



29 October 2013

Our ref: ICAEW Rep 135/13

IVSC
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CommentLetters@ivsc.org

Dear Mr Forsythe

Response to IVSC Discussion Paper: Proposal to Develop International Professional Standards for Professional Valuers

ICAEW is pleased to respond to your request for comments on the IVSC Discussion Paper: *Proposal to Develop International Professional Standards for Professional Valuers*.

This proposal has prompted significant debate among ICAEW valuation specialists and requests for a better understanding of its strategic context. Accordingly, we believe that this paper and the planned development of a work plan are premature and that the IVSC needs to set out in broad terms what it is looking to do regarding professionalism in the valuation arena.

Without further knowledge of the strategic context, we are sceptical that the creation of a new body of International Professional Standards (IPs) is the best way to achieve the IVSC's desired outcomes. We also note that without a better understanding of, and agreement with, what the IVSC is trying to achieve, we will find it difficult to comment meaningfully on any further consultation on detailed IPs.

With this in mind, we would welcome a meeting with IVSC representatives to understand further the IVSC's strategy.

Please contact me should you wish to discuss any of the points raised in the attached response.

I look forward to hearing from you.

Yours sincerely

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ICAEW REPRESENTATION

RESPONSE TO IVSC DISCUSSION PAPER: PROPOSAL TO DEVELOP INTERNATIONAL PROFESSIONAL STANDARDS FOR PROFESSIONAL VALUERS

Memorandum of comment submitted in October 2013 by ICAEW, in response to IVSC Discussion Paper: *Proposal to Develop International Professional Standards for Professional Valuers* published in August 2013.

Contents	Paragraph
Introduction	1
Who we are	2-4
Major points	5-6
Responses to specific questions	7-12

INTRODUCTION

1. ICAEW welcomes the opportunity to comment on the IVSC Discussion Paper: *Proposal to Develop International Professional Standards for Professional Valuers* published in August 2013, a copy of which is available from this [link](#).

WHO WE ARE

2. ICAEW is a world-leading professional accountancy body. We operate under a Royal Charter, working in the public interest. ICAEW's regulation of its members, in particular its responsibilities in respect of auditors, is overseen by the UK Financial Reporting Council. We provide leadership and practical support to over 140,000 member chartered accountants in more than 160 countries, working with governments, regulators and industry in order to ensure that the highest standards are maintained.
3. ICAEW members operate across a wide range of areas in business, practice and the public sector. They provide financial expertise and guidance based on the highest professional, technical and ethical standards. They are trained to provide clarity and apply rigour, and so help create long-term sustainable economic value.
4. The Valuation Group is the voice of valuers within ICAEW and this response reflects the views of the Group's committee which includes representatives from the business and practice communities. The Group draws together professionals engaged in valuation and its 900 members receive a range of services including an annual conference, business valuation training, quarterly newsletters, and regular seminars providing technical insight and practical guidance.

MAJOR POINTS

5. We are supportive of the IVSC and its ambition to ensure that there is public confidence in valuers and valuations. However, before we can answer the questions on the proposal to develop International Professional Standards (IPs), we think that the IVSC needs to provide a lot more strategic context. We suggest that the IVSC answers the following questions:
 - What are the problems that the IVSC is trying to solve and do these reflect different levels of trust in different markets? For example, it could be argued that there is a lack of confidence in financial instrument valuations but an adequate level of confidence in the valuation of certain types of real estate.
 - What has been the dialogue between the IVSC and regulators on a worldwide basis and how do regulators see public trust in valuation being developed and the IVSC playing a role in this?
 - How should the IVSC engage with the buyers of valuation services to find out what these stakeholders are looking for?
 - What is the current level of commonality of valuation practices and issues across the globe and to what extent do national differences need to continue to be acknowledged?
 - What professional and regulatory infrastructure does the IVSC envisage being created to support the raising of standards, does it need to cover continuing professional education, ethical behaviour, a disciplinary framework and enforcement and do stakeholders support the creation of this infrastructure?

- Is it envisaged that the IVSC will, like the International Federation of Accountants (IFAC), be a grouping of professional bodies with obligations on them which will be monitored by the IVSC?
 - What is the need for, and underlying purpose of IPSs?
 - What valuation areas are being covered through the IVSC's standards? Is the IVSC addressing just business valuations or valuations included in financial statements or the activities of the wider valuation profession as a whole?
 - Is there a global need to have a common accreditation?
 - How would the extent of any accreditation be determined and how would its breadth and depth be adapted for different markets and types of valuations?
 - How could entry level requirements be set given the practical challenges for implementation internationally and the potential need to recognise a mix of certification and examination?
 - Has the IVSC considered alternative approaches for raising standards and improving confidence, such as education provision or recognition through an approved list of existing high level qualifications?
6. Answers to the questions listed above are vitally important to ICAEW as an international professional body acting in the public interest. Our qualified members perform valuation work and are already held to account for the professionalism of that work under our existing membership requirements. We need to understand the potential impact of the IVSC's proposals on our own qualifications and membership obligations before we can support the proposal.

RESPONSES TO SPECIFIC QUESTIONS

QUESTION 1: Do you support the development of IPSs?

7. No, at this stage we do not support the development of IPSs in the absence of a broader IVSC strategy.

QUESTION 2: Do you consider that the introduction of IPSs will lead to strengthened public trust in the valuation profession and contribute to other desirable outcomes listed in paragraph 4?

8. No, we do not think that IPSs in isolation will achieve the desirable outcomes identified by the IVSC: they need to be part of a broader strategy. Also, the question of trust may be outside the profession's control and linked to transparency of reporting on valuations, as there can often be an issue of placing undue reliance on valuations in situations of significant uncertainty.

QUESTION 3: Do you agree with the proposed titles of the IPSs and issues that each will address (paragraphs 7.3 and 7.4)?

9. Yes, as far as we can tell the titles and issues are appropriate at a high level, but the detailed development will depend on the answers to the strategic questions identified in paragraph 5. As such we do not believe that at this stage we can answer Question 3 fully or that we will be able to respond meaningfully to subsequent more detailed consultations to develop IPSs.

10. Notwithstanding these caveats, we think that the proposed IPSs should be described as educational rather than professional standards, a term which should be reserved to cover all technical, educational, ethical and other standards.

11. Moreover, we have the following additional comments on individual proposed IPSs:

IPS 1 – Entry Requirements for Professional Valuation Education Programmes: On a general basis, we favour principles in this area, as an educational background should be expected.

IPS 2 – Initial Professional Development – Technical Competence: We favour some standardisation of technical development to bring the valuation profession together.

IPS 3 – Initial Professional Development – Professional Skills: We believe this issue is already covered in IPSs 1, 2 and 4 and so would welcome clarification of the additional purpose of IPS 3.

IPS 4 – Initial Professional Development – Professional Values, Ethics and Attitudes: The difficulties of measurement and monitoring in this area will need to be acknowledged.

IPS 5 – Initial Professional Development – Practical Experience: We agree that practical experience is an important element alongside technical training and therefore different levels of recognition may be needed to differentiate newly qualified and experienced valuers.

QUESTION 4: Do you support the proposal that the IVSC Professional Board should undertake a project to determine the need for a common accreditation/qualification for the valuation profession (paragraph 8)?

12. Yes, the IVSC should consider accreditation and qualification issues but only as part of a broader strategic exercise.

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