

# **Second Exposure Drafts of Proposed:**

- **Standards of Valuation Practice; and**
  - **Code of Professional Ethics**
- 

**April 4, 2014**

To easily move to a specific Exposure Draft, click on the name of such document above. To review the background, rationale and procedures relating to the Exposure Drafts, [click here](#).

## **Procedures Relating to Exposure Drafts**

On December 6, 2013, the Appraisal Institute distributed to Designated Members, Candidates for Designation, Practicing Affiliates and Affiliates initial Exposure Drafts of the following:

1. Proposed Preamble to the Standards of Professional Appraisal Practice;
2. Proposed Standards of Valuation Practice (SVP); and
3. Proposed Revisions to the Code of Professional Ethics (CPE).

Comments on these Exposure Drafts could be submitted until January 12, 2014.

The Appraisal Institute Professional Standards and Guidance Committee (PSGC) subsequently reviewed and considered the comments received for the initial Exposure Drafts and worked on potential improvements and clarifications. The PSGC completed Second Exposure drafts of the proposed SVP and proposed revisions to the CPE, and recommended that the Board direct distribution of such Exposure Drafts. The PSGC did not have any recommendations for changes to the initial Exposure Draft of the Proposed Preamble to the Standards of Professional Appraisal Practice.

The Board of Directors considered the PSGC recommendations and directed distribution of Second Exposure Drafts of the proposed SVP and proposed revisions to the CPE to Designated Members, Candidates, Practicing Affiliates and Affiliates for review and comment. If you have any comments on these Second Exposure Drafts, please send them to [standardscodeexposure@appraisalinstitute.org](mailto:standardscodeexposure@appraisalinstitute.org). Comments will be compiled for distribution to the Board of Directors and the PSGC. The deadline for submission of comments is May 4, 2014.

The PSGC will consider the comments received and decide whether to recommend to the Board of Directors any revisions to the Second Exposure Drafts. The Board then will consider whether to direct another round of Exposure Drafts, whether to direct 45-Day Notice of these documents as distributed or revised, or whether to take some other action.

## **Background and Rationale for Proposed Standards of Valuation Practice (SVP)**

In keeping with the Appraisal Institute's historic role as the leader of the valuation profession and in establishing valuation standards, as well as in recognition of the limitations of many valuation standards in existence today, the Appraisal Institute Board of Directors last year directed that the PSGC develop proposed SVP. The Board recognized that valuers would benefit from high quality, straightforward, principle-based standards where existing standards are not already required or do not apply. The Board believed that such standards should establish a high level of professional practice, engender public trust, enable valuers and the public to better understand the valuation standards and facilitate the growth and advancement of the valuation profession. The Board also concluded that such standards could help valuers better meet the evolving needs of clients and facilitate the variety of work that clients desire and that valuers now perform.

The proposed SVP:

1. Could be used as an alternative to the Uniform Standards of Professional Appraisal Practice (USPAP) or the International Valuation Standards (IVS) when USPAP or IVS are not required and the use of the SVP would be appropriate;
2. Would serve as an alternative set of standards that could be used, not an additional set of required standards; and
3. Would not supplant USPAP or other national standards.

State laws and regulations require that most valuers in the United States comply with USPAP in much of their valuation practices. For example, state licensed and certified valuers in “mandatory” states must comply with USPAP in their practices unless they are performing an exempted service. State licensed valuers in “voluntary” states must comply with USPAP in federally related lending transactions. Sometimes, however, valuers in the United States can, in addition to or as an alternative, comply with other standards. One example of such standards is the Uniform Appraisal Standards for Federal Land Acquisition (the “Yellow Book”).

An example of a situation where the proposed SVP could be used is in an assignment in a non-mandatory state that does not involve a federally related transaction (e.g., valuation for financial reporting, certain litigation related assignments) and where USPAP is not otherwise required. The valuer would identify the standards used in his or her engagement letter and report.

If the proposed SVP is adopted, Appraisal Institute Designated Members, Candidates and Practicing Affiliates would be required to comply with either:

1. The SVP, promulgated by the Appraisal Institute, and the Certification Standard of the Appraisal Institute; *or*
2. Applicable national or international standards and the Certification Standard of the Appraisal Institute.

