



## Professional Ethics and Code of Conduct – A Perfect Norms for Registered Valuers

Bhupendra Kumar Gautam\* and Samidha Yadav

\*Amity University, Noida.

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### ABSTRACT

Each and every individual living in this world follow certain rules and principles which influence and determine their behaviour while performing his day to day activities which are called as Ethics like 'stealing is wrong', 'one should help the person in need' and so on. Just like that there are certain rules and guidelines which governs the behaviour of a person and a group in their workplace which are known as professional ethics and code of conduct. Every professional person, have different ethics and code of conduct like lawyer and chartered accountant, both's ethics and conduct will differ from each other. In this research paper we will be studying who is Registered Valuer and the professional ethics and code of conduct of the registered valuers, who are responsible for valuation of the different assets like plant and machinery, land and building and securities and financial assets which they need to follow while valuing these assets.

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### Introduction

Ethics govern the behavior of a person as right or wrong on the basis of socially accepted behaviour standard. Ethics which governs the behaviour of persons and a group in business environment are called as business ethics. Just like this, professional ethics provides the various rules which a person should follow while dealing with the other persons and the institutions. Professional ethics determine the code of conduct for the professionals, which differ as per their profession, like doctors professional ethics will differ from lawyers or chartered Accountants. However there are certain ethics which remains same for all the profession like honesty, loyalty, following law etc. There are certain ethics and code of conduct which is to be followed by the Registered Valuers while conducting valuation of Assets, land and building and plant and machinery of the company.

"Ethics is knowing the difference between what you have a right to do and what is right to do."

-Potter Stewart

MCA with a notification on 18<sup>th</sup> October 2017 notified the Rules relating to the Companies (Registered valuers and valuation) rules 2017 under companies Act 2013 made by Central Government. Under this rule, detail guidance is provided on the various concerns related to Registered valuers. The responsibility to administer and regulate this rule is provided to IBBI (Insolvency and Bankruptcy Board of India). It starts conducting course for registered valuer with the help of various Institutes. Registered valuers and this code of conduct will provide a proper and well managed mechanism for valuation of various assets and liabilities and will make the valuation process fair and transparent. It has also provided scope for new job opening.

These rules consist of –

- ✓ Short title and commencement.
- ✓ Definitions of the Act, Authority, Assets class, certificate of recognition certification of registration, Valuer, Valuation standards.

- ✓ Eligibility of the registered valuers
- ✓ Qualifications, Experiences and Registration of valuers.
- ✓ Recognition of Registered Valuation organisation
- ✓ Cancellation and Suspension of Certificate of recognition and registration
- ✓ Valuation Standards.
- ✓ Model of Code of conduct for registered valuers.

In accordance of Companies (Registered Valuers and Valuation) Rules, 2017 some of the definitions are-

#### Definitions

1. "Act" means the Companies Act 2013.
2. "Authority" means authorities specified by the central government under Section 458 of the companies Act, 2013 to perform the functions under these rules.
3. "Assets" means distinct group of assets, such as Land and Building, machinery equipment, displaying similar characteristics that can be classified and requires separate set of valuers for valuation.
4. "Valuer" means the person registered with the authority in accordance with these rules and the term "registered valuer" shall be construed accordingly.
5. "Registered valuers organization" means the registered valuers organization recognized under sub-rule(5).

#### Objectives of the Study

1. To define registered valuer.
2. To identify the code of conduct issued by MCA.
3. To find out the various ethical consideration of engagement

#### Research Methodology

This research paper is a descriptive type of research paper and is based on Secondary data. Secondary data is collected from various sources like websites, books, journal, articles etc.

#### Model Code of Conduct for Registered Valuers

##### 1. Fairness and Integrity

- Valuer should be fair while dealing with his clients.
- He should be honest and straight forward in all its professional relationships.

- He should ensure of providing fair and needed information
- He should not outline any facts and situations misleadingly.
- He should not perform or indulge in any action that could disreputation his profession.
- He should keep public interest as his priority while providing services.

