



INTERNATIONAL VALUATION STANDARDS COUNCIL

Framework for International Professional Standards

EXPOSURE DRAFT

Publication date: 31 March 2016

Comments on this Exposure Draft are invited before 30 June 2016. 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, 1 King Street, LONDON EC2V 8AU, UK

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International Valuation Standards Council
1 King Street
LONDON
EC2V 8AU
United Kingdom
email: contact@ivsc.org
www.ivsc.org

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Notes for Respondents

The intent of this Exposure Draft is to seek views from interested parties. The IVSC Professional Board seeks comment on the proposed *Framework for International Professional Standards* and would like respondents to express a clear overall opinion of the Exposure Draft. Responses to the specific questions are also invited.

Questions for Respondents

In addition to any specific comments, responses are invited to the following questions. Not all questions need be answered. Please indicate the question to which any answer relates.

Framework

- 1 Does the *Framework* provide sufficient detail on the educational concepts to support the requirements of the IPS 100 series?
- 2 Do you agree with the distinction made between *capability* as it relates to professional behaviour and *competence* as it relates to the integration of professional behaviour with the appropriate level of technical knowledge (para 32 to 35 of the *Framework*)?
- 3 Do you agree that the introduction of the IPSs as drafted will lead to strengthened public trust in the valuation profession and contribute to other desirable outcomes for the valuation profession? If not, are there elements of the IPSs that could be improved to do so? What else might help?
- 4 Do you agree with the definition of professional valuer?
- 5 Should professional valuers always be independent or does it depend upon the kind of service they are providing?

Notes for respondents:

In order for us to analyse and give due weight to your comments, please observe the following:

1. Responses should be made in letter format, where appropriate on the organisation's letter heading.
2. Comments should not be submitted on an edited version of the Exposure Draft.
3. Unless anonymity is requested, all comments received may be displayed on the IVSC website.
4. Comment letters should be sent as an email attachment in either MS Word or an unlocked PDF format and no larger than 1mb. All documents will be converted to secured PDF files before being placed on the website.
5. The email should be sent to commentletters@ivsc.org.

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Introduction

- 1 1. The International Valuation Standards Council (IVSC) is an independent, not-for-profit, private sector
2 organisation that serves the public interest by strengthening the worldwide valuation profession
3 through the development and enhancement of standards. The IVSC has over 75 organisations in
4 membership across 50+ countries. Prior to 2016, the IVSC had three main Boards:
 - 5 • a Board of Trustees responsible for the strategic direction and funding of the IVSC and for
6 appointments to the Standards Board and Professional Board,
 - 7 • a Standards Board with autonomy over its agenda and the creation and revision of
8 International Valuation Standards (IVSs) and supporting technical guidance, and
 - 9 • a Professional Board responsible for the development of International Professional
10 Standards and for promoting the development of the profession around the world.
- 11 2. The Professional Board was an independent board under the umbrella of the IVSC whose role was to
12 protect the public interest by encouraging high quality practices by professional valuers, promoting
13 strong ethical values, and supporting the development of all sectors of the profession around the
14 world. It achieved this by identifying topics for which the development of international professional
15 standards and guidance is beneficial, by encouraging and fostering the development of professional
16 bodies and associations where none existed and by working with existing professional bodies to
17 identify matters where it was mutually beneficial for those bodies to collaborate and pool their
18 resources in order to be part of a stronger and more effective profession.
- 19 3. The IVSC seeks to work with Valuation Professional Organisations (VPOs) and other stakeholders, including
20 valuation providers, standard setters, regulators and academia, with the aim of bringing about harmonisation
21 of core education requirements, professional conduct and ethics, and effective self-regulation.
- 22 4. The Professional Board has developed International Professional Standards (IPs). The IPs are
23 international standards for achieving and maintaining competence over the career of the
24 professional valuer¹. The IPs are professional standards for VPOs to utilise in ensuring that they
25 have programmes in place to enable professional valuers to achieve and maintain competence
26 over the course of their careers.
- 27 5. The IPs are comprised of the following standards:
 - 28 • IPS 101: Initial Professional Development – Entry Requirements to Professional Valuer
29 Accreditation Programmes
 - 30 • IPS 102: Initial Professional Development – Professional Skills and Ethics
 - 31 • IPS 103: Initial Professional Development – Technical Knowledge
 - 32 • IPS 104: Initial Professional Development – Practical Experience
 - 33 • IPS 105: Initial Professional Development – Assessment of Professional Competence
 - 34 • IPS 201: Continuing Professional Development

¹ A professional valuer is defined in Paragraph 22 of this *Framework*.