### **The Second Exposure Draft of the Proposed Standards of Valuation Practice (SVP)**

In its efforts to meet the Board’s directive and to improve upon the First Exposure Draft of the SVP, the PSGC focused on the following major objectives:

1. Considering comments received and making revisions as appropriate;
2. Removing ethical requirements and methodology so that the SVP contains only what truly constitute standards (ethical requirements are covered in the CPE and methodology is covered in the body of knowledge.);
3. Making the SVP applicable to any asset type (e.g., personal property, intangibles, real property);

4. Defining in a clear and consistent manner those terms that have specific meaning in the SVP, but otherwise using common terms; and
5. Making SVP as self-explanatory as possible (e.g., reducing the need for elaboration on the standards, such as through comments).

Examples of enhancements in the Second Exposure Draft are as follows:

1. The opening statement for Standard 1 in the Second Exposure Draft reads:

An appraisal must be credible.

The requirements to determine an appropriate scope of work, etc., are covered later in the Standards Rules themselves, so the statement as it read in the First Exposure Draft was redundant:

In developing a real property appraisal, a valuer must determine an appropriate scope of work and be aware of, understand, and correctly employ those recognized methods and techniques that are necessary to produce a credible appraisal.

2. Each Standard Rule (SR 1-1, SR 1-2, etc.) in the Second Exposure Draft includes a heading relating to the nature of the content in that rule (competency, problem identification, etc.). The headings mirror the valuation and review processes, making it easier to understand the logic and flow of the SVP.
3. The reporting requirements for an appraisal report and for a review report in the Second Exposure Draft are provided in their entirety for each. The First Exposure Draft had a Standards Rule addressing requirements for both appraisal reports and review reports, and then separate Standards Rules for each as well. In the Second Exposure Draft, the complete reporting requirements can be located easily for each assignment type.
4. Newly defined terms in the Second Exposure Draft include “Assignment Results,” “Biased,” “Credible” and “Scope of Work.”

The PSGC considered several comments regarding the use of the term “valuer” in the First Exposure Drafts, rather than the term “appraiser.” The term “appraiser” generally is used only in the United States and Canada for individuals who appraise real and personal property. “Valuer” is used globally for professionals who offer valuation services for individual asset classes, or a combination of such classes. Use of the term “valuer” in the Exposure Drafts reflects the Appraisal Institute’s global presence and its professionals who offer a wide range of valuation services.

### **Background and Rationale for Proposed Code of Professional Ethics (CPE)**

Proposed revisions to the CPE are based on:

1. Decades of experience with interpretation and enforcement of the CPE;
2. The content of the proposed SVP; and

3. The evolving role of Appraisal Institute Designated Members, Candidates, Practicing Affiliates and Affiliates.

The last comprehensive revision of the CPE occurred in 2002.

### **The Second Exposure Draft of Proposed Revisions to the Code of Professional Ethics (CPE)**

The Second Exposure Draft of Proposed Revisions to the CPE includes the proposed revisions from the First Exposure Draft, as well as a few additional proposed revisions, primarily to: 1) several definitions to ensure consistency between the SVP and CPE; and 2) Ethical Rule 4-1 relating to confidentiality.

Please note that the Second Exposure Draft of the proposed CPE includes only the Definitions, Canons and Ethical Rules. Once the Definitions, Canons and Ethical Rules are near finalization, appropriate adjustments to the Explanatory Comments will be drafted.

# Document #1

## Second Exposure Draft of Proposed Appraisal Institute Standards of Valuation Practice

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April 4, 2014

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# 1 Definitions

2 The following definitions apply to these Standards of Valuation Practice.

## 3 **Appraisal**

4 The act or process of developing an opinion of value; an opinion of value. An appraisal must be numerically  
5 expressed as a specific amount, as a range of numbers, or as a relationship (e.g., not more than, more  
6 than, not less than, less than) to a specified amount.

## 7 **Assignment Results**

8 Opinions and conclusions developed in an appraisal or review.

## 9 **Biased**

10 Not reasonably supported, and favoring or promoting the cause or interest of the client, one's self, or  
11 another.

## 12 **Client**

13 The individual, group or entity who engages a valuer to perform a service.

## 14 **Credible**

15 Worthy of belief; supported by analysis of relevant information. Credibility is always measured in the context  
16 of intended use.

