Name, title, address of national authority

Dear …

TEGoVA Guidance to EU Member States and Candidate Member States on Development of Reliable Valuation Standards in Accordance with Art. 19 of Directive 2014/17/EU on Credit Agreements for Consumers Relating to Residential Immovable Property (also known as the Mortgage Credit Directive)

Directive 2014/17/EU (also known as the Mortgage Credit Directive) with its requirements for the valuation of residential property for mortgage lending purposes is now in force. As a professional association representing many valuers active in this work and anxious to ensure that the best standards are upheld and applied, we are approaching you to discuss the ways in which the Directive's valuation provisions are to be implemented in national legislation.

We are a member association of The European Group of Valuers Associations (TEGoVA) representing the valuation profession across Europe with 60 member associations from 32 countries. TEGoVA sets European Valuation Standards (EVS – "the Blue Book" - http://www.tegova.org/en/p4fe1fcee0b1db - a copy of which is enclosed with the hard copy of this letter), the seventh edition of which was issued in 2012, to ensure professional standards in the valuation of real estate.

Article 19 of the Directive requires that *"**Member States shall ensure that reliable standards for the valuation of immovable residential property for mortgage lending purposes are developed within their territory.**"*

Its Recital 26 provides a context directly referring to TEGoVA's European Valuation Standards, among others, stating that ***"In order to be considered reliable, valuation standards should take into account internationally recognised valuation standards, in particular those developed by the International Valuation Standards Committee, the European Group of Valuers' Associations or the Royal Institution of Chartered Surveyors."***

As valuers in this country will be using EVS and mortgage lenders from this and other members states will look for it, we attach a briefing prepared by TEGoVA on the issues raised for the transposition of Directive 2014/17/EU regarding "reliable standards for the valuation of immoveable residential property" for mortgage purposes area. In this we see European Valuation Standards as better adapted to the requirements of the Directive than the International or British standards also identified in Recital 26, for four reasons:

- European Valuation Standards are solely and specifically concerned with the valuation of real estate, not with the wider requirements of accounting and financial instruments or for plant and machinery or intangibles.

- EVS are more risk-sensitive, with special focus on the relevant aspects of EU banking directives (Capital Requirements, etc.), and accompanying special guidance for users on market rating and risk-related criteria for valuations.

- Only EVS provide a detailed and comprehensive Application for *Valuation for Lending Purposes* and also a standard for *Mortgage Lending Value* (important for some lenders and some markets).

- the European Central Bank requires the biggest banks in the Union subject to the single supervisory mechanism (SSM) to value their real estate exposures in line with EVS within the Asset Quality Review process, emphasising that if other standards are chosen, in case of conflict, EVS prevails. – *ECB Manual for the Asset Quality Review, p. 144, March 2014*

We hope that you will find this briefing useful. We shall be very happy to discuss these issues further with officials as this is an important issue affecting both the market and the practical work of our members valuing property for mortgage purposes.

This letter is also signed by the Chairmen of the TEGoVA Board and Mortgage Credit Valuation Committee to highlight the degree of attention and assistance TEGoVA has given to valuation standards work in this country.

Yours sincerely,

Roger Messenger REV Chairman of the Board of TEGoVA	**Wolfgang Kälberer Hon REV** Chairman of the TEGoVA Mortgage Credit Valuation Committee	Representative(s) of national association(s)

Annex

TEGoVA Guidance to EU Member States and Candidate Member States

Development of reliable Valuation Standards in accordance with Art. 19 of Directive 2014/17/EU on Credit Agreements for Consumers Relating to Residential Immovable Property (also known as the Mortgage Credit Directive)

Executive Summary

Under Article 19 of Directive 2014/17/EU, *“**Member States shall ensure that reliable standards for the valuation of immovable residential property for mortgage lending purposes are developed within their territory. Member States shall require creditors to ensure that those standards are used where they carry out a property valuation or to take reasonable steps to ensure that those standards are applied where a valuation is conducted by a third party.**”*

Article 19 par. 2 requires Member States to ensure “**that internal and external appraisers conducting property valuations are professionally competent and sufficiently independent from the credit underwriting process”**

Recital 26 states that ***“In order to be considered reliable, valuation standards should take into account internationally recognised valuation standards, in particular those developed by the International Valuation Standards Committee, the European Group of Valuers' Associations or the Royal Institution of Chartered Surveyors.”***

TEGoVA recommends that in order to be considered reliable, valuation regimes of Member States shall feature the following characteristics:

- **Valuation basis: clear definition of values should exist at Member State level**
  - Market Value definition
  - Valuation bases other than Market Value (e.g. Mortgage Lending Value etc.)
  - Valuation basis shall be applied consistently throughout the regulatory framework
- **Valuations should be carried out by qualified valuers**
- **There should be a clear description of the valuation process**
- **Member States should define requirements regarding the content of the valuation report**
- **Member States should promote the implementation of tools designed to**
  - collect market data
  - ensure market transparency and
  - assess the risk sensitivity of real estate (rating tools etc.)