- 35 6. This document titled *Framework for International Professional Standards (Framework)*
36 establishes the concepts that the Professional Board used in its publication of the IPSs.
- 37 7. Previously, the Professional Board has issued a *Competency Framework for Professional Valuers*
38 which defines the required competencies for professional valuers in knowledge, skills, values,
39 ethics and behaviour. The Professional Board has also issued the *Code of Ethical Principles for*
40 *Professional Valuers* which sets out the expectation of compliance with principles of integrity,
41 objectivity, competence, confidentiality and professional behaviour. The IPSs provide the material
42 to augment both the Competency Framework and the Code of Ethical Principles.
- 43 8. The IPSs are the foundation of a respected global valuation profession. In particular:
- 44 • The IPSs strengthen the ability of the valuation profession to provide more competent
45 valuation services in an increasingly complex, globally-interconnected and rapidly
46 changing commercial world.
 - 47 • High quality IPSs and accompanying guidance lead to the development of high quality
48 valuation qualifications.
 - 49 • Those interested in valuation education are provided with common international standards.
 - 50 • The IPSs contribute to strengthened public trust by increasing the competence of the
51 global valuation profession.
 - 52 • There will be a reduction in international differences in the requirements to qualify and
53 work as a professional valuer, thereby facilitating global mobility.
 - 54 • Being part of a strong, coherent globally-recognised valuation profession is to the benefit
55 of every professional valuer, regardless of whether their work is local or international in
56 nature.

57 **The Global Valuation Landscape**

- 58 9. Valuation is subject to increased regulatory scrutiny worldwide to ensure that valuations
59 performed in the public interest are objective and transparent. Regulators and capital markets are
60 demanding not only consistent technical valuation standards but also higher standards of
61 competency for professional valuers. More than one high-profile stakeholder has voiced concerns
62 over fundamental aspects of the valuation profession.
- 63 10. The prominent role of the valuation profession around the globe is incompatible with the
64 fragmented professional landscape. Globally, requirements for providing valuation services are
65 disparate. In many economies, the perceived status of a valuation specialist is to belong to an
66 industry group rather than to a profession. Against this backdrop of a lack of unified professional
67 standards, the Professional Board has developed the IPSs.
- 68 11. Historically, valuation experts have developed in different ways in different countries according to
69 culture, statute and convention. This has led to:
- 70 • the development of a secondary specialisation by experts in different types of assets or
71 liabilities,

- 72
- fragmentation of expertise by asset or liability type,
- 73
- legislation that was introduced for a particular purpose and has unintended consequences
- 74
- in other areas,
- 75
- valuation being regarded as technique rather than profession,
- 76
- varying qualifications, and
- 77
- lack of recognition by regulators and other professions. The diversity of culture,
- 78
- educational, legal and social systems globally means that professional valuers may have
- 79
- developed their professional competence through various pathways, including work
- 80
- experience, study or qualification.

81 **Where We Stand Today**

82 12. The diversity of the valuation profession presents significant challenges in developing conformity
83 in the valuation profession worldwide.

84 13. Even where there are various organisations with a view to governing the profession by setting
85 and regulating standards of competence and integrity of valuation professionals, in certain
86 jurisdictions there is no current requirement for a valuation specialist to belong to a professional
87 organisation in order to provide valuation services.

88 14. An approximate taxonomy of diversities could be, for example, as follows:

89

- by country:

- 90
- developed countries with various VPOs, with disparate and varying qualifications,
- 91
- developed countries without VPOs,
- 92
- developing countries with VPOs,
- 93
- developing countries without VPOs.