## 17 **Date of Report**

18 The date on which the report is transmitted to the client.

## 19 **Effective Date**

20 The date on which the appraisal or review opinion applies.

## 21 **Engagement**

22 An agreement between a valuer and a client to provide a service.

## 23 **Hypothetical Condition**

24 A condition that is presumed to be true when it is known to be false.

## 25 **Intended Use**

26 The valuer's intent as to how the report will be used.

## 27 **Intended User**

28 The party or parties the valuer intends will use the report.

## 29 **Report**

30 The final communication, written or oral, of an appraisal or review transmitted to the client. Finality is  
31 evidenced by the presence of the valuer's signature in a written report or a statement of finality in an oral  
32 report. All communications to the client prior to the final communication must be conspicuously designated  
33 as such.

34 **Review**

35 The act or process of developing and communicating an opinion to a client about the quality of another's  
36 appraisal or review report.

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38 **STANDARD 1:**  
39 **An appraisal must be credible.**

40 **SR 1-1: Competency**

41 In developing an appraisal, a valuer must:

- 42 (a) be aware of and understand methods and techniques that are necessary to produce credible  
43 assignment results;
- 44 (b) not commit a substantial error of omission or commission that significantly affects the  
45 assignment results; and
- 46 (c) not make a series of errors that, considered individually, may not significantly affect the  
47 assignment results but which, when considered in the aggregate, establish that the appraisal is  
48 being rendered in a careless or negligent manner.

49 **SR 1-2: Problem Identification**

50 The valuer must identify the appraisal problem to be solved at the time of engagement. To identify the  
51 appraisal problem, the valuer must ascertain:

- 52 (a) the client and any other intended users;
- 53 (b) the intended use of the report;
- 54 (c) the type and definition of value;
- 55 (d) the effective date of the valuer's opinions and conclusions;
- 56 (e) the property that is the subject of the appraisal and the interest in that property to be appraised;
- 57 (f) the characteristics of the subject property that are relevant to the type and definition of value and  
58 intended use of the appraisal;
- 59 (g) any special assumptions necessary in the appraisal;
- 60 (h) any hypothetical conditions necessary in the appraisal; and
- 61 (i) other conditions of the engagement that affect the scope of work, including general assumptions  
62 and applicable laws, regulations and guidelines.

63 **SR 1-3: Scope of Work**

64 The valuer must determine the scope of work necessary to develop an appraisal that is credible given its  
65 intended use. The scope of work for an appraisal is appropriate when it meets:

- 66 (a) what the actions would be of another valuer who possesses competency to prepare the same  
67 appraisal, and
- 68 (b) the expectations of parties who are regularly intended users of appraisals under similar  
69 circumstances.

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72 **SR 1-4: Application of Methodology**

73 The valuer must:

- 74 (a) research and verify data necessary to develop a credible appraisal, and  
75 (b) correctly employ methods and techniques necessary to produce a credible appraisal.

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77 **STANDARD 2:**  
78 **A review must be credible.**

79 **SR 2-1: Competency**

80 In developing a review, a reviewer must:

- 81 (a) be aware of and understand methods and techniques that are necessary to produce credible  
82 assignment results;
- 83 (b) not commit a substantial error of omission or commission that significantly affects the review;  
84 and
- 85 (c) not make a series of errors that, considered individually, may not significantly affect the review  
86 but which, when considered in the aggregate, establish that the review is being rendered in a  
87 careless or negligent manner.

88 **SR 2-2: Problem Identification**

89 The reviewer must identify the review problem to be solved at the time of engagement. To identify the  
90 review problem, the reviewer must ascertain:

- 91 (a) the client and any other intended users;
- 92 (b) the intended use of the report;
- 93 (c) the objective of the review, including whether it will include the development of the reviewer's  
94 own opinion of value (in the case of a review of an appraisal) or the reviewer's own review opinion  
95 (in the case of a review of a review);
- 96 (d) the work under review, which may be a written or oral appraisal or review report, or portion  
97 thereof;
- 98 (e) any special assumptions necessary in the review; and
- 99 (f) other conditions of the engagement that affect the scope of work, including general assumptions  
100 and applicable laws, regulations and guidelines.

