

IVSC Standards Board
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By email to: commentletters@ivsc.org

13 June 2016

Dear Sirs

Response to Exposure Drafts of Proposed International Professional Standards

Please find attached our comments on the above exposure drafts.

If you would like any additional information in relation to our responses or comments, please do not hesitate to contact us

Yours faithfully,



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Overall Comment

We support the development and introduction of this suite of International Professional Standards which will provide a useful framework for professional valuation bodies to develop consistent standards for their members, while retaining sufficient flexibility to accommodate the range of different political, legal and cultural environments in which valuers operate around the world.

We consider the overall format to be good and the wording generally to be clear, subject only to the comments we make on the proposed Framework document below.

Comments on IPS Framework

Answers to Questions

- 1 Does the *Framework* provide sufficient detail on the educational concepts to support the requirements of the IPS 100 series?**

Yes.

- 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)?**

Yes.

- 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?**

The IPS's are capable of achieving these objectives although only if actively embraced and promoted by the member VPOs.

- 4 Do you agree with the definition of professional valuer?**

Paragraph 22 summarises the attributes of a professional valuer, but to be useful the definition should be more concise, even if it is then necessary to supplement the definition with explanatory text.

- 5 Should professional valuers always be independent or does it depend upon the kind of service they are providing?**

A professional valuer should always exercise objectivity. Although objectivity can be demonstrated by a valuer being "independent", what the valuer needs to be independent from will vary from assignment to assignment. Independence implies the lack of any material connection or relationship with the subject of the valuation or a party with an interest in the outcome that could be perceived as compromising the valuer's objectivity, but providing a definition of "independent" that is broadly applicable is problematic. Experience has shown that the relationships and involvements that could be threat will vary widely depending on the purpose for which the valuation is required and the facts of each case. It is for this reason that



the IVSs and the Code of Ethical Principles for Professional Valuers refer to objectivity and freedom from bias as the desired qualities rather than attempting to define a state of independence.

General Comments on IPS Framework

The Introduction (paras 1 -19) relates to the whole of the IPSs. It should therefore be clearly separated from the Framework, eg at the very least the paragraph numbering should not be contiguous.

Paragraph 20 introduces the Framework by stating that it is intended to assist VPOs who are members of the IVSC. Assist them to do what?

Although the heading that precedes paragraph 22 -30 is “Authority and Scope of the Framework”, the following paragraphs do not address this at all. Instead they explain what a professional valuer is, what a candidate valuer is and what a VPO is. The final two paragraphs come close to indicating what VPOs should do but there is nothing that explains the authority of the document.

The purpose of this document and its relationship with the individually numbered IPSs is unclear. We suggest that it is the whole suite of proposed IPSs that creates a framework for providing consistency in the education, training, competency and accreditation of valuers, whereas this document serves more as an extended introduction to that framework.



Comments on IPS 101 - Entry Requirements to Professional Valuer Accreditation Programmes

Answers to Questions

- 1 Is a university degree or equivalent normally a prerequisite for accreditation as a professional valuer in your specialty or geographical area? Should a university degree be a requirement in IPS 101?**

Yes. A degree or equivalent is a prerequisite for accreditation. We do not agree that only a university degree should be acceptable as it is important that other routes to accreditation are available. A degree may indicate academic ability but accreditation as a professional valuer requires other skills and attributes.

- 2 Does IPS 101 provide sufficient detail relating to entry requirements? Should IPS 101 be more prescriptive, eg, entry requirements by asset class?**

This question is ambiguous as it is not clear whether it relates to entry requirements for accreditation programmes or requirements for entry to the profession at the end of a programme. We suspect the former is intended given the title of the IPS. If so we believe there is sufficient detail. We agree with the statements in paragraphs 6 and A1-A4. Attempting to provide more detail or prescription for requirements to accreditation programmes would limit the applicability and therefore the usefulness of the standard across different jurisdictions and asset classes.

Comments on IPS 102: Initial Professional Development – Professional Skills & Ethics

Answers to Questions

- 1 Do you agree that IPS 102 captures the professional skills to be acquired by the end of Initial Professional Development (IPD) (para 9 of IPS 102)?**

Mainly yes. However, we do not think “personal” should be identified as a separate capability area, as the expected personal attitudes and behaviour of a professional valuer are a result of correctly applying the other capabilities listed, intellectual, interpersonal and communication, and organisation and diligence.

