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23 August 2011

Our Ref: BE/MP/Val.Corr.

International Valuation Professional Board
41 Moorgate
London
EC2R 6PP

Dear Sirs

RICS OBSERVATIONS ON THE SECOND EXPOSURE DRAFT OF A CODE OF ETHICAL PRINCIPLES FOR PROFESSIONAL VALUERS

The RICS is pleased to submit the following observations on the second exposure draft of a code of ethical principles for professional valuers. It has no objection to this reply being published on the IVSC website.

Overall, the RICS welcomes the change in emphasis in this draft, which focuses to a greater extent on high level principles and does not seek to specify detailed rules of conduct. Our detailed comment are below (quotations taken directly from the draft are identified by italics):

Page 1: Code of Ethical Principles and Structure of [the] Code

It is noted that having a Code of Ethics (or more strictly, "*rules requiring ethical conduct*") is mandatory for IVSC member organisations, which includes the RICS. The precise form of regulation is left to the individual organisation, but must include and reflect the Fundamental Principles. We are content with this as a position.

It would be helpful to clarify the intended scope of the paper - is it addressed only to IVSC member organisations or to professional valuation organisations generally? The preamble describing IVSC's objectives ("*...promoting the development of the valuation profession and ethical practices globally*") and the second sentence of the first paragraph under *Structure of this Code* suggests that the latter is the case, but the focus thereafter is on the individual professional valuer - where the draft is specific that "*references to a professional valuer are to members of a Professional Valuation Organisation in membership of the IVSC*".

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Page 2: Fundamental Principles

The list of Fundamental Principles is unchanged from the earlier Exposure Draft and, as indicated above, we are content with them. But we question whether the use of the word “*shall*” (in line 4 of the first paragraph) is appropriate if the wider reading described above is intended. The phrase “would be expected to” might be preferable.

Page 3: Conceptual framework

The extensive use of the word “*shall*” in the Conceptual Framework implies a degree of compulsion going beyond the “*expected or encouraged*” wording of the second paragraph of Page 1. Substituting “would be expected” for “*shall*” would not detract from the overall message, which – with that amendment – causes us no difficulty.

The issue of “*inadvertent [violation]*” of paragraph 7 seems less a matter of concept or principle, more one of “real world” practice. We are not therefore sure that it merits inclusion. A question would also arise as to who is responsible for the “deeming” with regard to materiality. Cases of non-compliance, inadvertent or otherwise, might be seen as matters that would be addressed by compliance operations within firms or by the regulatory, or equivalent, team within the relevant professional organisation (for RICS members this would include monitoring under the Valuer Registration Scheme).

The qualification “*where possible*” in the second line of paragraph 11 could be seen as endorsing the occasional breach. This is difficult territory, clearly dependent on the particular facts and circumstances of the individual case. It might be preferable to delete “...*shall, where possible, refuse to remain associated with the matter creating the conflict. The professional valuer shall determine...*” and simply substitute “...*would need to decide...*”.

Pages i-vii: Appendix

The confirmation of discretion as to the precise content of a Code is welcome (“*Each Professional Valuation Organisation may have rules that impose different detailed requirements on their members in order to apply the Fundamental Principles to the area of valuation practice with which they are involved.*”) but – as noted particularly in relation to A2 below – the language used in the Appendix again raises some doubts as to how far this discretion goes.

- A1. Threats and Safeguards

There may be advantage in “unpacking” the categorisation in A 1.2 into three distinct levels as follows:

- a) Legislative and regulatory framework requirements of governments and regulatory bodies
- b) Rules of conduct and other requirements of professional bodies and/or standard setters



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- c) Compliance arrangements within employing firms including standards of conduct and methods of working

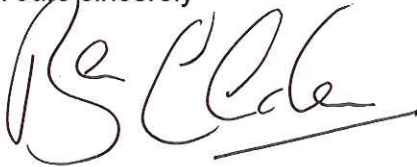
- **A2 Discussion of Fundamental Principles**

This is part discussion and part expansion of the Fundamental Principles. Consistent with our earlier comments, the use of the term "*should*" in the description of Appendix A2 at the top of page i and of the term "*shall*" throughout page iii to vi raises questions as to the intended status. Again it would seem more appropriate to use the phrase "would be expected", not least where the text is in the form of a discussion.

It is noted that A2.19 makes adoption of IVS mandatory for those in IVSC member organisations. Whilst de facto correct, it seems to reach beyond the issue of ethical principles to which the paper is directed.

Subject to these observations, we welcome the changes made in this second draft.

Yours sincerely



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