



# Professional Performance Quality Supervision Program (the "**Program**")

Saudi Authority for Accredited Valuers (TAQEEM)



## Introduction

Within the scope of the Authority's efforts to develop the valuation profession and keep pace with international developments, and in light of Article [Twenty-three] of the Accredited Valuers Law, promulgated by Royal Decree No. [M/43] dated 9/7/1433H, as amended, the Authority strives to achieve the objectives stipulated in the Law, including, to: "set appropriate measures for field monitoring to ensure compliance of accredited valuers with valuation standards, Law and Implementing Regulations". This includes Article [28] of the Law regarding the fact that the Authority's Board is competent to review, develop, and approve the Program. As the valuation profession develops and grows across all relevant sectors, considering that the valuation profession is associated with various economic activities and since Valuation Firms have expanded their activities, this requires the adoption of a methodology and process for professional supervision activities. This will play a vital role in raising the performance quality and minimizing violations affecting the valuation process and valuers, within the scope of realizing the objectives of the Accredited Valuers Law, its Implementing Regulations, and the Code of Conduct and Ethics for the Valuation Profession.

The Program aims to uphold the valuation profession across the Kingdom, including raising the performance standard of valuers by way of ensuring compliance by the Accredited Valuers, and related professionals at Valuation Firms, with the Accredited Valuers Law, its Implementing Regulations, approved Standards, Code of Conduct and Ethics for the Valuation Profession, and related decisions.

The approval of the Authority's Board of the Program reflects such keenness to develop the foundation and frameworks that form the baseline for valuation and valuer supervision, in line with the requirements of the Law and in accordance with the relevant professional requirements.

# Chapter One: Definitions and Scope

## First: Definitions

Unless the context otherwise requires, the following terms and expressions shall have the meanings assigned opposite to each of them:

- A. **Law:** the Accredited Valuers Law.
- B. **Regulations:** the Executive Regulations of the Law.
- C. **Rules:** the Code of Ethics and Conduct for the Valuation Profession.
- D. **The Authority:** Saudi Authority for Accredited Valuers
- E. **Program:** Professional Performance Quality Supervision Program
- F. **Profession:** the valuation profession.
- G. **Standards:** the Valuation Standards approved by the Authority.
- H. **Guide:** The Profession Practice Guide, issued by the Authority to each valuation sector to enhance the quality of valuation, upgrade the professional efficiency of valuers, and adopt specialized professional Standards for each sector.
- I. **Rules and Regulations of Valuation:** Shall include the provisions of the Law, Regulations, Rules, Standards, Guide, decisions, and instructions issued by the Authority related to the profession.
- J. **Competent Department:** the supervision department of the Authority.
- K. **Accredited Valuer:** a natural or legal person licensed to practice the valuation profession in accordance with the Law.
- L. **Valuation Firm:** the sole proprietorship or professional company that satisfies the statutory requirements related to the practice of the valuation profession.
- M. **Valuation Report:** A document issued by the Accredited Valuer to his clients, including the valuation result, fulfilling the obligations of the Accredited Valuer set out in the Law, Regulations, and Guide, and conforming to the approved Valuation Standards.

## Second: Program Scope

Article [2] of the Law stipulates that: "This Law aims to set controls and standards necessary for valuation activities of real estate, businesses, equipment, movable properties and the like, promote the profession of valuation and improve the proficiency of valuers". Article [23] of the said Law stipulates: "The Authority shall endeavor to achieve the objectives stated in this Law and shall in particular: 5. "Set appropriate measures for field monitoring to ensure compliance of Accredited Valuers with valuation standards, Law and Implementing Regulations". Article [28] of the Law stipulates: "The Board shall exercise powers necessary to manage the Authority's affairs and achieve its goals as stated in this Law and shall in particular, undertake the following;2. The Board shall review, develop, and approve Valuation Standards, code of conduct, and Program. Accordingly, the scope of the Program includes all Accredited Valuers and related professionals at Valuation Firms, whether they are natural or legal persons. The Program scope also covers all persons - other than Accredited Valuers - who commit any of the violations stipulated in Article [33] of the Law.