## **2. Professional Competence and Due Care**

- A valuer while delivering his service should maintain high standard, take proper care, and exercise due diligence and have independent personal judgement.
- A valuers should follow professional standards while providing services.
- He should have updated knowledge of developments in practice and recent regulation, guidelines and techniques.
- A valuers should not follow any instruction given by clients if those are against the requirement of integrity, independence and objectivity.
- A valuer should clearly state the services which he will be able to provide himself and which he will get done by the help of other valuers or professionals so, if client wants he can think of having a separate arrangements with the any other valuer.

## **3. Discloser of Interest and Independence**

- He should be unbiased in his or its professional dealing and take due care that decisions taken while valuation are not affected by the interests conflict, any undue influence of other party or coercion .
- He should not go for any assignment in which he or any of his relatives or associates who are working with him are not independent and have terms of association with the company.
- He should conduct the valuation without the influence of external factors.
- He should disclose to his client if necessary, the possible reasons of conflicts of duties and interest when biased less service will be provided .
- He should not deal in the securities of the companies after he or it have come to know about his or its possibility of association with its valuation as per the regulation of the Securities and Exchange Board of India Regulations,2015.
- He should not charge any fees as an independent valuer.

## **4. Confidentiality**

He should not use or disclose any trusted or secret information about the valued company to any of its client and any other party after coming in his knowledge without an authority or until he has a legal right to divulge it.

## **5. Information Management**

- A valuer should maintain the written records of decision he had taken, reasons why he took such decision and the evidence supporting such decision so a reasonable person after viewing it will be able to understand the appropriateness of the decision and actions taken by him or it.
- A valuer should cooperate, be available and appear for investigations which can be carried out by the authority or by the person whom authority authorised , or by his registered valuers organisation or by any other statutory body.
- He should provide all the records and information as may be required by authority or the tribunal or the appellate tribunal or the registered valuers organisation with which he or it is registered or any other statutory regulatory body.
- He should maintain the proper records of the work done by him for three years or more than that if specified in contract of valuation for producing it before a authority or for reviewing by the peers keeping in mind the confidentiality of

information acquired by him while performing his professional service.

- He should maintain the records of the case pending before the Tribunal or Appellate Tribunal until the case is disposed of.

## **6. Gifts and Hospitality**

- Hospitality or Gifts should not be accepted by the valuer or his/its relatives which can reduce or affects his independence as a valuer.
- A valuer should not offer any advantage like gifts, hospitality or finance to a Government person or to any other person for obtaining or retaining with himself or itself the work or obtaining and retaining of an advantage in conduct of profession .

## **7. Remuneration and Cost**

- A valuer should charge a reasonable remuneration for his work in a transparent manner and according to the applicable rules.
- A valuer should not charge an reasonable amount and accept any fees except that which are in the contract with the person to whom services will be rendered.

## **8. Employability, Occupation and Restrictions**

- A valuer should not accept too many assignments at a time, if he or it will not be able to give adequate and reasonable time and attention to every assignments accepted by him/it.
- He should not do any business which could dishonour his profession.

## **Ethical Considerations of Engagements**

1. A valuer should have the necessary requirements fulfilled for becoming eligible to be a registered valuer .Some of these are-

- He should be a fit and fine person
- He should be of sound mind
- He should be a resident of India.
- He should not be charged of an offence by any court for which with imprisonment of term exceeding six months would be the punishment or for an offence of immorality and yet five years are not completed after the expiry of this sentence.
- He should be a member of Registered valuers organisation.
- He should be recommended by his Registered Valuers organisation
- He should have cleared the examination of valuation under Rule 5 within the completion of three years' time period after applying for registration.
- He should not be a person to whom order of discharge is not provided by the court under bankruptcy Act or he should not have applied to be determine as bankrupt.
- No penalty should be levied on him under Income Tax Act, 1961 and five years has been lapsed after levy of such penalty.