94

- by expertise:

- 95
- real estate,
- 96
- plant, machinery and equipment, and personal property,
- 97
- business, business interests and intangible assets,
- 98
- financial instruments.

99

- by valuation specialist in the same expertise by asset type:

- 100
- valuers belonging to one or more professional organisations,
- 101
- valuers belonging to a working group or a special interest group promoted by
- 102
- various accounting bodies,
- 103
- valuers belonging to a professional organisation that does not have specific
- 104
- professional standards for valuers,
- 105
- valuers, with disparate background and experience, not belonging to any
- 106
- professional organisation.

107 **The Path to Convergence**

108 15. The current multiplicity of professional standards and the contemporary lack of standards in
109 certain jurisdictions and area of expertise can potentially lead to market confusion as well as
110 inconsistent valuation outcomes. This raises the need for unified professional standards on a
111 global scale.

112 16. The path to follow for converging to a homogeneous global professional infrastructure could be
113 very different from place to place and from expertise to expertise. It is essential for the
114 international standard setter, in establishing a professional framework, to recognise the status
115 quo and acknowledge that some organisations will require fair and reasonable transition plans to
116 converge.

117 17. The convergence should not be reached on a silo or sectoral basis. It is more useful to establish a
118 set of standards that apply to all VPOs. Over time, these standards may need to be
119 supplemented with additional standards and commentary on the competencies and capabilities of
120 significant specialisations.

121 **The Threshold Level of Competence**

122 18. Many regulators are demanding progress in establishing professional infrastructure for valuation.
123 In some jurisdictions the valuation profession is very mature, with robust accreditation
124 programmes, mandatory continuing education requirements and disciplinary procedures. The
125 IPSs go beyond codifying best existing practices. However, those existing standards have been
126 leveraged in the development of the IPSs that will have application to all jurisdictions.

127 19. The Professional Board has discussed whether the IPSs should be set at an aspirational level or
128 a minimum level. Setting a standard at an ideal level which only some VPOs could achieve is
129 inappropriate. However, setting a standard at a minimum level conveys the impression of a low
130 level. Standards at too low a level also risk being irrelevant in developed jurisdictions. The
131 Professional Board concluded that the IPSs should be set at the threshold level of competence
132 sufficient to protect the public interest, with the expectation that some IVSC member bodies that
133 provide professional valuer accreditation for the education and development of their members
134 (VPOs that are members of the IVSC) will exceed some or all of these standards. The Board
135 recognises that the IPSs may initially be aspirational for others. It is an obligation of a VPO which
136 is a member of the IVSC, with the support of the IVSC, to transition over time to a framework that
137 meets and strives to continue to exceed the threshold level of competence.

Purpose of the Framework

- 138 20. The Framework is intended to assist VPOs that are members of the IVSC. The VPOs that are
139 members of the IVSC have direct or indirect responsibility for the education and development of
140 their members. The Framework should also enhance the expectations incumbent upon a
141 professional valuer by a wide range of stakeholders including:
- 142 • VPOs,
 - 143 • those who commission or rely on valuations,
 - 144 • educational organisations,
 - 145 • those who design, deliver, assess or support education programmes for professional
146 valuers,
 - 147 • employers of professional valuers,
 - 148 • government authorities,
 - 149 • regulators with responsibility for the oversight of the work of professional valuers,
 - 150 • professional valuers and prospective valuers who undertake their own learning and
151 development,
 - 152 • other parties interested in the work of the Professional Board and its approach to
153 developing publications on valuation education.
- 154 21. The intended benefits of the *Framework* include:
- 155 • the development of IPSs based on a common set of concepts relevant to professional
156 valuer accreditation,
 - 157 • an efficient and effective standard-setting process as the Professional Board has debated
158 issues in an open and transparent environment from the same conceptual base,
 - 159 • enabling interested parties to understand the fundamental concepts of the IPSs.