Legal Basis

Article 19 Directive 2014/17/EU
Property Valuation

1. ***Member States shall ensure that reliable standards for the valuation of immovable residential property for mortgage lending purposes are developed within their territory. Member States shall require creditors to ensure that those standards are used where they carry out a property valuation or to take reasonable steps to ensure that those standards are applied where a valuation is conducted by a third party.*** Where national authorities are responsible for regulating independent appraisers who carry out property valuations they shall ensure that they comply with the national rules that are in place.

2. Member States shall require that internal and external appraisers conducting property valuations are professionally competent and sufficiently independent from the credit underwriting process so that they can provide an impartial objective valuation, which shall be documented in a durable medium and of which a record shall be kept by the creditor.

Recital 26

It is important to ensure that the residential immovable property is appropriately valued before the conclusion of the credit agreement and, in particular where the valuation effects the residual obligation of the consumer, on default. Member States should therefore ensure that reliable valuation standards are in place. ***In order to be considered reliable, valuation standards should take into account internationally recognised valuation standards, in particular those developed by the International Valuation Standards Committee, the European Group of Valuers' Associations or the Royal Institution of Chartered Surveyors.*** Those internationally recognized valuation standards contain high level principles which require lenders, amongst others, to adopt and adhere to adequate internal risk management and securities management processes, which include sound appraisal processes, to adopt appraisal standards and methods that lead to realistic and substantiated property appraisals in order to ensure that all appraisal reports are prepared with appropriate professional skill and diligence and that appraisers meet certain qualification requirements and to maintain adequate appraisal documentation for securities that is comprehensive and plausible. In this regard it is desirable to ensure appropriate monitoring of residential immovable property markets and for the mechanisms in such provisions to be in line with Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on the access to the activity of credit institutions and investment firms([1]). The provisions of this Directive relating to property valuation standards can be complied with for example through law or self-regulation.

([1]) OJ L 176, 27.6.2013, p. 338.

This paper is offered by TEGoVA as providing guidance to Member States and candidate Member States on the requirements for valuation standards to be considered reliable.

1. Valuation Basis: clear definition of values should exist at Member State level

A valuation basis is defined as a statement of the fundamental assumptions for assessing a valuation for a defined purpose.

<u>The definition of Market Value</u>

Member States shall ensure the soundness of market value valuations where the purpose of the valuation, the basis required by the client, the objective assessment of property-specific risk factors and the potential future market demand for the subject property have to be taken into account. Under EVS, valuers should use the following definition of Market Value unless otherwise directed by legislation:

> "The estimated amount for which the asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."[2]

Market Value is internationally recognised for the assessment of the value of a property at a given moment in time. It estimates the price that could be obtained for a property at the valuation date, notwithstanding that this value could alter over time, sometimes very rapidly. The definition of Market Value should be recorded in both the terms of engagement and the valuation report. Alternatively, the terms of engagement and the valuation report may refer to a standard that includes the definition of Market Value.

Market valuations for secured lending need to take into account any additional or alternative requirements of the lender including reference to the suitability of the subject property as security for the intended loan. Where the terms of the loan have not been disclosed, the valuer should provide an opinion based on normal lending terms having regard, as appropriate, to the profile for risk-related criteria for valuations below.

Assumptions and special assumptions relating to secured lending valuations, as recorded within the terms of engagement, will usually require reference to (inter alia):

- the existing permitted use, any planning permission or potential planning consent for an alternative use, including any potential or actual impact on value at the specified valuation date;
- market conditions at the specified valuation date and whether any valuation uncertainty relating to low volumes of reliable comparable evidence, marked volatility or other specified factors had been taken into account or ignored in reaching an opinion of value; and
- any recent or proposed changes to the property, the immediate or local environment or legislation that might have an impact on value, and where such an impact is reported, the extent of that impact. Matters that might be included within this category include potential or actual contamination, deleterious materials or title of ownership.

[2] EVS1

The valuer should confirm whether in undertaking the instruction he has become aware of matters that could affect the figures reported. Such matters might include potential contamination on or nearby the subject property, the presence of deleterious materials or title.