2. A partnership firm or company should be registered only if-

- It has been registered for providing professional valuation services and financial services.
  - A partnership firm or a company is not going through any insolvency resolution process or it is not an undischarged bankrupt.
- Each and every directors and partners, as the case may be are eligible.

3. A valuer should posses the necessary qualification and experience required for registering himself as an valuer under Rule 3 which are as follow-

- a) He should have Master degree or diploma, in the specified discipline from any established, recognized University or Institute of India and have minimum three years of experience in that discipline after completing it, or
- b) He should have Graduate degree or diploma, in the needed discipline from any established, recognized University or Institute of India and have minimum three years of experience in that discipline thereafter, or
- c) He should have a membership of a professional Institute and minimum three years of experience after that and should possess the qualification mentioned in (a) or (b) point.
4. He should not do the valuation of the assets for which he/it is not registered
5. He should take the approval of the authority for shifting his membership in any other registered organization of valuers.
6. He should follow required steps for redressal of the grievances.
7. He should keep the record of every assignment done by him for a period of at least three years from the date of completion.
8. He should follow the Registered valuer and valuation rules 2017 while conducting the valuation.
9. A valuer should act in accordance with the provisions of the Act, laws or regulations of the rules as the case may be of the registered valuers organisation.
10. A valuer should maintain a proper record of every valuation stating in his report-
- History of asset valued
  - Reason of valuation
  - Authority who appointed him.
  - Information about himself and other experts involved in the valuation.
  - Date on which valuer is appointed,
  - Date of valuation
  - Report Date
  - Investigations and inspection conducted
  - Nature of information used
  - Sources of information used
  - Important factor to be taken into consideration during valuation.
  - Procedures and valuation standards followed while conducting valuation
  - Restriction on Report uses, if any.
  - Conclusion
11. A valuer should be unbiased in providing services, opinions and conclusion.
12. If any other registered valuers will also be involved along with him he should inform it to the client.
13. He should not be biased while valuation and should not have direct or indirect interest personal interest in valuation.
14. A report provided by him should be clear and not misleading.
15. A valuer should maintain the confidentiality about the valuation till the completion of valuation.

16. The registered valuer should follow the valuation standards while conducting valuation which provides that a valuer should make valuation as per –

- a) Standards of valuation which are accepted Internationally;
- b) Standards of valuation adopted by any registered valuers organisation.

17. He should maintain the integrity and fairness in his dealings

18. He should maintain the transparency in his dealings

19. Only those directors and partners should sign and functions on behalf of partnership firm and company who is registered for asset class or classes valuation

20. A Partnership firm or a Company should immediately inform the authorized authority if they remove any partner or director who act as a valuer in their firm, along with detailed and clear explanation together with the reasons of his removal.

### **Conclusion**

Just like a human being, a registered valuer also needs to follow certain ethics while performing his duties which can be called as code of conduct as notified by MCA. By issuing these guidance and code of conduct for registered valuer MCA promotes the valuation profession and ethical practices all over India. The responsibility to administer and regulate this rule is provided to IBBI (Insolvency and Bankruptcy Board of India). It starts conducting course for registered valuer with the help of various institutes.

After becoming registered valuer it will be moral duty of the valuer to be fair in his dealing and perform it with full honesty in his profession and with his client. He should be fair and honest in his professional relationships. He should be well aware about the recent update in rules and regulations, he should be unbiased, should not charge any fees, keep the information of client secret and don't take any gift from his client. A Valuer needs to fulfill required condition for becoming a registered valuer like he should be resident of India, he should not be charged for any offence, possess the necessary degree or qualification, he or it should be registered, he should maintain the privacy of the clients information, follow rules and regulations while performing his duties and so on. All the professional or corporate should take valuation report from the Registered valuer only otherwise the report issued other than the registered valuer will not be acceptable.

Nowadays this profession is growing day by day many new job vacancies are created by this rule. These guidance and ethics encourage persons acting as a valuer to be just and honest towards his profession and also to his clients.

### **Reference**

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