



Professional & Business Ethics

S K AGRAWAL

Topics

- ▶ Model code of conduct under the Companies (Registered Valuers and Valuation) Rules, 2017:
 - ▶ professional competence and due care,
 - ▶ independence and disclosure of interest,
 - ▶ confidentiality,
 - ▶ information management,
 - ▶ gifts and hospitality
- ▶ Integrity and fairness, remuneration and costs, occupation, employability and restrictions, business ethics
- ▶ Ethical considerations under terms of engagements:
 - ▶ engagement letter,
 - ▶ management representation,
 - ▶ guidance on use of work of experts,
 - ▶ independence and conflict of interest,
 - ▶ quality review process of valuers,
 - ▶ rights and responsibilities of valuers

Please think...

- ▶ A company buys land at Rs 6 lakh per acre
- ▶ Gets the registry at Rs 40 lakh
- ▶ Valuer – does not go to the site and values it at Rs 40 lakh/ acre

Is this a proper valuation?

- ❖ Italian values some 25 year old machine at Rs 120 crs. (purchase price Rs 60 crs)
- ❖ Indian Valuer – agrees and gives a report for the same.

Both the above are actual case in India. Valuers were NOT punished.

Valuer Profession

Free for all

IBBI
Regulated

Full
Regulator



Changes that will happen

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- ▶ Only Regulated valuers will be accepted by banks, Income Tax and others.
- ▶ All reports will be reviewed by peers and others.
- ▶ Wrong doings will be punished very hard.

Professional way of working

Ethical way of working

IS THE ONLY WAY TO GO FORWARD IN VALUER AS A PROFESSION.

- ▶ Global Standards are upgrading in
 - ▶ Professional Standards
 - ▶ Ethics, Conduct
 - ▶ Knowledge, Competence.
 - ▶ Technical Standards.
 - ▶ Common definitions & conventions.
 - ▶ Consistent application through recognized approaches.
 - ▶ Performance / Delivery Standard.
 - ▶ Good analysis
 - ▶ Objectivity of judgement
 - ▶ Appropriate documentation
 - ▶ Clarity on reporting.

Model Code of Conduct

- ▶ Integrity & Fairness
- ▶ Professional Competence & Due Care
- ▶ Independence and disclosure of Interest
- ▶ Confidentiality
- ▶ Information Management
- ▶ Gifts & Hospitality
- ▶ Remunerations & Costs
- ▶ Occupation, employability and restrictions.

Integrity & Fairness

- ▶ To work in high level of fairness and integrity.
 - ▶ With Clients / colleagues / other stake holders.
- ▶ Be honest, straight forward, and clear in all professional relationship.
- ▶ Always give true and adequate information. Not to hide any thing.
- ▶ No actions that may bring disrepute to the profession.
- ▶ Interest of the society is paramount.

If the client is threatening or using force for a particular valuation, please regret the assignment it self.

Professional Competence & Due Care 9

- ▶ Maintain high standards of service & do fair independent judgement.
- ▶ To do valuation as per the laid down standards (International Valuation Standards 2020)
- ▶ Update professional knowledge on a continuous basis.
- ▶ Cannot disclaim liability of the report that it becomes useless. Disclaimers are fine.
- ▶ Do the valuation to the party who asks for that – and under the section that is asked.
 - ▶ No valuation till there is no work order.
 - ▶ Valuation for what purpose
 - ▶ Valuation under which section.
 - ▶ Report to the party who has asked for valuation.
 - ▶ CA gives you a work order – and wants the report to be marked to third party... NOT OK.

Independence and Disclosure of Interest

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- ▶ No assignment if there is a conflict of interest
 - ▶ You have worked in that firm
 - ▶ Relatives are suppliers / buyers from that firm
 - ▶ Any business relation that was there with the firm in past or near future.
- ▶ All valuation to be in an independent manner ONLY.
- ▶ A disclosure – of the conflicts to be done to the clients.
- ▶ Be careful of Insider Trading rules of SEBI.
- ▶ No success based fee, or a percentage fees.
- ▶ No “snatching” of assignment – through unfair means & commitments.

Confidentiality

- ▶ All data of the client are secure and not to be shared with any party what so ever.
- ▶ Valuer has to keep all documents and data secure.
- ▶ All employees of valuer are also covered in this.
 - ▶ Valuer has to take responsibility for the employees.
- ▶ Data = business process, assets. Costs, manufacturing process etc
- ▶ Employees to sign a non disclosure agreement.
- ▶ All mails to me monitored for attachments.
- ▶ Soft copies to be password protected.