101 **SR 2-3: Scope of Work**

102 The reviewer must determine the scope of work necessary to develop a review that is credible given its  
103 intended use. The scope of work for a review is appropriate when it meets:

- 104 (a) what the actions would be of another reviewer who possesses competency to prepare the same  
105 review, and
- 106 (b) the expectations of parties who are regularly intended users of reviews under similar  
107 circumstances.

108 **SR 2-4: Application of Methodology**

109 The reviewer must:

- 110 (a) correctly employ methods and techniques necessary to produce a credible review;
- 111 (b) support review opinions with relevant evidence and logic;

112 (c) develop rationale for any disagreement with the data, analyses, opinions or conclusions  
113 presented in the work under review; and  
114 (d) when the reviewer's scope of work includes development of the reviewer's own opinion of value,  
115 comply with the requirements of Standard 1.  
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117 **STANDARD 3:**  
118 **A report must be clear and not misleading.**

119 **SR 3-1: Not Misleading**

120 A report must clearly and accurately set forth the appraisal or review opinions and conclusions in a manner  
121 that will not be misleading in the context of the intended use.

122 **SR 3-2: Sufficient Report Content**

123 An appraisal or review report, whether oral or written, must contain sufficient information to enable the  
124 intended user(s) to understand the report properly in the context of the intended use.

125 (a) A written appraisal report must:

- 126 (i) include a signed certification statement in accordance with SR 3-3;
- 127 (ii) state that the valuer has no (or the specified) present or prospective interest in the property  
128 that is a subject of this engagement and no (or the specified) personal interest with respect to  
129 the parties involved;
- 130 (iii) state either that no one provided significant property appraisal assistance to the valuer  
131 signing the certification, or state the name of each individual who provided such assistance;
- 132 (iv) state the identity of the client; or if the client requested anonymity, state that the client's  
133 identity is withheld but retained with the valuer's records;
- 134 (v) state the identity of any other intended user(s), by name or type, of the appraisal report;
- 135 (vi) state the intended use of the appraisal report;
- 136 (vii) identify the property involved in the appraisal;
- 137 (viii) state the property interest appraised;
- 138 (ix) state the type of value and cite the source of its definition;
- 139 (x) state the effective date of the appraisal;
- 140 (xi) state the date of report;
- 141 (xii) state the scope of work used to develop the appraisal;
- 142 (xiii) state the methods and techniques used to develop the opinions and conclusions;
- 143 (xiv) state the extent of any significant appraisal assistance provided to the valuer;
- 144 (xv) state the opinion(s) and conclusion(s) reached; and
- 145 (xvi) clearly and conspicuously state all special assumptions and hypothetical conditions; and  
146 that their use might have affected the valuer's opinion(s) and conclusion(s).

147 (b) A written review report must:

- 148 (i) include a signed certification statement in accordance with SR 3-3;
- 149 (ii) state that the reviewer has no (or the specified) present or prospective interest in the  
150 property that is a subject of the work under review and no (or the specified) personal interest

- 151 with respect to the parties involved;
- 152 (iii) state either that no one provided significant property appraisal or review assistance to the  
153 valuer signing the certification, or state the name of each individual who provided such  
154 assistance;
- 155 (iv) state the identity of the reviewer's client; or if the client requested anonymity, state that the  
156 client's identity is withheld but retained with the reviewer's records;
- 157 (v) state the identity of any other intended user(s), by name or type, of the review report;
- 158 (vi) state the intended use of the review report;
- 159 (vii) state the objective of the review;
- 160 (viii) state the identity of the work under review, including the date of report specified in the work  
161 under review;
- 162 (ix) state the effective date of the review;
- 163 (x) state the scope of work used to develop the review;
- 164 (xi) when the reviewer's scope of work includes the reviewer's development of an opinion of  
165 value:
- 166 ○ state which information, analyses, opinions and conclusions in the work under  
167 review the reviewer accepted as credible and used in developing the reviewer's  
168 own opinion,
  - 169 ○ state any additional information relied on, and
  - 170 ○ summarize the reasoning for the reviewer's opinion of value;
- 171 (xii) state the extent of any significant appraisal or review assistance provided to the reviewer;
- 172 (xiii) clearly and conspicuously state any special assumptions used in the review, and state that  
173 their use might have affected the reviewer's opinion(s) and conclusion(s); and
- 174 (xiv) state the reviewer's opinion(s) and conclusion(s) about the work under review, including  
175 the reasons for any disagreement.
- 176 (c) An oral appraisal or review report must, to the extent that it is both possible and appropriate,  
177 address the substantive matters set forth in SR 3-2(a) or (b). A written copy of a signed certification  
178 in accordance with SR 3-3 must be retained by the valuer or reviewer.