- 2. Do you agree with the explanation of the term ethics (para 10 of IPS 102)?**

No. The words “...combined with the commitment to the public interest, professional judgement, professional skepticism (*sic*) and professional manner...” are unnecessary. They also imply that the need to act in the public interest, use professional judgement and display professional scepticism are not included in the Code of Ethical Principles for Professional Valuers.



3. Do you agree with the capability areas noted in IPS 102 (para 15 of IPS 102)?

Mainly yes, although subject to the reservation in our answer to Q1. The Learning Outcomes for “Personal” capabilities are repetitive of those appearing under other heads. For example, “Manages time and resources to achieve professional commitments” is effectively same as “Undertakes assignments in accordance with established requirements to meet prescribed deadlines.”

4. Do the learning outcomes described in IPS 102 capture the behavioural characteristics expected of a professional valuer at the end of IPD (para 15 of IPS 102)?

Mainly yes, but see answer to Q2. The “Learning Outcomes” identified for “Personal” are inherent in those for the other Capability Areas, and just add unnecessary complexity.

5. For VPOs and others contributing to the education of professional valuers, do you consider that all elements of your education programme are designed to achieve the learning outcomes noted in IPS 102?

Not applicable

Comments on IPS 103: Initial Professional Development – Technical Knowledge

Answers to Questions

1 Do you agree with the competence areas listed in IPS 103? Are there other competence areas that should be included? (Note that the competence areas included are not meant to be exhaustive.)

Mainly yes.

2 Do you agree with the level of detail noted in the learning outcomes of IPS 103? If so, why, and if not, why not? To assist in your assessment, the learning outcomes for the Plant, Machinery and Equipment, and Personal Property asset classes are not as detailed as the remaining asset classes.

Mainly yes, although in places the level of detail against some competences is excessive and seeks to impose a level of prescriptive detail that is inappropriate in a standard intended for global application. The level of detail in the Plant, Machinery, Equipment and Personal Property is more appropriate

3. In some learning outcomes, examples are provided. Do you find these examples helpful in providing further explanation and clarification?

In the context of the objectives of this standard, no. For the reasons given in previous answer, the standard should identify the topics that should normally be covered under each competency area but avoid detailed discussion. For example, it is sufficient to indicate that teaching of valuation methods should include DCF without stipulating or illustrating what needs to be covered



in every element of a DCF analysis. Excessive detail removes the flexibility necessary for the standard to be useful across different markets and jurisdictions.

4. **In addition to the current focus on asset classes, should the competence areas in IPS 103 also address industry (sector) speciality areas, and different valuation purposes? For example, with respect to valuation purposes, a sample of competence areas and learning outcomes to be included in IPS 103 could include the following:**
- a) **Transactions, eg, purchase, expansion or sale of a business:**
 - i. **Assesses the value of a target entity for an acquirer taking into account relevant factors including consideration of strategic benefits and appropriate discounts and premiums,**
 - ii. **Describes the circumstances in which subject matter experts may be required and the process of reliance thereon.**
 - b) **Valuation for financial reporting:**
 - iii. **Explains the requirements of the relevant financial reporting standards, including guidance related to purchase price allocations for business combinations, impairment testing of assets, and other areas,**
 - iv. **Explains the differences between fair value for financial reporting and other bases of value.**
 - c) **Valuation for litigation support:**
 - i. **Describes the special considerations in providing litigation support services, eg, shareholder disputes, marital dissolutions and commercial damages, in the context of the role of the valuer, rules of procedure, expert testimony and/or consultant.**

No. Each of the lists of competences and learning outcomes includes Purpose of Valuation. Valuation purposes are more likely to have variations across borders due to legislative or regulatory differences. A VPO or educational establishment directed to include knowledge of the requirements for different valuation purposes will teach those relevant to the jurisdiction in which it operates. Further detail such as suggested in the question is not only unnecessary but unhelpful. The additional detail may be irrelevant to some and would distract from the core competences that can and should be common to the education of any professional valuer.

5. **IPS 103 has focused on the key Real Estate; Plant, Machinery and Equipment, and Personal Property; Business and Business Interests; and Intangible Assets competence areas and learning outcomes.**

Do they contain an appropriate depth of knowledge to be achieved in the learning outcomes?