Information Management

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- ▶ Keep a record of
 - ▶ Discussions
 - ▶ Decisions and reason there of.
- ▶ Records to be kept for 3 years from date of report
- ▶ If there is a court case – then till the court case is going on.
- ▶ All papers can be inspected by RVO/Regulators.
- ▶ The records have to be secure
- ▶ The records can be retrieved at a short notice.
- ▶ Better to keep a scan copy on cloud storage
 - ▶ One Drive, Google Drive, Dropbox etc are there.
 - ▶ Can be accessed from any where.

Gifts & Hospitality

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- ▶ Not allowed
 - ▶ From client to Valuer
 - ▶ Valuer to client
- ▶ Offering a gift is the first sign of something not OK.
- ▶ Except – normal social courtesies.

- ▶ Social courtesies
 - ▶ Canteen lunch, tea, pick up and drop,
- ▶ Gifts
 - ▶ Some thing beyond a certain value (usually Rs 500/-)
 - ▶ Related to some thing in return.
 - ▶ Is wrapped in sweet words

*All Gifts are towards a target. These gifts are also treated as bribe and punished as such.
Hospitality is gift a4in kind of travel, party and others.*

Remuneration & Cost

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- ▶ Transparent.
- ▶ As in the work order.
- ▶ No under the table deals.
- ▶ Not related to success fee or percentage of the value.
- ▶ Out of pocket expenses
 - ▶ Transport, stay, food etc
 - ▶ Bills to be provided as evidence.
 - ▶ Hard drinks and cigarettes not allowed.

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All fees that is related to the value of the asset are treated as illegal and can be penalised

Occupation Employability & Restrictions S15

- ▶ Have been put so that you can do work properly and carefully.
- ▶ No employment while a valuer
 - ▶ Surrender the valuer certificate for a time and do a job.
- ▶ No work that is not reputable.
- ▶ What is allowed
 - ▶ Can be a director in a firm
 - ▶ Can be an independent consultant for other matters.
 - ▶ Not to take additional business from client after valuation is over.
- ▶ What is not allowed
 - ▶ Job as a teacher, or engineer or any thing.
 - ▶ A sub contractor to the client
 - ▶ An advisor to the client.

Business Ethics

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- ▶ This is to do the business in an ethical manner.
 - ▶ Is your business compliant with the law.
 - ▶ Do you have PAN, GST numbers.
 - ▶ Are your returns on time and updated
 - ▶ Is COP, CEP updated.
- ▶ Do you follow business ethics
 - ▶ Issue an invoice that is complete.
 - ▶ Issue a report as asked, and will all the data, signed and proper.
- ▶ Compliance with related to the regulator
 - ▶ All rules of IBBI / Regulator to be followed

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Be a GOOD corporate citizen of India.

More Considerations

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- ▶ **No work without a work order. Verbal work orders are NOT OK.**
- ▶ All reports to have a VRN... VRN is issued by the RVO.
- ▶ Keep a person of management while doing physical inspection.
- ▶ If the requisite data is NOT available, mention in the report.
- ▶ You can take hire an expert – if you need help. You are NOT know all and do not become one.
- ▶ Only do the valuation of the items that has been asked to you.
- ▶ Only do valuation for the purpose that you have been asked for, and mention in the report.
- ▶ During valuation, please do not harm or create any issue or loss to the company or assets.
- ▶ Be polite during inspection and discussions.
- ▶ Be ready to share common information with client.

- ▶ Ethical considerations under terms of engagements:
 - ▶ engagement letter,
 - ▶ management representation,
 - ▶ guidance on use of work of experts,
 - ▶ independence and conflict of interest,
 - ▶ quality review process of valuers,
 - ▶ rights and responsibilities of valuers

Engagement Letter / Report

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- ▶ Identification and status of the valuer.
 - ▶ Attach IBBI certificate in RFQ & report
- ▶ Identification of the client(s)
 - ▶ Identification of any other intended users is there.
- ▶ Identification of the asset(s) or liability(ies) being valued
- ▶ Valuation (financial) currency
- ▶ Purpose of the valuation
- ▶ Basis(es) of value adopted
- ▶ Valuation date, Inspection Date, Date of Report,
- ▶ Nature and extent of the valuer's work –including investigations –and any limitations thereon
- ▶ Nature and source(s) of information upon which the valuer will rely
- ▶ All assumptions and special assumptions to be made.
- ▶ Restrictions on use, distribution and publication of the report.
- ▶ Confirmation that the valuation will be undertaken in accordance with the IVS.

Management Representative

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- ▶ Asks to be a management representative
 - ▶ To conduct the valuation properly.
 - ▶ To get the information required.
 - ▶ To get the information regarding compliance,
 - ▶ To communicate with different levels of organization.
- ▶ Take support from client person, in case one does not understand.
- ▶ All inspection with management representative.

