

Valuer Registration & Red Book



Frequently Asked Questions

Table of Contents

	page
Introduction / Overview	2
Benefits of Valuer Registration	3
Valuation Standards - The Red Book	4
Valuer Registration – How it Works	4
Frequently Asked Questions (FAQ's)	5
Scheme membership	7
Fees	10

Introduction / Overview

The Society of Chartered Surveyors Ireland, on behalf of RICS, will introduce its monitoring and quality assurance scheme for valuers called Valuer Registration, on a mandatory basis at the end of February 2016.

Valuer Registration sets out an approach to raise confidence in the delivery of valuation advice and reinforce the highest professional standards in property valuation - a key component underpinning most economic activity.

The scheme was introduced worldwide by RICS as a result of the global downturn to provide additional assurance to financial institutions that valuations would be carried out to international standards.

In Ireland, SCSi and RICS introduced the scheme as a way of ensuring high quality valuations to international 'Red Book' standards on a pilot voluntary basis in 2012. It is now appropriate to introduce it on a mandatory basis for all SCSi members carrying out valuations from February 2016.

Ensuring the quality of property valuations, the Valuer Registration scheme will provide lenders, asset managers and investors with a clearly identifiable designation for the best regulated and qualified professionals.

Leading property professionals from France, Germany, Spain, the Netherlands, Russia and Italy have already given their support to the scheme - the first global regulation initiative for property valuation. This launch follows a very successful introduction in the UK in October 2010.

Due to widespread financial insecurity, the profession recognised an international need to reduce risk associated with valuations of any real estate and land assets - and that as an economy we need to ensure that high standards are in place and valuations are monitored on a regular basis on both residential and commercial property transactions.

Why introduce Valuer Registration now in Ireland?

In 2012, the Central Bank of Ireland published a report '*Valuation Processes in the Banking Crisis- Lessons Learned – Guiding the Future*' that recommended that lenders should seek Red Book valuations from suitably qualified valuers when considering applications for loans or reviewing existing loans.

As a result, the SCSi and RICS introduced Valuer Registration on a voluntary basis in Ireland in July 2012 and it is becoming increasingly recognised by financial institutions and other stakeholders and as an important indicator of high standards of valuations, which are an important component of our financial systems which underpin our economy.

The SCSi Valuation Surveying Professional Group believes that the introduction of Valuer Registration on a mandatory basis is an important step in improving the quality of valuations and reducing the risk associated with valuations for financial institutions and other stakeholders. It also believes that Valuer Registration provides a proactive quality assurance for valuations and it is the appropriate time to introduce it in Ireland on a mandatory basis for SCSi valuers.

Furthermore, the Mortgage Credit Directive is to be transposed in Ireland by March 2016 and will require assurance that residential valuations are carried out by competent professionals who are independent of the transaction. Valuer Registration will provide this assurance to financial institutions and will represent the highest standard of regulation in Ireland for both residential and commercial valuations.

Benefits of Valuer Registration (VR)

- **VR is being introduced on a mandatory basis to improve the standard of property valuation.** VR will raise the standard of valuation in Ireland and ensure that it becomes fully aligned with international best practice.
- **VR is an important quality assurance product with worldwide recognition.** International experience has shown where VR is more established, that this product is now a prerequisite from all major financial institutions where property lending valuations are required.
- **VR protects the financial institution and consumer.** It provides the end consumer with the assurance that the property valuation product has been prepared using the highest standards and complies with the International Valuation Standards Council (IVSC).
- **VR is increasingly being required by financial institutions internationally.** VR provides the valuer with assurances that valuations are being assessed to ensure they are compliant with the Red Book. Recognition is growing amongst banks in relation to property valuation.
- **Registered Valuers will be able to differentiate themselves in the marketplace.** Registered valuers can use specific branding and designations to achieve a competitive advantage in the marketplace and to differentiate themselves.
- **VR will help ensure the mistakes of the boom relating to property lending do not reoccur.** During the Celtic Tiger years, lending institutions did not fully appreciate the importance of property valuation reports. Since the downturn, appreciation and awareness of valuation standards have now increased. The mandatory introduction of VR will be an additional layer of oversight to strengthen the robustness and reliability of the valuation product and this will only increase the professional integrity of the valuation service.
- **VR increases assurance to insurance providers.** VR's auditing and risk profiling of valuers will provide PI insurers with additional assurance of the standard of valuations and this should have the effect of reducing premiums.
- **VR provides an increased ability to defend an allegation of negligence and protection against litigation.** The Irish market place has avoided the litigation that the UK has experienced but members need to prepare for the potential of litigation in a post Nama market place.
- **VR will become increasingly required by consumers.** The valuation sector is constantly expanding – local property tax, retired persons entering long term care facilities, etc and the consumer is becoming increasingly sophisticated.
- **For more information on Valuer Registration see the RICS website**
<http://www.rics.org/ie/regulation1/firm-and-individual-guidance/valuer-registration/>