179 **SR 3-3: Certification**

180 A report must contain the following statement signed by the valuer(s):

181 I certify that, to the best of my knowledge and belief, my analyses, opinions and  
182 conclusions were developed, and this report complies with, the Code of Professional Ethics  
183 and Standards of Valuation Practice of the Appraisal Institute.

184 When the signing valuer(s) relied on work done by others who do not sign the certification, each signing  
185 valuer is responsible for the decision to rely on their work. Each signing valuer is required to have a  
186 reasonable basis for believing that those individuals performing the work are competent and that their work  
187 is credible.

# Document #2

## Second Exposure Draft of Proposed Appraisal Institute Code of Professional Ethics\*

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**April 4, 2014**

\* Please note that bold and line-out fonts highlight changes from the draft Code distributed to AI Professionals on December 6, 2013.

Please note also that the proposed Code of Professional Ethics includes only the proposed Definitions, Canons and Ethical Rules. Once the Definitions, Canons and Ethical Rules are near finalization, appropriate adjustments to the Explanatory Comments will be drafted.

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1 **Definitions**

2 The following definitions apply to this Code of Professional Ethics. All instances of the following terms  
3 in the Code of Professional Ethics shall have the definitions below.

4  
5 **Appraisal**

6 The act or process of developing an opinion of value; an opinion of value. ~~Also known as valuation.~~

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8 ~~Comment:~~ An Appraisal must be numerically expressed as a specific amount, as a  
9 range of numbers, or as a relationship (e.g., not more than, more than, not less than,  
10 less than) to a stated amount.

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12 **Assignment Results**

13 Opinions and conclusions developed in an appraisal or review.

14  
15 **Biased**

16 Not reasonably supported, and favoring or promoting the cause or interest of the client, one's self, or  
17 another.

18  
19 **Client**

20 The party or parties **individual, group or entity** who engage a valuer, ~~by employment or contract,~~ to  
21 perform a Service.

22  
23 ~~Comment:~~ The client is the party to whom the valuer owes a duty of  
24 confidentiality. The client may be an individual, group or entity.

25  
26 **Confidential Information**

27 Information that is either:

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- 29 • identified by the client as confidential when providing it to a valuer and that is not available
  - 30 from any other source; or
  - 31
  - 32 • classified as confidential or private by applicable law or regulation.
  - 33

34 **Engagement**

35 An agreement between a valuer and a client to provide a Service.

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37 **Hypothetical Condition**

38 A condition that is presumed to be true when it is known to be false.

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40 **Intended Use**

41 The valuer's intent as to how the Report will be used.

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43 ~~Comment:~~ The valuer identifies the intended use at the outset of the engagement  
44 based on communication with the client.

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**Intended User**

The party or parties the valuer intends will use the Report.

~~Comment: The valuer identifies intended users at the outset of the engagement in order that the Report will contain sufficient information to allow all intended users to understand it properly. The client is always an intended user.~~

~~A party receiving a copy of a Report in order to satisfy disclosure requirements does not become an intended user unless the valuer identifies such party as an intended user.~~

**Know or Knowingly**

The individual realizes what he or she is doing, is aware of the nature of his or her conduct, and is not acting through mistake or accident.

~~Comment: Knowledge can be inferred from the valuer’s conduct and from all the facts and circumstances surrounding the conduct. A determination of “knowingly” should be made in the context of the valuer’s training, background, and experience. A valuer may have acted (or failed to act) “knowingly” if he or she acted in disregard of the requirements of this Code of Ethics or applicable Standards of Professional Appraisal Practice or the profession’s recognized methods and techniques such as those set forth in Appraisal Institute courses, seminars, textbooks, and other publications. The term “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 conduct and the valuer’s training, background, and experience.~~

**Report**

The final communication, written or oral, of an appraisal or review transmitted to the client.