Guidance on use of expert

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- ▶ Valuers are not experts on every thing.
- ▶ We can hire experts to understand the
 - ▶ Technology.
 - ▶ Asset – their working.
 - ▶ Obsolescence.
 - ▶ Other related asset.
- ▶ Expert may be
 - ▶ Part of management team
 - ▶ Independent person.
- ▶ Please be sure
 - ▶ There is no conflict of interest with the expert.
 - ▶ Do not appoint your relative as expert.
 - ▶ All discussions are at an arms length.

Experts are there to provide

- *Information about an asset.*
- *Special knowledge about the asset.*

They cannot

- *Do valuation*
- *Take a sub contract of valuation*

Independent & Conflict of Interest

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- ▶ Valuer is expected to be independent at all time.
- ▶ Conflict of interest can happen if
 - ▶ Valuer has done or is doing any other engagement with the client.
 - ▶ Valuer is a supplier to the client.
 - ▶ Valuer is a buyer of client products.
 - ▶ Valuer is engaged in any manner with the client.
 - ▶ Independent Director.
 - ▶ Partner in an LLP that is engaged with client.

(Valuer means, he/she or any of his/ her relatives or associates.)

Any activity as a retail transaction, is NOT part of this.

It is suggested that a declaration of conflict of interest be signed and also be part of the report

Quality Review Process

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- ▶ RVO may ask RV to give their report for checking
 - ▶ Is the report proper
 - ▶ Does it follow the IVS?
 - ▶ Does it cover all the required matters?
- ▶ RV may like to have a peer to peer review among them selves.
- ▶ RV may take a feed back about the report from clients.

It is better to make a check list, to ensure the report is full, proper and meets all the norms of a good valuation.

ETHICS

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- ▶ A very wide term
- ▶ Do no harm to the society
- ▶ Act in a fair and just manner
- ▶ You have to be open and transparent.
- ▶ Natural justice is the best way to see.
- ▶ If in doubt – talk to your colleagues or RVO. RVO has a role to assist the valuers.

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Profession is undergoing a lot of change. Please be careful of the right things.

Ethical Practices

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- ▶ To ensure mutual co-operation amongst members by free interchange of opinion and experience.
- ▶ To endeavor to protect the profession of valuation concerning all categories from misrepresentation and misunderstanding.
- ▶ To express an opinion only when it is founded on adequate knowledge and honest conviction if he is serving as a witness before a court or commission.
- ▶ To hold in regard the professional reputation of other Corporate Members and not to injure directly or indirectly the professional reputation or practice of another Corporate Member.
- ▶ To exercise the restraint in criticizing the work of another Corporate Member
- ▶ To refrain from associating in work with other valuer who does not conform to ethical practice.
- ▶ To refrain from misrepresenting his qualifications to a client or to the profession.

- ▶ To treat all information acquired during the course of the business strictly confidential unless released by the client or demanded by a court of law.
- ▶ To present clearly the consequence to be expected if the professional judgment is overruled by a non-professional adequacy of work.
- ▶ To observe integrity and fair play in the practice of the profession of valuation
- ▶ To refrain from undertaking to review the work of another Corporate Member of the same client except under Government orders and / or with the knowledge of the first Corporate Member
- ▶ To present the information to the Council of the Institution for action if a Corporate Member considers that another Corporate Member is guilty of the unethical, illegal or unfair practice
- ▶ To order his conduct according to the professional standards and customs of country when a Corporate Member is engaged in Valuation work in a country abroad and to adhere as closely as is practicable to the principals of his code.

- ▶ To give unbiased valuation reports conforming to the objective opinion of the property and not to attempt merely to accommodate the interest of the client
- ▶ To steer clear of situations where interest and duty clash
- ▶ To refrain from entertaining a client who either fails to declare that he had not engaged another value for the same valuation work or produce a clearance certificate of non-objection from the Valuer if already engaged.
- ▶ To conduct yourself and the profession in a manner which will not prejudice your professional status or the reputation of the institution
- ▶ To follow this code as amended and or revised from time to time

Rights & Responsibilities of Valuer

RIGHTS

- Ask for data required for valuation
- To refuse any valuation due to over work, improper documentation, undue pressure
- To allow to verify the asset under valuation.
- To claim and get the fees for his work

RESPONSIBILITIES

- To give a report in all fairness.
- Not to put disclaimers that absolves valuer of his responsibility
- Not to disclose the value and other information to third parties.
- No Conflict of interest

Agrowal 987359282

Thanks
SK Agrawal
9873592082
ska@agrawalnassociates.com