# Chapter Two: Types of Supervision and Classification of Violations

## First: Types of Supervision

1. Statutory supervision: This type of supervision is concerned with verifying the compliance of the Accredited Valuers and related professionals at Valuation Firms with the Law, Regulations, and Rules.
2. Professional supervision: This type of supervision is concerned with verifying the compliance of Accredited Valuers and related professionals at Valuation Firms with the Standards, Guides, decisions, and instructions issued by the Authority concerning valuation.

## Second: Classification of violations for supervision pur-

1. For supervision purposes, violations related to Valuation Firms shall be classified in terms of the risks associated with the type of violations observed. These violations require two types of regulatory and professional supervision. A description of the types of risks, and the key violations related to them, are as follows:

### 1.1 High risk:

- 1.1.1 Practicing valuation in a sector other than the sector wherein the Firm is licensed to practice valuation.
- 1.1.2 Issuing the Valuation Report without the signature of the Accredited Valuer and members involved in the Valuation Report development.
- 1.1.3 Enabling non-members of the Authority to practice valuation in a Valuation Firm, particularly, outsourcing valuation activities to members not registered in the Valuation Firm's account.
- 1.1.4 Practicing valuation in the event of a suspension.
- 1.1.5 Where a conflict of interest exists among the persons involved in the Valuation Report development.
- 1.1.6 Disclosing clients' secrets and confidential information.
- 1.1.7 Failure to submit the Valuation Reports to the e-system of the Authority and obtain the submission code before submission of the report to clients.
- 1.1.8 Practicing valuation activities that require that certain additional competencies, qualifications, and experience should be available in accordance with the Rules and Regulations of the Valuation profession, when the Accredited Valuer does not meet the necessary requirements.
- 1.1.9 Expired membership of the Accredited Valuer without renewal for a period exceeding thirty days as of the expiry date.
- 1.1.10 Providing the Authority with inaccurate information.
- 1.1.11 Issuing Valuation Reports from a Valuation Firm not registered with the Authority.
- 1.1.12 Failure to provide the Authority with the required data and information within the appointed time-frame.
- 1.1.13 Failure to keep all such data and documents of valuation.
- 1.1.14 Accepting a restricted valuation activity, as stated in the Regulations and Rules.
- 1.1.15 Obstructing the supervision activities to be performed by the Competent Department or failure to cooperate with the Competent Department.
- 1.1.16 Non-compliance with the Standards and Guides at 70% or more in the sample of individual reports reviewed.

## 1.2 Medium risk:

- 1.2.1 Failure to place a plaque on the headquarters of the Valuation Firm and affiliated sectors, if any.
- 1.2.2 Expired membership of the Accredited Valuer without renewal for a period less than thirty days as of expiry date.
- 1.2.3 Failure to place license number and date on all printouts of the Valuation Firm and reports issued by it.
- 1.2.4 Failure to update the Valuation Firm data and information with the Authority.
- 1.2.5 Expired memberships of the Valuation Firm's staff.
- 1.2.6 Failure to show membership and licensing cards while performing any valuation activity, including field work such as inspection, etc.
- 1.2.7 Opening a branch of the Valuation Firm before notifying the Authority.
- 1.2.8 Staff failure to satisfy the minimum limit of required hours of continuous professional learning.
- 1.2.9 Non-compliance with the specified percentage of Saudi professional employees in the Valuation Firm who are members of the Authority.
- 1.2.10 Non-compliance with the Standards and Guides at less than [70%] and higher than [30%], in the sample of individual reports reviewed.

## 1.3 Low risk:

- 1.3.1 Failure to register the Valuers, who are members of the Authority, in the account of the Valuation Firm.
- 1.3.2 Failure to indicate the valuation sector, in which the Accredited Valuer was licensed to practice, and his basic membership category when signing the reports.
- 1.3.3 Failure to write the name of the Valuer and his license number, in the event that the Accredited Valuer is a natural person, on the plaque of the headquarters of the Valuation Firm and affiliated branch offices, if any.
- 1.3.4 Failure to observe the Standards and Guide at [30%] or less in the sample of individual reports reviewed.