Valuation Standards - The Red Book

The Red Book is the RICS global valuation standard and all SCSi valuers must comply with the standard when carrying out valuations.

The Red Book provides an implementation or practice framework for the application of International Valuation Standards (IVS) globally, ensuring that valuers apply professional and accountable standards throughout the world.

The standards are designed to ensure that SCSi/RICS members always follow best practice and comply with the law when providing valuations on behalf of clients.

One of the core strengths of the Red Book valuation standards is full compliance with the IVS and it is updated to reflect the developments in International Financial Reporting Standards (IFRS). Implementation of IFRS requirements for current value accounting on all assets and liabilities is driving the need for truly global valuation standards.

Valuer Registration – How it Works

Monitoring commences from the point at which Registered Valuers join the scheme and is carried out by RICS. Information obtained from both firms and valuers (upon application to join the scheme) is risk assessed. It is supplemented by other information already held via the client money scheme, the regulatory review process, CPD records, and other intelligence.

Running concurrently in the background, a risk based review programme assesses compliance with RICS' Valuation Standards (the Red Book) and wider regulatory obligations. This comprises different levels of review activity which RICS has tested via a recent series of pilot studies. The review process takes two forms:

Desk-based review – This comprises two questionnaires. The first questionnaire is for the firm to complete, looking at the processes and controls the firm employs in relation to its Red Book valuation activity. A second questionnaire is completed by the Registered Valuers selected by the firm and is tailored towards the valuation activity they undertake, individual valuations they have done, and the controls they use.

Site based visit – If the findings of the desk based review suggest areas of concern a site based visit may be appropriate. This reviews the firm's controls and procedures that are in place to comply with the Red Book standard. Additionally, RICS review a sample of individual files from each of the Registered Valuers. An important part of the visit is helping to improve businesses by providing advice on good practice.

Following the desk-based and site-based visits, a written report highlights any findings which deviate from RICS valuation standards and advice and guidance on how the firm and/or the Registered Valuer can improve compliance with the standards is included as part of this report.

RICS Regulation will share the most common findings of best practice and non-compliance with firms and members alike so that they are able to improve their own processes and stay up to date. Whilst these may not be the most serious points of non-compliance, they are the most common.

Please note that support is available to members joining Valuer Registration for the first time via registeredvaluers@scsi.ie

FREQUENTLY ASKED QUESTIONS

What is Valuer Registration, and why is SCSI/RICS developing auditing in this area?

Valuer Registration is being put into place, in conjunction with SCSI, to ensure that SCSI/RICS members adhere to, and can be monitored on practising the standards contained in RICS Valuation Standards (also known as the Red Book) when undertaking valuations.

Valuation is probably the highest public interest area within our remit and following extensive consultation, it was decided to introduce the initiative on a mandatory basis to ensure that we maintain and build public confidence in the valuation profession.

Why is the scheme being made mandatory?

