Exposure Draft of Proposed
Valuers Code of Professional Ethics

June 16, 2015
Background and Rationale for Proposed Valuers Code of Ethics

The Appraisal Institute is the historic leader in establishing standards and ethics for the valuation profession. The Appraisal Institute’s predecessor organizations, the American Institute of Real Estate Appraisers (AIREA) and the Society of Real Estate Appraisers (Society), were formed in the 1930’s and were among the first to establish standards and ethics for the valuation profession. AIREA and the Society regularly revised and strengthened their standards and ethics over the decades that followed. AIREA and the Society unified in 1991 to become the Appraisal Institute.

In keeping with the Appraisal Institute’s historic role as the leader of the valuation profession, and in recognition of the limitations of many valuation standards in the marketplace today, the Appraisal Institute adopted, effective January 1, 2015, the Standards of Valuation Practice (SVP). The SVP was adopted after a thorough development process, involving study of the issues and multiple exposure drafts.

The SVP is a set of high quality, straightforward and principles-based valuation standards that valuers can use when a national or international standard does not apply or is not required. The Appraisal Institute believes that the SVP establishes a high level of professional practice, engenders public trust, enables valuers and the public to better understand the valuation practice and facilitates the growth and advancement of the valuation profession. The Appraisal Institute also believes that the SVP helps valuers better meet the evolving needs of clients and facilitates the variety of work that clients desire and that valuers now perform. The SVP achieves these objectives without confusing complexity, micro-regulation and stifling burdens inconsistent with the practice of a profession. The SVP is driven solely by what is best for valuers and the public, not by any financial interests. In fact, the Appraisal Institute envisions SVP as an open access standard and is pleased to share them for the benefit of the valuation community and users of valuation services worldwide.

Consistent with the rationale for the adoption of SVP, encouraged by the enthusiastic interest in and reception for SVP, recognizing the limitations of many valuation ethics codes in the marketplace today and in keeping with the Appraisal Institute’s historic role as the leader of the valuation profession, the Appraisal Institute Board of Directors now has directed distribution of an Exposure Draft of a proposed Valuers Code of Professional Ethics (VCPE). The proposed VCPE contains high quality, straightforward, principles-based and strict canons and rules of ethical conduct that valuers can follow when national or international ethical codes do not apply or are not required.

To develop the proposed VCPE, the Professional Standards and Guidance Committee (PSGC) started with the Appraisal Institute Code of Professional Ethics (CPE), removed obligations and terminology unique to Appraisal Institute professionals (e.g., cooperating with an Appraisal Institute peer review committee) and adjusted remaining language to ensure universality. The Appraisal Institute would like to share the benefits of its experience and expertise in ethical codes, developed and enforced over 80 years, with the valuation community and users of valuation services worldwide. Like the SVP, the proposed VCPE is envisioned as an open access document that all can use when appropriate and is driven solely by professional and public interests, rather than by any financial interests.

The PSGC envisions that the SVP and VCPE would serve as companion documents that together cover both ethical and competence issues. The PSGC believes that such documents could greatly benefit the profession and the public.
If you have any comments on the Exposure Draft, please send them to valuerscode@appraisalinstitute.org. Comments will be compiled for distribution to the Board of Directors and the PSGC. The deadline for submission of comments is July 16, 2015.

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

Please look for the Appraiser News Online at http://www.appraisalinstitute.org/ano on or about August 5, 2015 and other subsequent publications for information on any Board decisions regarding the proposed VCPE.
Exceptions to the Ethical Rules
If any part of an Ethical Rule is contrary to a law or regulation of any jurisdiction, such part shall be void and of no force or effect in such jurisdiction.

Definitions
The following definitions apply to the Valuers Code of Professional Ethics. All instances of the following terms in the Valuers Code of Professional Ethics shall have the definitions below.

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

Assignment Results
Opinions and conclusions developed in an appraisal or review.

Biased
Not reasonably supported, and favoring or promoting the cause or interest of the client, one’s self, or another.

Client
The individual, group or entity who engage a valuer to perform a Service.

Confidential Information
Information that is either:
- identified by the client as confidential when providing it to a valuer and that is not available from any other source; or
- classified as confidential or private by applicable law or regulation.

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

Date of Report
The date on which the Report is transmitted to the client.

Effective Date
The date on which the appraisal or review opinion applies.

Engagement
An agreement between a valuer and a client to provide a Service.
Hypothetical Condition
A condition that is presumed to be true when it is known to be false.

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

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

Justified
Reasonably supported.

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 the applicable Ethics and/or Standards or the profession's recognized methods and techniques. 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.