Where the market for the property being valued is affected by uncertainty and this is relevant to the valuation, the valuer should proceed with caution and comment on the issue to the client.

The valuer may wish to consider and state the period after which the valuation will be deemed to have expired. This may be particularly important in times when values are volatile.

The definition of Mortgage Lending Value

Although the majority of professional valuations will be on the basis of market value, there are circumstances and markets where alternative bases may be required or more appropriate. In such a context, the valuer should establish the purpose for which the valuation is required before using any basis of value other than Market Value.

Some member states might wish to apply an approach considering value-at-risk such as Mortgage Lending Value. EVS defines this as:

> "The value of the property as determined by a prudent assessment of the future marketability of the property taking into account long-term sustainable aspects of the property, the normal and local market conditions, the current use and alternative appropriate uses of the property. Speculative elements shall not be taken into account in the assessment of the Mortgage Lending Value." [3]

The intended purpose of Mortgage Lending Value is to provide a long-term, sustainable value as a stable basis for judging the suitability of a property as a security for a mortgage which will continue through potential market fluctuations. EVS provides further guidance on it.

> "The valuer should address the following key issues when determining the Mortgage Lending Value of a property:
>
> (i) The future marketability and saleability of the property has to be assessed carefully and prudently. The underlying time perspective goes beyond the short-term market and covers a long-term period.
>
> (ii) As a principle, the long-term sustainable aspects of the property such as the quality of the location, construction and layout.
>
> (iii) The income stream of the property used in this valuation should be no more than the sustainable net rental income that the type of property which is the subject of the valuation usually produces over time in the specific local market, excluding any actual over-rented element and other additional unusual or extraordinary cash flows. This means assessing the sustainable yield on the basis of a judgment of past and current long-term market trends and not taking any uncertain elements of possible future income growth into account.

[3] EVS2.7.1

(iv) The choice of capitalisation rates is also to be based on long-term market trends and exclude all short-term expectations regarding the return on investment. It should consider the sustainable income-producing capacity of the property, multi- purpose or appropriate alternative uses as well as the future marketability of the property.

(v) The valuer must fully deduct administration costs and allow for obsolescence, reinvestment, annual maintenance, the risk of voids, a tenant not meeting his obligations and other risks to the rent.

(vi) The sustainability of the comparative values through the application of appropriate discounts where necessary if the Mortgage Lending Value is derived using comparables or the depreciated replacement cost approach.

(vii) Mortgage Lending Value is generally based on the current use of the property. The Mortgage Lending Value should only be calculated on the basis of a better alternative use under certain circumstances, such as where there is a proven intention to renovate or change the use of the property. Essentially speculative or transient uses are excluded.

(viii) Further requirements, for example, with respect to compliance with national standards, transparency, content and comprehensibility of the valuation, complement the legal framework for the calculation of Mortgage Lending Value." [4]

Consistency of the valuation basis

EVS requires that "valuers only use recognized bases of valuation that are compatible with the purpose of the valuation and, in doing so, honour the principles of transparency, coherence and consistency." (EVS2 – Valuation Bases Other than Market Value)

It is particularly important that the national framework transposing the Directive ensure that the valuation basis is consistently implemented, i.e. that the same definitions are used and same principles applied throughout national regulation or statutory provisions.

2. Valuations should be carried out by Qualified Valuers

Member States shall ensure that each valuation is "carried out by, or under the strict supervision of a Qualified Valuer"[5].

"Qualified Valuer" is not a reference to the specific qualifications of any one professional or other body but what is required for a valuer to be properly qualified to undertake the valuation in question in terms of experience, training, skills and knowledge. Professional bodies seek to capture that in their own qualification processes while certification schemes can affirm compliance with process.

[4] EVA2.5.8
[5] EVS3 – The Qualified Valuer

TEGoVA and EVS provide guidance to its member associations and their members on the important issues here, including the provisions of EVS3, the Minimum Educational Requirements, TEGoVA's Code of Ethics and provisions highlighting the problems of any conflict of interest. Stress is placed on the valuer being independent. TEGoVA's Recognised European Valuer (REV) scheme is a further means of giving recognition to qualified practicing valuers.

The valuer must be able to show professional skill, knowledge and competence appropriate to the type and scale of valuation and must disclose any factor which could compromise an objective assessment. The valuer must be competent to give advice on comparative property and sector-related risks if this is required. It is generally the role of the lender to assess risk as it relates to the financial status of the borrower or in the context of the overall geographical, sector, and client bias.

