

June 30, 2016

International Valuation Standards Council
1 King Street
London EC2V 8AU, UK

Sent via Email to commentletters@ivsc.org

To Whom It May Concern:

On behalf of the largest professional association of real estate appraisers and valuation professionals in the world, thank you for the opportunity to comment on the proposed *Framework for International Professional Standards* (IPs) published by the IVSC Professional Board.

General Concerns

The Appraisal Institute has reviewed the materials in the exposure draft and we have concerns with the overall approach by the Professional Board and the IVSC.

Use of the Term “Standards”

Words have meaning. In our opinion, introducing new “standards,” relative to valuation, will confuse the public, users of valuation services and practitioners, as *valuation standards* already has a very specific meaning within the valuation profession. Valuation standards relate to the development and reporting of valuation. This differs from *valuation methodology* or methods and techniques, which relate to various approaches to valuation (E.g., market approach, cost approach, income capitalization approach, etc.), and these differ greatly from what the IVSC Professional Board appears to be attempting to develop and assess at an organizational level. We understand this concern also has been expressed by the IVSC Advisory Forum. Therefore, we strongly encourage the IVSC Professional Board to avoid using this term in **any** final Framework.

IVSC Member Compliance Program

We read the exposure draft as an attempt to assert a level of authority or influence over valuation professional organizations’ internal credentialing processes. However, the Framework itself is difficult to comment on without complete information as to the IVSC Board of Trustees’ specific plans. For example, the Exposure Draft makes clear that VPOs will be encouraged to assess existing programs against the proposed Framework and that an IVSC Member Body Compliance Program is under development by the Board of Trustees. Just how that Member Compliance Program is structured has great bearing on how the proposed Framework is viewed by valuation professional organizations, especially if it involves conveyance or authorization of new credentials or seals of approval in the valuation marketplace. To ensure full disclosure, we request that the IVSC Professional Board re-expose the proposed Framework for comment once the Board of Trustees releases the Member Body Compliance Program.

Core Mission

Further, the need for such a “compliance” program is still unclear in our minds. The IVSC Professional Board has cited concerns of at least one regulatory body relative to the valuation profession. We assume that the cited “concerns” refers to comments made several years ago by a representative of the U.S. Securities and Exchange Commission. Those concerns related to a very specific realm of valuation (business valuation), which operates in an unregulated environment today. When we say this realm is unregulated, we are referring to the lack of *enforceable* standards, as there is

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no regulatory regime requiring the use of any particular valuation standard (I.e., IVS, USPAP, etc.). In our view, the lack of enforceable standards is the biggest problem facing the business valuation realm. That aside, we are amazed by the IVSC's lack of focus on its primary mission (Advancement of valuation standards.) and the continued focus on non-core missions (E.g., valuation methodology, credentialing and accreditation). The Appraisal Institute strongly believes that the IVSC should focus on its core mission of promulgating valuation standards and doing them well, while leaving guidance, methodology and credentialing to the valuation professional organizations.

Minimum vs. Aspiration Levels

According to the exposure draft, the IVSC Professional Board concluded that the IPSs should be set at the threshold level of competence sufficient to protect the public interest (not "minimum" or aspirational levels), with an expectation that some IVSC member bodies that provide professional valuer credentialing for their members will exceed some or all of these standards. While we believe the latter to be true, we believe that the market will view participants in the IVSC Framework as having equivalent programs, when, in fact, there may be clear and stark differences that may not be so apparent. If the IVSC Professional Board continues to pursue this endeavor, we strongly suggest that the Framework establish minimum obligations, not only to ensure ease of entry in emerging or developing valuation markets, but also to avoid equating a broad and diverse set of organizational programs. We believe that the rigor of each program should be judged on the merits of the programs and the track record of producing highly qualified valuers, not whether certain processes and procedures were followed.

Selected Technical Q&A

Many technical concerns that are relative to the IPSs would be addressed if the IVSC Professional Board emphasized that the protocols are *minimum* (or holistic) in nature. On the other hand, some areas of the IPSs are so detailed and granular that they may only be viewed as being aspirational.

We have set aside several higher level questions below for response.

Question: Is a university degree or equivalent normally a prerequisite for accreditation as a professional valuer in your specialty or geographical area? (IPS 101 – Initial Professional Development – Entry Requirements)

Response: It is, but we see a need to have flexibility to adjust this requirement depending on global market conditions, user demand and the health of the profession. While a degree is a firm requirement for earning professional designations from the Appraisal Institute, there have been times in the past when it was not required, and evidence may present itself in the future where one may not be needed in lieu of alternative means and methods (I.e., combinations of experience, tested education or practicum coursework, demonstrations of knowledge/peer review and comprehensive examinations, etc.). As an example, at least one U.S. government agency has attempted to establish protocols or to describe acceptable professional designation programs without endorsing any one particular organization, and it has used the following criteria (Note that it does not include a college degree.):

Appraisers employed by the Department...must have a professional designation or accreditation that requires classroom training in appraisal practice and experience requirements..., as well as a demonstration report and a comprehensive examination.

Question: Do you agree with the competence areas listed in IPS 103? Are there other competence areas that should be included? (IPS 103 – Initial Professional Development – Technical Knowledge)

Response: No, we do not agree. While the exposure says that IPS 103 is not an exhaustive list, it appears as if the IVSC Professional Board is attempting to establish one by asking if other competency areas should be included. As drafted, IPS 103 reads like an aspirational protocol, when the information could be simplified and holistic, helping to establish minimum protocols.

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Questions: Do you agree with the threshold level for continuing professional development of at least 120 hours of relevant professional development in each rolling three year period, of which 60 hours must be verifiable?

Do you agree that the professional valuer should complete at least 20 hours of relevant professional development annually? (IPS 201 – Continuing Professional Development)

Some continuing professional development programs have moved away from hours-based systems to alternative systems that emphasize advanced education. For instance, several years ago, the Appraisal Institute established a points-based system for continuing professional development that awards points based on number of classroom hours and higher point values for advanced courses, such as advanced courses with examinations. The Appraisal Institute Professional Development requirements are well beyond those proposed by the IPSs¹, but this serves to illustrate why the IVSC Professional Board should refocus this effort to simplify the proposal and reposition it as minimum protocols.

Further, as a general comment, if a certain number of hours are to be completed annually for professional development, we believe that those should be *verifiable* hours. Otherwise, there is little sense in having the requirement. The attributes of any credible program should be meaningful, not superficial.

Thank you for the opportunity to comment. Please contact Bill Garber, Director of Government and External Relations, at 202-298-5586 or bgarber@appraisalinstitute.org, with any questions or requests for more information.

Sincerely,

Appraisal Institute

¹ See <http://www.appraisalinstitute.org/appraisal-continuing-education-program/>