Authority and Scope of the Framework

- 160 22. A professional valuer is a person who has expertise in the field of valuation, achieved through
161 formal education and practical experience and maintained through continuous learning and
162 development, is held to high professional standards equivalent to the IVSC's IPSs and Code of
163 Ethical Principles and whose compliance with such standards is subject to enforcement by a VPO
164 that is a member of the IVSC². A professional valuer candidate is an individual who has
165 commenced a professional valuer accreditation programme. In some jurisdictions, VPOs have yet
166 to be developed. Where there is no relevant organisation that an individual may apply to join,
167 individuals or firms are encouraged to adopt and comply with this Framework.

² The titles used to describe a professional valuer in the various jurisdictions is diverse. For purposes of this Framework, these titles are to be used synonymously with professional valuers.

- 168 23. The IVSC defines VPOs as organisations that have either direct or indirect responsibility for the
169 training and development of their members and those aspiring to membership and providing them
170 with an accreditation as a professional valuer. These organisations are also responsible for
171 ensuring that their members maintain competence and comply with rules of ethical conduct.
172 VPOs that are members of the IVSC are required to meet the following criteria:
- 173 • they must be established as a not-for-profit organization,
 - 174 • they must set education, competency and ethical standards for their members,
 - 175 • they must uphold the public interest over the interests of their members,
 - 176 • they must have a system for disciplining members who breach their ethical and other
177 conduct rules,
 - 178 • they must have governance and operating structures suitable to their role and
179 responsibilities and be able to demonstrate integrity in the conduct of their activities.
- 180 24. A professional organisation that meets the above criteria and that also accredits and admits
181 members engaged in professional activity other than valuation may be classed as a VPO if it
182 provides a pathway for membership and accreditation that includes the competencies in the IPSs
183 and a structure that provides continuing professional development for its members that work as
184 professional valuers.
- 185 25. Professional valuers work in every sector of the economy and in many different areas of
186 valuation. The IPSs establishes the learning and development principles for the education of
187 professional valuers.
- 188 26. The Professional Board has applied the concepts set out in the Framework when developing the
189 IPSs. In the absence of a specific IPS, VPOs that are members of the IVSC and other interested
190 parties should also apply these concepts when designing, delivering and assessing accreditation
191 and continuing professional development programmes for professional valuers.
- 192 27. The following publications of the IVSC form the base for the development of the IPSs:
- 193 • *A Competency Framework for Professional Valuers*
 - 194 • *Code of Ethical Principles for Professional Valuers*
- 195 28. This Framework deals with the concepts of competence, initial professional development,
196 continuing professional development and the assessment of the effectiveness of learning and
197 development.
- 198 29. The IVSC recognises that some organisations and jurisdictions will require time to converge to
199 the IPSs. The IVSC is committed to working with those organisations and jurisdictions in
200 developing reasonable transition plans to converge.
- 201 30. VPOs that are members of the IVSC should structure their professional valuer accreditation
202 programmes in a way that protects the public interest.

Educational and Development Concepts

203 **Capability and Competence**

- 204 31. The overall objective of valuation education is to develop competent professional valuers.
- 205 32. Capability is the ability to perform certain actions. Capabilities are the attributes that enable the
206 professional valuer to perform his or her role. Within the IPSs, capabilities consist of professional
207 skills and ethics. The term ethics also includes the professional values and attitudes that guide
208 professional behaviour. The acquisition of these capabilities contributes to competence.
209 Capabilities do not vary in terms of ability to perform certain actions.
- 210 33. Competence is defined as the possession of the required skill, knowledge and capacity to do
211 something well measured against a defined standard with reference to working environments.
212 The definition of competence emphasizes the ability of individuals to perform to standards
213 expected of professional valuers. Competence requires the capabilities of professional skills and
214 ethics, and the appropriate level of technical knowledge.
- 215 34. The competence of the professional valuer is affected by the complexity of the asset or liability
216 class and the complexity of the environment in which the valuation is undertaken. The
217 appropriate level of competence for the professional valuer is dependent on the following criteria:
- 218 • the type of asset or liability that is the subject of the valuation, eg, real estate, plant
219 machinery and equipment, personal property, business, business interests, intangible
220 assets and financial instruments,
 - 221 • the purpose of the valuation, eg, financial reporting, dispute resolution and statutory
222 requirement,
 - 223 • the sector in which the asset or liability subject to the valuation is classified, eg, mining,
224 manufacturing, financial institutions and housing.
- 225 35. There may be times when a professional valuer will require information that extends beyond their
226 area of competence by asset or liability class, valuation purpose and sector expertise. In such
227 cases, the professional valuer will be required to rely on information provided by third parties,
228 such as specialist consultants. A competent valuer will recognise the requirement to rely on the
229 expertise of a third party, when necessary. However, unquestioning acceptance of such third
230 party information can produce an unreliable valuation. A competent valuer will also question the
231 information to ensure a credible valuation.