<u>Minimum Educational Requirements</u>

EVS requires that valuers meet minimum educational requirements.

As part of its education strategy of supporting standards of professional competence, TEGoVA sets Minimum Educational Requirements (MER) for its member associations to require of their qualified members. *Sub-annex I contains a summary of TEGoVA MER.*

<u>Qualification Tools – Recognised European Valuer (REV)</u>

Diverse qualification tools exist across Europe, including personal certification and/or statutory licencing systems in a certain number of Member States. TEGoVA has developed the Recognised European Valuer. By the granting of the status 'Recognised European Valuer' and designation REV, TEGoVA provides individual practising valuers with a well-defined indicator of qualification and experience, with the aim of assuring clients of their valuation proficiency.

<u>Code of Ethics and Conduct</u>

Valuers will at all times maintain the highest standards of honesty and integrity and conduct their activities in a manner not detrimental to their clients, the public, their profession, or their respective national professional valuation body.

Member States should encourage valuers to adhere to a Code of Ethics and Conduct. *The mandates of TEGoVA's Code extracted from the full Code in EVS, are in Sub-annex II.*

All Qualified Valuers and their representative professional or technical organisations and valuation companies are required to adhere to a Code of Ethics and Conduct.

<u>Conflicts of Interest</u>

The requirements of the valuer in terms of professional objectivity mean that he must be aware of anything that could be perceived as a conflict of interest. In his initial inquiries he should ask the client to identify any other interested or connected parties so as to establish whether there is a possible conflict of interest for the valuer, the valuer's partners, co-directors or close family.

If such a conflict exists, then this should be disclosed in writing to the client who may then choose whether or not to confirm the appointment, subject to a clear statement of the circumstances in any Certificate or Report that is produced by the valuer.

There may be circumstances where the valuer, despite the client's wishes, will still decline to accept the instructions.

Independence of the Valuer

While the valuer must always be objective and professional in his appraisal and assessment of value, in many cases it will be necessary and professional for the valuer (and where appropriate any valuation company) to show that he is independent of any party interested in the outcome of the valuation. Any such connection, other potential conflict of interest or other threat to the valuer's independence and objectivity, should be disclosed in writing to the client and recorded in the valuation report.

3. There should be a clear description of the valuation process

EVS requires that the terms of engagement and the basis on which the valuation will be undertaken are set out in writing and agreed before the valuation is reported.

The valuation must be researched, prepared and presented in writing to a professional standard. Departures from standards must be reflected in the valuation report.

Prior approval must be obtained from the client where work is sub-contracted to other specialist valuers or where substantial third party professional assistance is necessary. This approval must be recorded in writing from the client and disclosed in the Valuation Report.

In all cases, including where there is limited information, inadequate inspection opportunities, or restricted time available to the valuer, this shall be recorded in the valuation report.

Should a valuer need to make special assumptions or be required by the client to value on the basis of special assumptions, it is essential that the terms of engagement state clearly that the valuation report, and any publication based on it, will set out in clear terms the instructions relating to the valuation, the purpose and context of the valuation, the extent to which enquiries have been restricted, the assumptions that have been made, the dependence that has been placed on the accuracy of the sources of information used, the opinion that the valuation represents and the extent of non-compliance with professional standards.

Property Inspections

The valuer must undertake inspections and investigations to the extent necessary to produce a valuation which is professionally adequate for its purpose. The nature of the on-site inspection will depend upon the property and national legislation, custom and practice. It will usually include the interior of the buildings, the locality and the environment in order to record all matters which appear relevant to the value of the property. Exceptionally, if stipulated by statutes or instructed by the client, there may be a more limited inspection or the valuer may be authorised to rely on an inspection report prepared by a third party.

If an inspection has not been made, or it was not carried out in a proper way to gather all necessary information, this fact and the reason for the restriction must be recorded in the Valuation Report.[6]

Terms of Engagement

EVS requires that Terms include reference to:

- the client's identity, specifying a corporate or personal persona;
- the purpose of the valuation
- the precise extent of the property being valued with reference to a plan or other fixed object;
- the basis or bases of value;
- a specific valuation date, not "*as of the date of valuation"*;
- any previous involvement with the property or the parties involved;
- the status of the valuer, clarifying whether acting in an external capacity, specifying a corporate or personal persona; or as an internal valuer;
- all assumptions and special assumptions that will be made in preparing the report;
- the scope and extent of investigations that will be undertaken and any verification that will be required by the client or his representatives, together with confirmation of the valuer's competency to undertake the instruction;
- reliance placed on information provided by the client, or third parties;
- any restriction placed on publication of part or all of the valuation produced;
- the extent to which a duty of care will be provided, stating any exclusions as to parties or matters as determined by the valuer or requirements of insurers;
- compliance, where appropriate, with European Valuation Standards, 7th edition; and
- the basis of fee to be charged, as determined by the valuer or prescribed by third parties or statute.[7]

Any variations must be recorded in writing to avoid misunderstanding and consequential dispute.