~~Comment: Finality is evidenced by the presence of the valuer’s signature in written communication or a statement of finality in the oral communication of assignment results. All communications to the client prior to the final communication must be conspicuously designated as such.~~

**Review**

The act or process of developing and communicating an opinion to a client about the quality of an appraisal or review Report.

**Reviewer**

A valuer performing a review.

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**Service**

Work that a valuer performs for a client that is subject to this Code of Professional Ethics, including but not limited to appraisal and review.

**Special Assumption**

An assumption, directly applicable to a specific Service, which, if found to be false, could alter the valuer's opinions or conclusions **in an appraisal or review**.

~~Comment: Special Assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property; or about conditions external to the property; or about the integrity of data used in an analysis.~~

**Value**

The monetary relationship between properties and those who buy, sell, or use those properties.

~~Comment: Value expresses an economic concept. As such, it is never a fact but always an opinion of the worth of a property at a given time in accordance with a specific definition of value. In appraisal practice, value must always be qualified - for example, market value, liquidation value, or investment value.~~

**Valuer**

One who is expected to provide Services in an unbiased and competent manner.

113 **Exceptions to the Ethical Rules**

114 If any part of an Ethical Rule is contrary to a law or regulation of any jurisdiction, such part shall be  
115 void and of no force or effect in such jurisdiction.

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117 When a valuer violates an Ethical Rule due to an event beyond the valuer's control, such as an act of  
118 God or illness, the Investigator or peer review committee(s) (or any member or duly authorized  
119 representative thereof) reviewing the conduct should consider such event and all the relevant facts  
120 about the case to avoid an inequitable result.

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121 Canon 1: One Must Refrain from Conduct that is Detrimental to  
122 the Appraisal Institute, the Profession, and the Public

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124 **Ethical Rules**

125  
126 **ER 1-1**

127 It is unethical to knowingly:

- 128  
129 (a) act in a manner that is misleading;  
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131 (b) act in a manner that is fraudulent;  
132  
133 (c) use, or fail to take steps to prevent another from using, a misleading Report;  
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135 (d) transmit, or fail to take steps to prevent another from transmitting, a misleading Report; or  
136  
137 (e) transmit a Report containing an analysis, opinion, or conclusion that reasonable appraisers  
138 would not believe to be justified.  
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140 **ER 1-2**

141 It is unethical to engage in conduct of any kind that leads to a conviction of a crime involving fraud,  
142 dishonesty, false statements, or moral turpitude.  
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144 **ER 1-3**

145 It is unethical to knowingly fail to properly identify the issue to be addressed and have the knowledge  
146 and experience to complete the Service competently prior to agreeing to perform a Service, or  
147 alternatively, to:

- 148  
149 (a) disclose the lack of knowledge and/or experience to the client before agreeing to perform the  
150 Service;  
151  
152 (b) take all steps necessary or appropriate to complete the Service competently; and  
153  
154 (c) describe the lack of knowledge and/or experience and the steps taken to complete the  
155 Service competently in the Report.  
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157 **ER 1-4**

158 It is unethical in the performance of a Service to knowingly fail to:

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160 (a) identify appropriate Standards to apply; and  
161  
162 (b) disclose in any Report the Standards applied.  
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164 Canon 2: One Must Assist the Appraisal Institute in Fulfilling Its  
165 Role Relating to Qualifications and Compliance with Ethics and  
166 Standards

167 **Ethical Rules**

168 **ER 2-1**

169 It is unethical:

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171 (a) to knowingly violate the confidentiality obligations set forth in the Bylaws, Regulations,  
172 policies and procedures of the Appraisal Institute.

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174 (b) to fail to keep knowledge of a referral initiating a peer review proceeding or knowledge of any  
175 subsequent screening or review of the matter confidential.

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177 **ER 2-2**

178 It is unethical to accept an appointment to, or to fail to immediately resign from, an Appraisal Institute  
179 committee or Appraisal Institute Investigator appointment dealing with an admissions matter or peer  
180 review proceeding if one is unable or unwilling to fulfill the responsibilities of a member of said  
181 position.