As indicated in our response to earlier questions, against some competences the level of detail in the required learning outcome is too detailed.

Should there be a similar extension of the depth of knowledge for other key areas, eg, debt and preferred shares?

No. A multitude of specialist areas exist under each of the asset groups identified in the current draft. Identifying these and attempting to stipulate competences and outcomes that might be



applicable globally would be a very difficult and potentially never ending task. Even if this were possible, the level of detail implied by such a granular dissection of each main asset class would be inappropriate for a global standard.

Should learning outcomes related to liabilities also be addressed, including contingent consideration liabilities, unfavorable (sic) contracts, and other non-financial liabilities?

Yes. Liabilities can arise from holding any of the “asset” types identified and valuers should be familiar with the different approach required. We recommend liaison with the International Actuarial Association which includes setting common education requirements for its member organisations among its activities.

Are there other competence areas and learning outcomes that should be included?

None identified.

6. Do you agree that all professional valuers, no matter what their speciality, need to undertake some form of accounting/finance/economics education? If not, why not? If so, why so

Yes. Knowledge of accounting and finance to a Basic level and economics to an Intermediate level should be a prerequisite for any valuation professional regardless of discipline.

General Comments

The purpose of having the different lists of competences and learning outcomes under paragraph 11 and the relationship, if any, between them is not explained. The lists for Real Estate, Plant, Equipment and Personal Property, Businesses, Business Interests and Intangible Assets and Intangible Assets appear to supplement the list of Common Competences by adding some detail relevant to each asset type. However, it is not clear whether this is the intended interpretation or whether each is intended to be a standalone alternative. Whichever is intended, the current format results in significant repetition of very similar material, and a more concise presentation would aid comprehension.

Neither is it clear why there is a list for Businesses, Business Interests and Intangible Assets and another for Intangible Assets alone. Since Intangible Assets can be associated with many types of tangible assets besides businesses, eg customers visiting a particular real estate asset or patents for a machine or the software required to run it, their identification should be a common competency, even though the valuation techniques are a specific specialisation.



Comments on IPS 104: Initial Professional Development – Practical Experience

Answers to Questions

- 1. Do you agree with the concept and the role of the practical experience supervisor? Please explain.**

Yes. It is important that professional valuer candidate is properly supervised throughout their period of practical experience.

- 2. Do you agree the threshold period of 1,500 hours in a supervised work environment should normally be a prerequisite for accreditation as a professional valuer?**

Yes. We note that this is “over two years”. It should be clarified whether the two years is a minimum or maximum, ie whether the hours have to spread over a minimum of two years or completed within two years. Our preference is for the former as this should ensure that the Candidate has a better spread of experience, whereas a time limit could encourage “cramming” the experience into a short a time frame as possible.

Comments on IPS 105: Initial Professional Development – Assessment of Professional Competence

Answers to Questions

- 1 Does IPS 105 provide sufficient detail on activities to assess the professional competence of the professional valuer candidate at the point of accreditation? Are there additional assessment activities that should be included?**

Yes. Although the proposed standard provides a wide range of permissible methods for assessing professional competence, given the need for a global standard to be applicable across a wide range of countries with different educational and legal frameworks for professional accreditation, this is necessary. We cannot identify any other type of assessment activity that would meet the criteria of reliability, validity, equity, transparency and verifiability.



Comments on IPS 201: Continuing Professional Development

- 1. 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?**

No. Although there is nothing wrong with encouraging professional valuers to undertake more than the minimum required CPD, the distinction between verifiable and non-verifiable will cause confusion. To be capable of monitoring and enforcement CPD has to be verifiable and therefore specifying an additional number of hours that do not need to be verifiable serves little purpose.

- 2. Do you agree that the professional valuer should complete at least 20 hours of relevant professional development annually?**

Yes.

- 3. Should relevant professional development be expanded upon? Please explain what you would consider to be relevant professional development.**

To be effective CPD has to be relevant to the professional valuer's area of practice. We note that "relevant professional development" is not explicitly defined or explained as such in the context of this standard. While arguably it is implicit in the adjective, for clarity it may be helpful to make it clear as to what the activity needs to be relevant to. Beyond this, determining what may be relevant to a particular individual or group is impractical given the range of specialisms in which valuers operate.