separate, more detailed sets were produced for different sectors, eg businesses, real property, financial instruments etc.
- Some specific objections were raised to some of the suggested competencies in the Discussion Paper, in particular the “soft” skills such as communication, technology and project management which were seen as being on the one hand not specific to valuers and on the other specific to particular roles within an organisation that a valuer may fill.
- Many respondents could not see how the proposals in the Discussion Paper related to either the International Valuation Standards or the proposed Code of Ethics that were released at the same time.

The Board has subsequently clarified that the purpose of the project is to assist its remit to develop the profession. The intention is to establish a high level framework describing the competencies that the public could reasonably expect from a professional valuer. This has been done by attempting to identify the essential characteristics of a professional valuer based on criteria that are common to the established Valuation Professional Organisations in membership of IVSC. It is not intended to either endorse or criticise any Valuation Professional Organisation’s qualification or accreditation criteria.

Although a number of respondents to the discussion paper suggested that it would be helpful to produce more detailed lists of the knowledge and skills required by valuers in different sectors, eg business valuation, real estate, financial instruments, the Board believes that this would be a lengthy and potentially controversial process as it would need significant consultation with the many disparate bodies dealing with valuer education and accreditation. It therefore has decided to focus the project on establishing a simple set of common competencies.

Questions for Respondents

The IVSC Professional Board invites responses to the following questions. Not all questions need to be answered but to assist analysis of responses received please use the question numbers in this paper to indicate to which question your comments relate. Further comments on any aspect of the Exposure Draft are welcome.

Notes for respondents:

1. Responses should be made in letter format, where appropriate on the organisation's letter heading. Unless anonymity is requested, all comments received may be displayed on the IVSC website.
2. Comments should not be submitted on an edited version of the Exposure Draft.
3. It is most helpful if comment letters are submitted by email as an unlocked pdf format file so that comments can be extracted for analysis. Documents will be secured before being placed on the web site.

Questions

- 1) Do you agree that it is necessary to broadly define the parameters of a professional valuer in order to promote and develop the profession? If you disagree please explain why.
- 2) The Professional Board recognises that in many countries and in some sectors there are well established Valuation Professional Organisations that have successfully developed and promoted professionalism. However, from a global perspective there are sectors or countries that have little or no professional infrastructure around valuation and therefore also have limited understanding of professionalism and its importance in the valuation process. Do you consider that the proposed Framework will help in raising public awareness of these issues in such situations?
- 3) The Framework includes a section describing the role of Valuation Professional Organisations in the wider valuation profession, based on the criteria used for membership of the IVSC. Do you consider that the criteria listed are a reasonable reflection of the roles of those organisations, or are there matters that should be added or deleted?
- 4) Because of the gaps that exist in the global professional infrastructure the Framework does not make membership of a Valuation Professional Organisation an essential requirement for a professional valuer. It therefore allows for self-development within the Framework by individuals or firms where there is no relevant or accessible professional body in place. Do you agree with this approach? If you disagree, explain what alternative you would propose.
- 5) The Competency Framework has been kept brief for the reasons explained in the Introduction. The intention is to identify competencies and characteristics that are applicable across all sectors (eg businesses, tangible assets, intangible assets and financial instruments). Please identify any additional matters that you believe should be considered for inclusion, or any matters that are included that you believe to be inappropriate.
- 6) The Framework includes a requirement for Continuing Professional Development, but provides little detail on how intensive this should be. Should the framework prescribe a minimum number of hours per annum or any other specific requirements?

Exposure Draft

A Competency Framework for Professional Valuers

Introduction

The International Valuation Standards Council (IVSC) is an independent, not-for-profit, private sector organisation that has a remit to serve the public interest. The IVSC's objective is to build confidence and public trust in the valuation process by creating a framework for the delivery of credible valuation opinions by suitably trained valuation professionals acting in an ethical manner.

The IVSC achieves this objective by:

- creating and maintaining the International Valuation Standards (IVSs);
- issuing technical guidance for professional valuers; and
- promoting the development of the valuation profession and ethical practices globally.

Valuation makes a crucial contribution to the efficient operation of financial markets. It is used to support decisions on whether assets should be bought or sold, to support lending decisions, to calculate solvency ratios or as a measure in financial reporting. Valuation is an opinion of the price that would be obtained in a transaction or of the benefit that would accrue to the owner of an asset, based on a stated hypothesis. The IVSs describe the procedures to be adopted and the criteria to be followed in developing valuation opinions that are suitable for different purposes. The *IVS Framework* sets forth the need for independence, objectivity and competence by those providing valuations under the IVSs. Those relying on a valuation as the basis for a decision need to be confident that the opinion is free from bias caused by conscious or unconscious influences on the valuer. Professionalism in valuation is therefore an essential contributor to the integrity and credibility of the valuation process.