4. Member States should define requirements regarding the content of the valuation report

EVS requires that valuations are "presented in clear written form to a professional standard, transparent as to the instruction, purpose, basis, method, conclusion and prospective use of the valuation"[8]. Valuation reports are supposed to detail the scope, key assumptions, valuation methods, and conclusions of an assignment.

The form and detail of a valuation report will be a matter for the valuer's discretion but must meet the specific instructions from the client to the valuer and have regard to the purpose of the valuation and the use that the client proposes to make of the valuation.

[6] EVS4 6.2-6.7
[7] EVS4.5.2
[8] EVS5

EVS requires that the valuation report generally include:

- the instructions for the assignment;
- the valuer's qualifications;
- the basis and purpose of the valuation;
- the valuation date
- a description of the property, including a note as to the basis on which areas have been measured;
- a summary of the legal context (tenure, tenancies, development control, etc.);
- a commentary on the market for the property;
- a description of the valuation methodology and analysis;
- any assumptions that have been made;
- any limitations on the report;

leading to and concluding with the opinion as to the value of the property, including, where appropriate, details of comparables used. It may also explain the analytical processes undertaken in carrying out the valuation, and present the supporting information.

5. Risk measurement tools

"… it is desirable to ensure appropriate monitoring of residential immovable property markets and for the mechanisms in such provisions to be in line with Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on the access to the activity of credit institutions and investment firms." Extract from Recital 26

Property rating[9]

Regarding the increasingly risk sensitive environment driven by the Basel Committee on Banking Supervision and the European institutions, Member States should promote rating systems assessing the quality of real estate and property markets, identifying risks and revealing opportunities.

A rating tool not only provides transparency as to property risks but can also be used for a number of other purposes such as real estate portfolio analysis and controlling, risk assessment of property portfolios for securitisation purposes or the analysis of real estate investment decisions. As a rating tool shows the profile of "risk and opportunities" of properties, it is particularly well suited as a portfolio management tool measuring the risk exposure of financial services providers or real estate investors. By this means, it also contributes to a high level of transparency in property valuation.

Profile on Risk Related Criteria for Valuations[10]

Member States should also recommend that certain risk related criteria be used when preparing and interpreting property valuations for lending purposes. These criteria relate to valuations using mortgage lending value or market value and can be considered independently of the valuation approach.

[9] See European Property and Market Rating : A Valuer's Guide – EVS Part 3
[10] See European Mortgage Federation Profile for Risk Related Criteria for Valuations – EVS Part 3

The risk profile can be used by lenders to obtain additional information that would improve their recognition and management of risk. The profile is intended to enhance the quality of valuations by covering what could be of interest to mortgage lenders. In this respect, the risk profile can be seen as a tool to manage and reduce risk. It should prove useful in improving the quality of valuations and increasing the credibility of valuation with supervisors.

More precisely, a valuation of property for lending purposes should reflect the following risk criteria:

- Market Risks (Timing (present market conditions), Market cycles, Market volatility / stability / liquidity, Demand and supply, Economic stability of the market, Market structures, Attractiveness of regional markets, Investor or owner occupier driven market, Behaviour of the market participants, Demographic trends, Labour supply, Other investment opportunities
- Location Risks (Planning and development of the immediate neighbourhood and the greater surroundings (micro & macro), Development of the region, the city and the district, Competition: micro-trends of the local economy / other alternative investment opportunities at local level, Suitability of the location for investment, revenues and increases in values Infrastructure, Public utilities / local supply, Attractiveness of the location for companies)
- Construction related property risks (Physical / architectural issues / quality of the property (fitting out, age etc.), Maintenance requirements, Economic efficiency, Environmental efficiency, Marketability and appropriateness for third party users, Flexibility for other types of use, Contamination / polluted land, Reconstruction cost
- Tenants / Leases (Strength of tenants, Reputation of tenants, Cash flow risks, Strength of investor)
- Tax risks (Current tax situation, Potential positive / negative changes, Local tax regime, Regional incentives)
- Legal risks (Ownership, Planning permission, Country specific lease structures, Subsidies, Efficiency of enforcement (repossession) and forced sale Liability for contamination)

Sub-annex I

Summary of TEGoVA's Minimum Educational Requirements

1. Introduction

1.1 TEGoVA requires each Member Association to set educational standards for its members that are at least as demanding as the Minimum Educational Requirements (MER) set by TEGoVA. MER were first introduced by TEGoVA in January 2003 as a basic requirement for every valuer elected to practice by a member association. Many Member Associations have more stringent educational requirements.