When the scheme was launched in July 2012 on a voluntary basis it was stated that it was the intention of the organisation to introduce it on a mandatory basis as is the case in the UK to ensure that there is a consistent approach to valuation standards compliance among valuers both in Ireland and the UK for financial institutions and other stakeholders.

To what types of valuation do RICS Valuation Standards apply?

We advise every member undertaking valuation related work to carefully review the *Red Book* and the *Valuation of Residential Property** to determine whether the work they undertake falls within the scope of the standards. As a general guide, the following property types currently fall within the scope of the RICS Red Book:

- Land and buildings (commercial property, residential property, agricultural property)
- Businesses and intangible asset
- Plant and equipment
- Personal property (it has been agreed that personal property will remain exempt from mandatory application of the scheme until future notice)
- Mineral assets

In broad terms the Red Book applies to the following valuation purposes:

- Loan security & Mortgage Lending
- Financial reporting (including valuations for investment funds and companies)
- Investment portfolio performance
- Takeovers and mergers
- Stock exchange (eg IPOs)
- Purchase reports (other than pricing advice provided in the course of agency which is exempt under PS 1.2)
- Taxation (other than valuations which are subject to separate statutory processes)

Unless produced for reliance by third parties, rent review/lease renewals are generally considered to be advice provided in the course of negotiations and are exempt under PS 1.

*Available for member download at www.scsi.ie

Who counts as a "valuer" within the terms of the scheme?

The scheme applies to any member of SCSI/RICS involved in undertaking valuation services that are subject to RICS Valuation Standards. "Undertaking valuation services" includes any person who is responsible or who accepts responsibility for calculating and ascribing a written opinion of value. This may include individuals who produce, but do not sign valuation reports within their organisation and individuals who sign, but do not produce valuation reports within their organisation.

"Undertaking valuation services" will not be deemed to include the provision of quantitative or qualitative supporting information which informs the valuation, such as economic research, physical or environmental data, marketing advice, tenancy or title information. Mandatory application will only have an impact on those actively involved in ascribing opinions of value. Examples of activities it does not apply to include:

- Instructing or reviewing valuations on behalf of a client (within a bank, for example)
- Teaching valuation
- Undertaking valuation related research
- Developing policy in respect of valuation

However, members involved in these areas are not precluded from joining.

What will monitoring include and how often will it be done?

RICS Regulation will undertake a mix of desk based reviews and Regulatory Review Visits to members. These reviews will be based on risk scoring of members.

An automatic risk score is established for the individual member when they register for Valuer Registration. Should any risks come to light, an initial assessment will be made. Further investigation will follow, including checking information against Red Book requirements and the processes and audit trails that members have in place.

Do members of the scheme receive a certificate?

Yes, the members of the scheme will receive a certificate.

What designations can Registered Valuers use?

For Chartered Members "Registered Valuer".

For Associate Members "Assoc RICS Registered Valuer".

What training is available in valuations?

The Society has run a series of Red Book training workshops and will continue to do so. In addition, we'll run a 5-week Valuation Refresher training course in Autumn 2015 (on Saturdays). We advise checking the SCSI website and ezines where the courses are advertised.

What do I do if I was offered but did not accept RICS membership in 2011?

You need to contact RICS at join@rics.org

Scheme membership

Are there any barriers to entry for qualified members?

Members who qualified prior to 01 January 2012

Any person who qualified as an RICS member prior to 01 January 2012 can join the scheme by supplying the necessary information and paying the annual fee.

Members who qualify on or after 01 January 2012

Members who qualify on or after 01 January 2012 will only be eligible to join if they have qualified at final assessment with competency in valuation (to level 3 for chartered members (MRICS or FRICS), or to level 2 for associate members (AssocRICS).

Members who have not qualified at the appropriate level in valuation can apply for a top up to the required level by contacting RICS or visiting www.rics.org.

I work in the public sector. Does the scheme apply to me?

If you undertake valuations covered by the Red Book then you need to sign up to the scheme, but please note this excludes tax assessment. The simple answer is that if the activity is exempt under RICS Valuation Standards then it is not necessary to register on the scheme.

