

# The Origins of Serbian Valuation Standards and the Influence of European Valuation Standards

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Krzysztof Grzesik FRICS REV  
Chairman TEGoVA

# The European Group of Valuers' Associations (TEGoVA)

- Europe's valuation standards setter
- 63 member associations
- 34 countries
- 70 000 qualified valuers

## Outputs

- European Valuation Standards
- Minimum Educational Requirements
- Code of Ethics
- Pan European REV Qualification
- TEGoVA Residential Valuer (TRV)

# Mortgage Credit Directive

2014/17/EU 04.02.14

## Article 19: Property Valuation

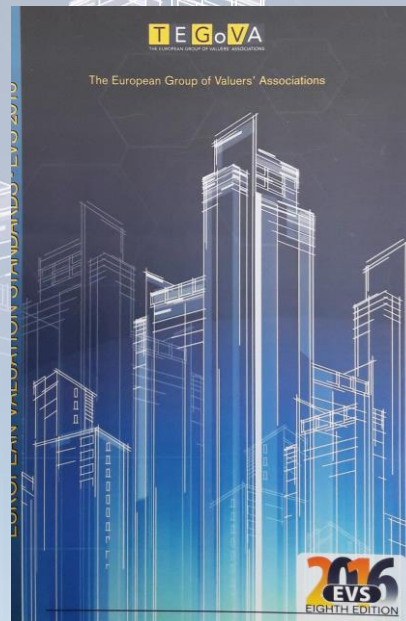
1. Member states shall ensure that reliable standards for the valuation of residential immovable property for mortgage lending purposes are developed within their territory....
2. Member states shall ensure that internal and external appraisers conducting property valuations are professionally competent and sufficiently independent from the credit underwriting process so that they can provide an impartial and objective valuation, which shall be documented in a durable medium of which a record of it kept by the creditor.

## Recital 26.

...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....”

# European Valuation Standards

## European Valuation Standards – 2016



# European Valuation Standards 2016

- Based on EU law wherever relevant and contain applications of particular EU importance
- Pan-European valuation tools including a European Code of Measurement, a risk analysis tool (Property and Market Rating) and a European Code of Ethics
- Favoured by European Central Bank per Asset Quality Review 2014 document titled “*Collateral and Real Estate Valuation*”

# Capital Requirements Regulation

## Capital Requirements Directive (CRR/CRD IV)

The 'CRR/CRD IV' package transposes new standards on bank capital (Basel III agreement) into the EU law from 1 January 2014

- Tackles the problem of banks holding insufficient capital by setting stronger prudential requirements for banks, requiring them to keep sufficient capital reserves and liquidity and sets rules for the treatment of mortgage collateral capital
  - Definition of values
  - General valuation principles
  - Preferential risk weights of mortgage collateral
- Thus CRR/CRD IV package is not only of significance to the world of banking but also impinges on real estate valuation

# Capital Requirements Regulation (and EVS 2016)

## Definition of Market Value

### Article 4

#### *(76) 'market value'*

*means, for the purposes of immovable property, the estimated amount for which the property should exchange on the date of valuation 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 being under compulsion;*

# Serbia Real Property Valuers Law

## CHAPTER II

### REAL PROPERTY VALUATION

#### Performance of Real Property Valuation

#### Article 4

Real property valuation, pursuant to this Law, shall be performed by licensed valuers.



# National Standards, Code of Ethics, and Rules of Professional Conduct for Licensed Valuers

## Article 5

[1] The National Standards and Code of Ethics aim at providing guidelines for the conduct of Licensed Valuers with the objective of ensuring that valuation reports meet the highest standards of professionalism, integrity, clarity, reliability, and impartiality, as well as conformity with internationally recognised professional standards.

# National Standards and Code of Ethics

## Article 5

- [2] The National Standards and Code of Ethics shall define real property valuation bases; valuation procedure; assumptions and material considerations that must be taken into account when preparing valuation reports; minimum content of valuation reports; and rules of professional conduct applicable to Licensed Valuers.
- [3] The National Standards and Code of Ethics shall also contain valuation guidelines to assist Licensed Valuers in implementing the National Standards and Code of Ethics.

# Serbian Valuation Standards

- Approved by Ministry of Finance Working Group ahead of enactment of Valuers' Law
- A basis for Professional Board to develop
- Influenced by EU law and European Valuation Standards but also consistent with IVS and RICS

# Serbian Valuation Standards

SVS 1 - Market Value and Market Rent

SVS 2 – Valuation Bases other than Market Value

SVS 3 – The Valuation Process

SVS 4 – Reporting the Valuation

# Serbian Valuation Standards cont'd

## Serbian Valuation Applications

SVA 1 – Valuation for Lending Purposes

SVA 2 – Valuation for Financial Reporting Purposes

Code of Ethics and Conduct

*Thank You!*

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