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183 **ER 2-3**

184 It is unethical to knowingly:

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186 (a) make false statements or submit misleading information to the Appraisal Institute or one of its  
187 duly authorized representatives;

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189 (b) fail or refuse to promptly submit any relevant documentation or information that is or should  
190 be in one's possession or control when requested to do so by the Appraisal Institute or one of  
191 its duly authorized representatives;

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193 (c) fail or refuse to promptly answer all relevant questions when requested to do so by the  
194 Appraisal Institute or one of its duly authorized representatives;

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196 (d) fail or refuse to appear for a personal interview or participate in an interview conducted by  
197 telephone when requested to do so by the Appraisal Institute or one of its duly authorized  
198 representatives;

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200 (e) fail to comply with the terms of a summons issued by a duly authorized Hearing Committee;

201

202 (f) fail or refuse to cooperate with the Appraisal Institute or one of its duly authorized  
203 representatives; or

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205 (g) fail or refuse to fulfill each obligation under the Bylaws, Regulations, policies and procedures  
206 of the Appraisal Institute.

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**ER 2-4**

It is unethical to fail to maintain records, documented on any type of media, for each Report.

(a) Records for a written Report must include:

- a copy of the written Report(s); and
- any other data, information, and documentation necessary to support the valuer's analyses, opinions and conclusions and to show compliance with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, or references to the location(s) of such other documentation accessible to the valuer.

(b) Records for an oral Report must include:

- the name of the client and the identity, by name or type, of any other intended users;
- the valuer's signed and dated certification;
- a written summary of the oral Report, or, if the presentation is in the form of testimony, a transcript of that testimony may be retained in the file in place of the summary; and
- all other data, information, and documentation necessary to support the valuer's analyses, opinions and conclusions and to show compliance with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, or references to the location(s) of such other documentation accessible to the valuer.

**ER 2-5**

It is unethical to fail to retain required records for:

- (a) a period of five years from the date of the completion of the Service;
- (b) a period of two years following final disposition of a proceeding in which the valuer gave testimony as part of the Service;
- (c) a period commencing upon notification that a Service is the subject of a peer review proceeding under Regulation No. 6 until notification by the Appraisal Institute of final disposition of such peer review proceeding;
- (d) a period commencing upon a request from Admissions relating to a Service until notification by the Appraisal Institute of the completion of review by Admissions; or

252 (e) a period of two years following the final disposition of a review of a Service by a  
253 governmental licensing or credentialing body,

254

255 whichever period shall be the last to expire.

256

257 **ER 2-6**

258 It is unethical to enter into a contract with one or more obligations that are inconsistent with the  
259 requirements of the Code of Professional Ethics, Standards of Professional Appraisal Practice,  
260 Bylaws, or Regulations of the Appraisal Institute.

261

262 **ER 2-7**

263 It is unethical to fail to sincerely and demonstrably seek other employment if one knows:

264

265 (a) that the employer prevents one from complying with the requirements of the Code of  
266 Professional Ethics or Standards of Professional Appraisal Practice of the Appraisal Institute;  
267 or

268

269 (b) that one's employer fails to comply with the Code of Professional Ethics or Standards of  
270 Professional Appraisal Practice of the Appraisal Institute.

271 Canon 3: In Providing Services, a Valuer Must Develop and  
272 Report Unbiased Analyses, Opinions, and Conclusions

273 **Ethical Rules**

274 **ER 3-1**

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

277

278 **ER 3-2**

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

282

283 **ER 3-3**

284 It is unethical to provide a Service that is contingent upon reporting a predetermined analysis, opinion  
285 or conclusion.

286

287 **ER 3-4**

288 It is unethical to provide a Service that includes a Hypothetical Condition, unless:

289

290 (a) use of the Hypothetical Condition is required for legal purposes, for purposes of reasonable  
291 analysis, or for purposes of comparison;

292

293 (b) use of the Hypothetical Condition results in a credible analysis; and

294

295 (c) the valuer complies with the applicable disclosure requirements set forth in the applicable  
296 Standards for Hypothetical Conditions.

297

298 **ER 3-5**

299 It is unethical to provide a Service that includes a Special Assumption unless:

300

301 (a) the Special Assumption is required to properly develop credible opinions and conclusions;

302

303 (b) the valuer has a reasonable basis for the Special Assumption;

304

305 (c) use of the Special Assumption results in a credible analysis; and

306

307 (d) the valuer complies with the applicable disclosure requirements set forth in the applicable  
308 Standards for Special Assumptions.