As part of its remit to promote the development of the valuation profession globally, the IVSC Professional Board has produced this paper to set out common characteristics and competences of a professional valuer. It is in the public interest that those who commission and rely on valuation are aware of the qualities that any professional valuer should possess.

It is also intended to enhance the understanding of the attributes of professional valuers generally by a wide range of stakeholders including:

- universities, employers, and any others who design, deliver, or assess education programmes for professional valuers,
- professional valuers and prospective valuers who undertake their own learning and development and
- regulators with responsibility for the oversight of the work of professional valuers.

Valuation Professional Organisations

These organisations have either direct or indirect responsibility for the training and development of their members and those aspiring to membership and for ensuring that they maintain competence through monitoring compliance with their membership rules. Valuation Professional Organisations in membership of the IVSC are required to meet the following criteria:

- They must be established as a not for profit organisation.
- They must set minimum education and ethical standards for individual valuers.
- They must uphold the public interest over those of individual members.
- They must have a system for disciplining members who breach their ethical and other conduct rules.
- They must have governance and operating structures suitable to their role and responsibilities and be able to demonstrate integrity in the conduct of their activities.

Many professional valuers belong to Valuation Professional Organisations. However, a professional valuer may meet all the criteria described in this framework without being a member of such an organisation. In some markets Valuation Professional Organisations have yet to develop. Where this is the case it does not preclude individuals or firms from adopting or complying with the criteria for a professional valuer set out in this Framework

This Framework may also serve to assist those seeking to establish a Valuation Professional Organisation in a new sector or market in developing programmes of education and professional development that are based on similar core principles while providing the flexibility to reflect the specific requirements of the sector or jurisdiction in which their members operate.

Professional Competence

To demonstrate competence in a role, a professional valuer must possess:

- (a) professional knowledge,
- (b) professional skills, and
- (c) professional values, ethics, and attitudes.

Competencies are gained by Initial Professional Development (IPD) and by Continuing Professional Development (CPD). A professional valuer will have undertaken IPD and will be undertaking CPD on a regular basis.

The competencies identified in this paper are presented as a framework designed to identify broad principles. The detailed knowledge and skills required by the professional valuer will change over time due to the evolution of the markets and disciplines in which they operate.

Most competencies apply to all professional valuers, although some may be dependent upon the role or seniority of the individual. As professional valuers progress through their careers the expectation for performance will normally increase.

Competency Framework

Professional Knowledge and Professional Skills

Initial Professional Development: Before being recognised as such a professional valuer should have received:

1. Formal education and successful examination to the level of an university degree or equivalent that includes at least the following subjects:
 - a An understanding of economic theory and principles;
 - b An understanding of recognised valuation concepts and principles;
 - c The theory and application of valuation methods used in the market and in which they intend to operate.
 - d The legal framework that is relevant to the type of asset or market in which they intend to operate.
2. Training in the Fundamental Principles of ethical conduct as identified in the IVSC Code of Ethical Principles for Professional Valuers
3. Experience in applying the matters in 1 and 2 in a supervised work environment; a minimum period of two years is suggested.

Continuing Professional Development: A professional valuer will be able to demonstrate a commitment to a programme of CPD throughout their period of practice as a valuer which is relevant to their chosen area of practice. It may be accomplished by a combination of attendance at recognised or approved training events and self study.

Professional Values, Ethics, and Attitudes

Conduct: A professional valuer will conduct themselves in accordance with ethical principles as identified in the IVSC *Code of Ethical Principles for Professional Valuers* or any equivalent rules or code issued by a Valuation Professional Organisation.

Accountability: A professional valuer will be accountable for any failure to comply with the ethical principles of conduct or the competent application of professional knowledge and skills. Such accountability may be to a self-regulatory body such as a Valuation Professional Organisation or to a government sanctioned licencing body. In the absence of such bodies, accountability may be achieved through an employer's internal disciplinary procedures or by the professional valuer subjecting themselves to a system of peer review. To achieve the objective of accountability any system for reviewing the conduct of professional valuers should be transparent to and accessible by the public in the event of a complaint about a professional valuer's conduct.

Legal Compliance: A professional valuer will comply with the conditions of any statutory system of licensing or other regulatory requirements relating to the market or sector in which they operate.