Moral Turpitude
An act of baseness, vileness, or depravity in private and social duties which a person owes to other people or to society in general; an act contrary to accepted and customary rules of right and duty between people; in essence contrary to justice, honesty, or good morals.

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

Reviewer
A valuer performing a review.
Scope of Work
The type of data and the extent of research and analyses.

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 opinions or conclusions in an appraisal or review.

Value
The monetary relationship between properties and those who buy, sell, or use those properties. 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.
CANON 1: A Valuer Must Refrain from Conduct that is Detrimental to the Profession, and the Public

Ethical Rules

ER 1-1
It is unethical to knowingly:

(a) act in a manner that is misleading;
(b) act in a manner that is fraudulent;
(c) use, or fail to take steps to prevent another from using, a misleading Report;
(d) transmit, or fail to take steps to prevent another from transmitting, a misleading Report; or
(e) transmit a Report containing an analysis, opinion, or conclusion that reasonable valuers would not believe to be justified.

ER 1-2
It is unethical to engage in conduct of any kind that leads to a conviction of a crime involving fraud, dishonesty, false statements, or moral turpitude.

ER 1-3
It is unethical to knowingly fail to properly identify the issue to be addressed and have the knowledge and experience to complete the Service competently prior to agreeing to perform a Service, or alternatively, to:

(a) disclose the lack of knowledge and/or experience to the client before agreeing to perform the Service;
(b) take all steps necessary or appropriate to complete the Service competently; and
(c) describe the lack of knowledge and/or experience and the steps taken to complete the Service competently in the Report.

ER 1-4
It is unethical in the performance of a Service to knowingly fail to:

(a) identify appropriate Standards to apply; and
(b) disclose in any Report the Standards applied.
CANON 2: A Valuer must maintain appropriate records

Ethical Rules

ER 2-1

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 Valuers Code of Professional Ethics and applicable Standards of Practice, 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 Valuers Code of Professional Ethics and applicable Standards of Practice, or references to the location(s) of such other documentation accessible to the valuer.

A Valuer must possess the required records prior to the transmission of a Report.

ER 2-2

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; or
(c) a period of two years following the final disposition of a review of a Service by a governmental licensing or credentialing body;

whichever period shall be the last to expire.
CANON 3: In Providing Services, a Valuer Must Develop and Report Unbiased Analyses, Opinions, and Conclusions

Ethical Rules

**ER 3-1**

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

**ER 3-2**

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

**ER 3-3**

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

**ER 3-4**

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

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

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

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

**ER 3-5**

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

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

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

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

(d) the valuer complies with the applicable disclosure requirements set forth in the applicable Standards for Special Assumptions.
It is unethical to provide a Service if a valuer has any direct or indirect, current, or prospective personal interest in the subject or outcome of the Service or with respect to the parties involved in the Service, unless:

(a) prior to agreeing to provide the Service, the valuer carefully considers the facts and reasonably concludes that he or she would remain unbiased and reasonable persons, under the same circumstances, would reach the same conclusion;

(b) such personal interest is disclosed to the client prior to the valuer agreeing to provide the Service; and

(c) such personal interest is disclosed in each Report resulting from such Service.

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

(a) the valuer carefully considers the facts and reasonably concludes that he or she would remain unbiased and reasonable persons, under the same circumstances, would reach the same conclusion;

(b) such personal interest is disclosed to the client and the valuer obtains from the client a written statement consenting to or approving such acquisition or change of position; and

(c) such personal interest is disclosed in each Report resulting from such Service.

**CANON 4: A Valuer Must Not Violate Confidentiality**

Ethical Rules

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

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

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

(c) legal counsel, as reasonably necessary in the event of actual or threatened legal or regulatory action; and

(d) authorized insurance representatives, for the purpose of seeking or maintaining professional liability insurance coverage.
CANON 5: A Valuer Must Not Advertise or Solicit in a Manner that is Misleading or Otherwise Contrary to the Public Interest

Ethical Rules

ER 5-1
It is unethical to utilize misleading advertising. Further, it is unethical to knowingly permit a business entity that one wholly or partially owns or controls to utilize misleading advertising.

ER 5-2
It is unethical to solicit Services in a misleading manner. Further, it is unethical to knowingly permit an entity one wholly or partially owns or controls to solicit Services in a misleading manner.

ER 5-3
It is unethical to fail to disclose in the Report the payment by the valuer, or by an entity wholly or partially owned or controlled by the valuer, of a referral fee, in cash or kind, paid in connection with the procurement of a Service.

ER 5-4
It is unethical to prepare or use in any manner a resume or statement of qualifications that is misleading.