309

310 **ER 3-6**

311 It is unethical to provide a Service if a valuer has any direct or indirect, current, or prospective  
312 personal interest in the subject or outcome of the Service or with respect to the parties involved in the  
313 Service, unless:

314

- 315 (a) prior to agreeing to provide the Service, the valuer carefully considers the facts and  
316 reasonably concludes that he or she would remain unbiased and reasonable persons, under  
317 the same circumstances, would reach the same conclusion;  
318  
319 (b) such personal interest is disclosed to the client prior to the valuer agreeing to provide the  
320 Service; and  
321  
322 (c) such personal interest is disclosed in each Report resulting from such Service.  
323

324 **ER 3-7**

325 It is unethical, during the period that commences at the time that a valuer is contacted concerning a  
326 Service and expires at the completion of such Service, to knowingly acquire, or plan to acquire any  
327 direct or indirect, current, or prospective personal interest in the subject or outcome of the Service or  
328 with respect to the parties involved in the Service, unless:  
329

- 330 (a) the valuer carefully considers the facts and reasonably concludes that he or she would  
331 remain unbiased and reasonable persons, under the same circumstances, would reach the  
332 same conclusion;  
333  
334 (b) such personal interest is disclosed to the client and the valuer obtains from the client a written  
335 statement consenting to or approving such acquisition or change of position; and  
336  
337 (c) such personal interest is disclosed in each Report resulting from such Service.

338 **Canon 4: One Must Not Violate Confidentiality**

339 **Ethical Rules**

340 **ER 4-1**

341 It is unethical to disclose confidential information or an analysis, opinion, or conclusion specific to a  
342 Service to anyone other than:

343

344 (a) the client and those persons specifically authorized by the client;

345

346 (b) third parties, when and to the extent that there is a legal obligation to do so by statute,  
347 ordinance, or court **or regulatory** order; ~~and~~

348

349 (c) **third parties, as reasonably necessary in the event of actual or threatened legal or**  
350 **regulatory action;**

351

352 (d) **authorized insurance representatives, for the purpose of seeking or maintaining**  
353 **professional liability insurance coverage; and**

354

355 (e) the duly authorized Investigators and peer review or admissions committees of the Appraisal  
356 Institute.

357

358 **ER 4-2**

359 It is unethical for a current or former Appraisal Institute Investigator or peer review or admissions  
360 committee member to discuss or disclose confidential information, analyses, opinions, conclusions, or  
361 factual data derived through investigative or committee activities with anyone other than:

362

363 (a) the individual whose Report or file contains the confidential information, analyses, opinions,  
364 conclusions, or factual data;

365

366 (b) the client and those persons specifically authorized by that client to receive the confidential  
367 information, analyses, opinions, conclusions, or factual data;

368

369 (c) third parties, when and to the extent that the Investigator or committee member is legally  
370 required to do so by statute, ordinance, or court order; and

371

372 (d) Investigators and committee members and their duly authorized representatives within the  
373 scope of the Bylaws and Regulations of the Appraisal Institute.

374 Canon 5: One Must Not Advertise or Solicit in a Manner that is  
375 Misleading or Otherwise Contrary to the Public Interest

376 **Ethical Rules**

377 **ER 5-1**

378 It is unethical to utilize misleading advertising. Further, it is unethical to knowingly permit a business  
379 entity that one wholly or partially owns or controls to utilize misleading advertising.

380

381 **ER 5-2**

382 It is unethical to use or refer to the Appraisal Institute or its membership designations in a manner that  
383 is misleading, or to use or display the registered designations, logos, or emblems of the Appraisal  
384 Institute in a manner contrary to Regulation No. 5.

385

386 **ER 5-3**

387 It is unethical to solicit Services in a misleading manner. Further, it is unethical to knowingly permit an  
388 entity one wholly or partially owns or controls to solicit Services in a misleading manner.

389

390 **ER 5-4**

391 It is unethical to fail to disclose in the Report the payment by the valuer, or by an entity wholly or  
392 partially owned or controlled by the valuer, of a referral fee, in cash or kind, paid in connection with  
393 the procurement of a Service.

394

395 **ER 5-5**

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

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