What if I am no longer a member of RICS?

SCSI members will need to contact RICS to re-instate or apply for membership.

Are Associates allowed to join scheme?

Yes, Associates will be subject to the same requirements as full members. It is a regulatory scheme, which ensures that any SCSI/RICS member within it is working in accordance with SCSI/RICS standards, whatever their grade of membership. Clients will continue to distinguish between chartered surveyors who are professionally qualified to take on more complex work from Associate SCSI/RICS members who they will increasingly accept for simpler, more routine work.

What happens if I do not want to join Valuer Registration, and continue to undertake valuations?

If you do not register you must not undertake valuations. If you do not join the scheme and carry out Red Book valuations, you may be liable for disciplinary action.

If I am not an RICS member, can I still belong to the Valuer Registration Scheme?

You have to hold RICS membership to become a Registered Valuer. If you resign from RICS membership you will also need to de-register from the scheme.

If my area of practice changes from valuation, what would I need to do?

You have the choice to remain a Registered Valuer paying the necessary fees or not to renew when the next annual fee is due. You must not undertake Red Book valuations if you decide not to renew.

If I start practicing within valuation what do I need to do?

You may need to join Valuer Registration. For members who qualified as an RICS member prior to 1 January 2012 there are no barriers to joining in terms of experience or level of involvement.

If I do not join the scheme what will this mean to me?

The scheme is mandatory for all SCSi and RICS members carrying out Red Book valuations. If you do not join the scheme and carry out Red Book valuations, you may be liable for disciplinary action.

What is the Mortgage Credit Directive and how does it affect me?

The EU Mortgage Credit Directive requires member states to develop national valuation standards for residential mortgage credit purposes. Member States are recommended to do this on the basis of existing valuation standards including; international valuation standards (IVS), RICS Valuation Standards (The Red Book) and TeGoVa (EVS Standards - The Blue Book).

Article 19 stipulates that:

- Member states shall ensure that reliable **standards** for the valuation of residential property 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 take reasonable steps to ensure that those standards are applied where the valuation is conducted by a third party.
- Member states that internal and external appraisers conducting property valuations are **professionally competent and sufficiently independent** from the credit underwriting process so they can provide an impartial and objective valuation, which shall be documented in a durable medium and a record of which shall be kept by the creditor.

The Society has met with the Department of Finance and awaits further confirmation of how the Directive will be transposed. The Society is advocating for the highest standards of quality assurance in accordance with international valuation standards such as those offered by Valuer Registration.

Is this scheme recognised by the market?

Major banks/building societies/mortgage providers have backed Valuer Registration around the world, particularly in the UK and across Europe. They have done so because members will be monitored closely by RICS, which will lead to higher standards in the market place. SCSI/RICS have been engaging with banks, clients and insurers and other regulators across Ireland and will continue to engage with stakeholders and promote Valuer Registration and the importance of using SCSI/RICS Registered Valuers with all these stakeholders in the market.

Registration

How do I register as Registered Valuer?

Registration is online. Members may log onto the *RICS Valuer Registration Webpage* and complete the application form.

What information are valuers being asked to provide?

All valuers registering on to the scheme are required to provide information about the nature of valuations they are involved in.

- If you work in an organisation that is sponsoring you then you will first be identified by your firm as a valuer and you will then receive an email from RICS inviting you to register yourself onto the scheme
- If you are applying as an individual then the information will be requested when you register for the first time. Individual applicants will be asked more detailed questions than those from an RICS regulated firm
- All registered valuers will be required to provide an annual return to RICS on the type of work in which they are involved.

I only do a small number of Red Book valuations. Do I have to register?

Yes. Even if you only do the occasional Red Book valuation the scheme applies to you.

For more information please see RICS Valuer Registration Webpage.

Can firms sign up?

Joining RICS Valuer Registration is open to individual members in Ireland only, but organisations who want to sponsor their employees may do so. They will be asked to provide some additional information if they are sponsoring (paying for) their employees. *For more information please see RICS Valuer Registration Webpage.*

I am not comfortable registering online. Is there another way I can register?