1.2 TEGoVA regularly reviews and updates the MER to support the development of professional standards among its members and so for those who require their services. The latest revision was adopted by the General Assembly of TEGoVA at its meeting in November 2010.

1.3 MER requirements are equivalent to and consistent with the EU's Second Diploma Directive relating to the Mutual Recognition of Professional Qualifications (92/51/EEC). In applying MER, Member Associations in countries outside the EU must adopt the requirements of the Second Directive and develop a syllabus that matches the criteria of the Directive.

1.4 Professional services delivered by valuers across Europe vary considerably and many will be specialists in particular sectors. Some geographical areas will be affected by factors that do not apply elsewhere. Thus, the knowledge they require will vary. However, the essential disciplines of valuation will be fundamental to their work and so are central to the MER syllabus. Member Associations develop their educational requirements in line with the Directive and the MER syllabus, though national variations will take account of differing legislation, tax regimes and client requirements. Valuations in, for example, forestry or agriculture may be more prevalent in some countries or for some associations while different types of commercial activity may prevail in others. The Member Association is charged with the responsibility to interpret the MER to ensure consistency with the professional demands of its members.

1.5 The globalisation of real estate markets, continuing European integration, together with an improved free flow of services across the EU and rising client expectations are the drivers for change in the breadth and depth of knowledge expected of real estate professionals. The industry is now not only focused on transaction- orientated business but now also demands the delivery of added value with valuers asked for strategic consultancy with appropriate knowledge in all areas of business, the built environment, corporate governance and corporate social responsibility.

1.6 TEGoVA provides additional and separate guidance in respect of its Recognised European Valuer (REV) scheme (see next section). Valuers who have achieved this status are subject to additional requirements including continuing professional development.

1.7 The subject areas within the MER are grouped into three levels of knowledge expected of the valuer:

(a) understanding,
(b) general knowledge, and
(c) in-depth knowledge.

2. Outline of Syllabus

2.1 Valuers require an **understanding** of:

• Principles of Economic Theory • Practical Economics of Real Estate	• Business and Finance

2.2 Valuers require a **general knowledge** of:

• Marketing Real Estate • Energy Efficiency, Environmental and Resource Protection	• Buildings and Construction

2.3 Valuers require an **in-depth knowledge** of:

• Law Relevant to Property* • Professional Practice • Valuation • Government Policies and Land Use*	• Valuation under Statute* • Valuation Standards*

* Denotes in-depth knowledge required relative to the country or sector of practice

Sub-annex II

Mandates of TEGoVA's Code of Ethics and Conduct[11]

a. Valuers are required to comply with all appropriate laws and regulations of the countries in which they operate.

b. Valuers must act with integrity at all times to safeguard the trust in which they are held by colleagues, employers, clients and anyone to whom a duty of care is owed.

c. Valuers must maintain a level of professional knowledge and technical skill consistent with the expectation and requirements of the national professional valuation body of the valuer in respect of all legal, regulatory, ethical and contractual requirements. Valuers should not accept instructions outside their expertise.

d. Valuers who have access to privileged or confidential information must not use or disclose that information to achieve personal gain for themselves or others.

e. Terms and conditions of every valuation instruction must be agreed and set out clearly in writing before the valuation is reported.

f. Valuers must not offer, promise, give, demand or accept an unethical advantage or bribe in order to obtain, retain or give business or other advantage.

g. A valuer shall not accept, directly or indirectly, any rebate, fee, commission, discount or other benefit, monetary or otherwise, which could reasonably be seen as a conflict with the interests of the client or employer unless the client or employer is first notified in writing of the activity or potential conflict of interest, and expressly consents to such representation. If an activity would result in a conflict between the interests of the employer and the interests of the client, then the interests of the client shall take precedence.

h. A valuer has a duty to provide the national professional valuation body with any significant factual information that reasonably suggests that another member of that body may have violated its Code of Ethics.

[11] EVS 2012 Part 3