232 **Learning and Development**

- 233 36. An individual becomes competent through learning and development. The primary types of
234 learning and development endorsed by the IVSC are as follows:
- 235 • **Education:** Education is a systematic process aimed at acquiring and developing
236 knowledge, skills and other capabilities within individuals, a process that is typically but
237 not exclusively conducted in academic environments.

- 238 • **Practical experience:** Practical experience refers to workplace activities that apply the
239 relevant education in a supervised work environment.
- 240 • **Training:** Training refers to learning and development activities that complement
241 education and practical experience, usually conducted in the workplace or a simulated
242 work environment.
- 243 37. Learning and development also includes activities such as coaching, networking, observation and
244 self-directed gaining of knowledge.
- 245 38. Learning and development is an ongoing process of acquiring, maintaining and renewing
246 competence at an appropriate level throughout a professional valuer's career. The extent to which
247 each of the different forms of learning and development are used may vary. The technical
248 knowledge of the professional valuer will change over time due to the evolution of the markets
249 and disciplines in which the professional valuer operates.
- 250 39. In a constantly changing work environment, a commitment to lifelong learning is an integral
251 aspect of being a professional valuer. Therefore, the IPSs address both Initial Professional
252 Development (IPD) and Continuing Professional Development (CPD).
- 253 **Initial Professional Development**
- 254 40. IPD is learning and development through which individuals first develop competence leading to
255 performing a role in the valuation profession.
- 256 41. IPD includes the following categories:
- 257 • General education is broad-based education to develop the skills necessary as a
258 foundation for managing the demands of professional valuation education and practical
259 experience.
- 260 • Professional valuation education, including practical experience, is education and training
261 that builds on general education and imparts technical knowledge, professional skills and
262 ethics.
- 263 • Assessment is the measurement of professional competence developed throughout
264 learning and development.
- 265 42. Learning outcomes are the broad goals that describe what the professional valuer candidates are
266 supposed to know or be able to do to demonstrate the capability and competency at the point of
267 accreditation.
- 268 43. There are legal and regulatory differences in the accreditation of the professional valuer,
269 internationally. Each VPO that is a member of the IVSC will define the appropriate relationship
270 between the end of IPD and the point of qualification or licensing for its members.
- 271 44. IPD continues until individuals can demonstrate the competence required for their accreditation
272 as a professional valuer. IPD goes beyond knowledge of valuation theory, principles, concepts,
273 standards and process at a given point in time. It includes the ability to integrate technical
274 knowledge, professional skills and ethics. Professional competence enables individuals to identify

275 issues, know what knowledge is relevant and know how to apply that knowledge and professional
276 judgement to resolve issues ethically.

277 45. Certain IPSs include learning outcomes that establish the breadth and depth of knowledge,
278 understanding and application required for a specified capability and competence area. The level
279 of proficiency is based on consideration of the ambiguity, complexity and uncertainty of the
280 environment. A VPO that is a member of the IVSC may include additional capability and
281 competence areas, increase the level of proficiency for competence areas and develop additional
282 learning outcomes that are not specified in the IPSs.