2. Violations of the Law, which are committed by non-accredited valuers, as stipulated in Article [Thirty-three (i)] of the Law, all of which are considered high-risk, and which require regulatory supervision, shall be classified as follows:

- 2.1 Practicing the valuation profession without a license.
- 2.2 Practicing the valuation profession with a license that has been cancelled or expired, and failure to take the necessary procedures for renewal.
- 2.3 Opening, setting up, or managing an office to practice valuation without a license.
- 2.4 Submitting untrue data or using illegitimate means, to obtain a license to practice the valuation profession or renew the license.
- 2.5 Using any means of advertising that would cause the public to believe that he is entitled to practice the profession of valuation, contrary to the truth.
- 2.6 Impersonating a designation usually given to valuation professionals.

## Chapter Three: Supervisory Inspection

### First: Types of supervisory inspection

#### 1. Documentary inspection of Valuation Firms (Documentary Inspection) :

This type of inspection is concerned with studying and reviewing the data of Valuation Firms in the Authority's electronic systems.

#### 2. Field inspection of Valuation Firms (Field Inspection) :

This type of inspection is concerned with paying visits to the Valuation Firm by the inspection team to ensure that the Valuation Firm applies the Rules and Regulations of Valuation. develops the necessary reports in this regard. and that the Competent Department takes the necessary measures in this regard. The Authority's Board shall determine the percentage of Valuation Firms targeted for this type of inspection on an annual basis.

#### 3. Inspection based on a report or information (special inspection) :

This type of inspection is concerned with verifying the validity of the reports and information available to the Competent Department about non-compliance with the Rules and Regulations of Valuation. For this purpose. it may visit. send for. or inspect the Valuation Firm. as the case may be.

### Second: Limits of supervisory inspection

The Competent Department shall develop its annual plan for all types of inspection. including. as far as possible. all valuation sectors. and all areas covering such Valuation Firms which practice valuation. in a manner that meets the percentages referred to above. and shall pay. when developing the annual supervision plan. due consideration to the Valuation Firms classification for such supervision related to the risk ratio. as indicated in Clause (2) of Chapter 2.

## Chapter Four: Final Provisions

### First: Pre and post-awareness

- 1- The Competent Department is keen to apply the principle of raising awareness of the Rules and Regulations of Valuation. Doing so, the Competent Department may conduct awareness campaigns over Valuation Firms before specialized supervision campaigns are carried out.
- 2- The Competent Department considers applying the principle of raising awareness of the penalties and sanctions resulting from violations of the Rules and Regulations of Valuation. Doing so, The Competent Department may indicate the content of the penalties imposed on violators, without defamation.

## Second: **Adherence and Violations Correction Plans**

The Competent Department may, at its discretion, in the public interest, agree with the Valuation Firms, subject to inspection, to develop a compliance plan of the Rules and Regulations of Valuation, and correct the observed violations within a period determined by the Department, provided that during such period, the Competent Department shall follow up with those Firms and ensure serious and effective application of the correction plan. In the event of non-compliance with the plan within the specified period, the statutory procedures for imposing penalties on the violating firms shall be completed.

## Third: **Partnership with Beneficiaries**

The Competent Department develops partnerships with beneficiaries of the valuation services to report any violations of the Rules and Regulations of Valuation:

## Fourth: **Rules and Procedural Forms**

1. The Competent Department develops the rules and conditions governing the receipt and processing of reports.
2. The Competent Department develops procedural manuals, forms, and transcripts necessary for Program implementation.

## Fifth: **Periodical Review of the Program**

The General Secretariat of the Authority conducts a periodical review of the Program and proposes necessary development and improvement steps and may seek the assistance of experienced and competent people, as it deems appropriate.