RICS will accept hard copy applications (cheque payment) to join the Valuer Registration Scheme. However there will be a €50 surcharge for using this method due to the additional administration resource required to process the application.

Fees

What is the cost?

The fee structure is available at www.rics.org/vrsfees. Valuer Registration is run at cost only and so fees cover the cost of the scheme, and monitoring of the standards practised by those on the scheme only. As the scheme is only aimed at members in the valuation sector, it is only fair that these members fund the scheme, and therefore it is not subsidised by other members. This is in line with other schemes RICS operates.

For Ireland fees will be €170.

Can firms pay the fees on behalf of their employees?

Yes.

What methods of payment are available?

Members will be able to pay online on the Valuer Registration Webpage after completing the application form. If you work for an RICS regulated firm and they are sponsoring you, then they will be invoiced directly.

When will I get my receipt?

Once payment is confirmed a receipt will be generated automatically and sent to the email address you entered when you registered for the RICS Valuer Registration Scheme.

Is the charge a one-off fee or will it be an annual requirement?

Valuer Registration fees will be due on an annual basis.

Can I request an invoice detailing the costs of registering on the scheme, as my employer needs this?

You can see the full list of fees at www.rics.org/vrsfees. If you have registered on the scheme and paid online then you should have been issued a receipt. If you work for an RICS regulated firm that is sponsoring your registration, the firm will be invoiced directly.

What is the refund policy?

Once registration has been completed there will be no refunds of the registration or annual fees.

Fee Structure / processes – who approved fees?

RICS Management Board requires that all schemes are self-funding. They require that schemes do not make a profit and that they run at cost.

The fee structure has been discussed and approved at RICS Management Board, the Regulatory Board the Valuation Professional Group Board and at Governing Council.

Renewals

1. When are renewals due?

Members will be required to renew their scheme registration approximately 12 months from the date of registration and at the same time in subsequent years.

Members that are sponsored by an RICS Regulated firm will be required to renew following the firm's annual return and at the same time in subsequent years. This is to ensure that the firm and member renewals can be at the same time each year.

2. Will I be reminded when it is time to renew my membership of the scheme?

Yes, you will be emailed when it is time to renew, so please make sure we have your current email address and are made aware if you change it at any time.

3. What happens if I register on the scheme but become unemployed, and cannot pay my annual renewal?

You may rejoin the scheme when you are next able to pay your renewal fee.

Dating back to 1895, the Society of Chartered Surveyors www.scsi.ie Ireland is the independent professional body for Chartered Surveyors working and practicing in Ireland.

Working in partnership with RICS, the pre-eminent Chartered professional body for the construction, land and property sectors around the world, the Society and RICS act in the public interest: setting and maintaining the highest standards of competence and integrity among the profession; and providing impartial, authoritative advice on key issues for business, society and governments worldwide.

Advancing standards in construction, land and property, the Chartered Surveyor professional qualification is the world's leading qualification when it comes to professional standards. In a world where more and more people, governments, banks and commercial organisations demand greater certainty of professional standards and ethics, attaining the Chartered Surveyor qualification is the recognised mark of property professionalism.

Members of the profession are typically employed in the construction, land and property markets through private practice, in central and local government, in state agencies, in academic institutions, in business organisations and in non-governmental organisations.

Members' services are diverse and can include offering strategic advice on the economics, valuation, law, technology, finance and management in all aspects of the construction, land and property industry.

All aspects of the profession, from education through to qualification and the continuing maintenance of the highest professional standards are regulated and overseen through the partnership of the Society of Chartered Surveyors Ireland and RICS, in the public interest.

This valuable partnership with RICS enables access to a worldwide network of research, experience and advice.

www.scsi.ie

Society of Chartered
Surveyors Ireland
38 Merrion Square,
Dublin 2, Ireland
Tel: + 353 (0)1 644 5500
Email: info@scsi.ie