283 **Continuing Professional Development**

284 46. Globalisation, advances in technology, business complexity, societal changes and the expansion
285 of stakeholder groups, including regulators and oversight bodies, are significant characteristics of
286 the environment in which professional valuers work. Change requires professional valuers to
287 maintain and develop new and/or more specialised knowledge and skills throughout their careers
288 as they take on new roles or change disciplines. Throughout their careers, the competence
289 gained during IPD is continually renewed, modified and/or expanded through CPD.

290 47. CPD is learning and development that develops the competencies acquired during IPD to enable
291 professional valuers to continue to perform their roles competently. CPD provides continual
292 development of the competence achieved during IPD.

293 **Assessment of the Effectiveness of Learning and Development**

294 48. Different measurement approaches can be employed to assess the effectiveness of learning and
295 development. They include:

296 • An input measure focuses on the investment made in learning and development, eg, the
297 number of hours an individual is expected to attend a course or the subject areas covered.
298 Input-based measures have traditionally served as proxies for measuring the development
299 of competence, primarily because they are easy to determine and verify. They do not,
300 however, measure the competence developed.

301 • A process measure focuses on the design and delivery of learning and development, eg, a
302 course curriculum that is regularly reviewed and updated. As with the input-based
303 measures, process-based measures are proxies for the competence developed.

304 • An output measure focuses on whether the professional valuer has developed the
305 specified competence. Competence can be assessed by a variety of means, including
306 workplace performance, workplace simulations, written examinations and self-
307 assessment. Competence-based assessment begins with the creation of competence
308 frameworks as benchmarks.

309 49. In choosing a measurement approach, the following characteristics should be considered:

310 • validity – whether it measures what needs to be measured,

311 • reliability – whether it consistently produces the same result, given the same set of
312 circumstances,

- 313 • cost-effectiveness – whether the benefits outweigh the costs of measurement.
- 314 50. Output measures, being directly focused on competence, are rated as highly valid. They can be
315 challenging to implement without substantial investment in measurement systems, leading to
316 concerns over their cost-effectiveness. Because of the inherent compromise between validity,
317 reliability and cost-effectiveness, a mix of input, process and output measures is often adopted.
318 However, output measures are the measures most closely linked with the objective of
319 professional valuer accreditation – the development of competence.
- 320 51. The selection of the appropriate measurement approach in the circumstances will be made by the
321 VPO that is a member of the IVSC.

IVSC Member Body Obligations

- 322 52. An IVSC Member Body Compliance Programme is under development by the Board of Trustees
323 of the IVSC at the date of this Framework.

Structure

- 324 53. The IPSs are written in accordance with the set of drafting conventions that appear in Appendix A
325 to this Framework.

Appendix: Drafting Conventions

326 ***Language and Structure***

327 A1. The sole approved text of an Exposure Draft, IPS or other form of guidance is that published by
328 the IVSC in the English language.

329 A2. Each IPS contains a paragraph on definitions and explanation of key terms. The definitions and
330 explanations are intended to support translation, interpretation and application and are not
331 intended to override definitions and explanations of other documents that may be established for
332 other purposes, whether in law, regulation or otherwise.

333 A3. The structure of the IPSs is organised to include the following as separate sections: Introduction,
334 Objective, Requirements and Commentary.

335 ***Introduction***

336 A4. The introductory material includes information regarding the purpose and scope that provides
337 context relevant to a proper understanding of each IPS.

338 ***Objective***

339 A5. Each IPS contains a clear statement of the objective of the IPS. The objectives assist VPOs that
340 are members of the IVSC to understand what needs to be accomplished and to decide whether
341 more needs to be done to achieve the objective.

342 ***Requirements***

343 A6. The objectives are supported by clearly stated requirements that are necessary to achieve the
344 objectives. Requirements are always expressed using the term “shall.”

345 ***Commentary***

346 A7. The commentary provides additional explanation relevant to the requirements. The commentary
347 is intended to explain more fully what a requirement means and may include examples of how to
348 meet the requirements. The commentary does not in and of itself impose any additional
349 requirements; its purpose is to assist in their application.