



Russian Board  
of Appraisers

# Development of Institution of Valuation Activities in the Russian Federation and Transition to Self-Regulation

*Alexander Galuska,  
President*

*Andrei Poletaev,  
Administration Board Member*

# Valuation Development Milestones

<b>XV-XVI Century</b>	<b>Land Valuation for Taxation</b>  Fiscal land books
<b>XVII-XVIII Century</b>	<b>Land Quality and Land Rents Calculation</b>  General land-surveying and land valuation
<b>1893, 1899</b>	<b>First Real Estate Valuation Laws</b>  General valuation plan. Valuation program. Economic data gathering
<b>1917-1991</b>	<b>Normative Values. Indexing of Values</b>  Soviet Period. Planned economy.



Russian Board  
of Appraisers

# Valuation Development Milestones – part II

**1992**

## **Beginning of Requirements in Market Valuation**

**Market reforms: privatization, liberalization.  
Openness of economy. Property markets  
development.**

**1993**

## **World Bank Training Courses. Newest History of Valuation Begins in 1993**

**Valuation of real estate, equipment, business  
and intellectual property**



Russian Board  
of Appraisers

# Valuation Development Milestones – part III

**1992-1999**

## **Revaluation of Book Value of Fixed Assets**

**High rate of inflation. Annual indexes of value.  
Book value differed from market value.**

**1995**

## **Government Decision to Involve Appraisers to Adjust Book Value**

**Demand for valuation increased sufficiently**



Russian Board  
of Appraisers

# Valuation Development Milestones – part IV

1998

## Federal Law “Regarding Valuation Activities in the RF”

- Market value definition
- Objects of valuation (real estate, land, equipment, business, intangible assets etc.)
- Subjects of valuation - companies (responsibility to consumers)
- Obligatory valuation cases – privatization; controversy on value, including taxation base
- Governmental regulation: licensing, educational requirements, accreditation of institutes
- Self-regulation in addition to governmental regulation:
  - additional standards
  - quality control
  - Education
  - protection of rights of members
- Appraisers requirements:
  - registered companies
  - at least 1 educated appraiser in staff
  - assurance
- Valuation report requirements:
  - reliability
  - completeness of information
  - substantiality



Russian Board  
of Appraisers

# Governmental Regulation

Since Law was issued starts new age of development in valuation (1999 – 2003)

1. Government adopted Valuation Standards obligatory to use.
2. Government established Educational Standard: university degree, 800 hours of professional education, once in 3 years promotion of education.
3. Government accredited institutes in accordance with Standard
4. Government issued licenses to appraisers
5. Government established regular inspection of licensed companies (range of companies lost licenses because of bad performance)
6. Government established Methodical Recommendations for valuation of land, intangible assets and lease rights (in addition to Standards)

**Governmental Regulation was very important in the period of transforming economy. Public relation and recognition of valuation activity enter higher level.**



# Decade of Development of Valuation Activity in Russia (1993 -2003)

1. Valuation Standards obligatory to use (adopted by Government), range of Methodical Recommendations and Standard for Professional Education.
2. 11 000 licensed companies in all regions of Russia from Kaliningrad to Vladivostok
3. More then 200 institutes was accredited and now educate appraisers.
4. Today in Russia more then 30000 educated specialists.
5. Appraisers involved in process of privatization.
6. Largest clients (Gazprom, RAO UES) of appraisers established public councils
7. Several self-regulative organizations (SRO) of appraisers established in Russia. Most actively working SRO issued proper Standards, certification systems, educational programs.



At the end of 2003 in frameworks of deregulation and bureaucracy reduction policy Russian Government made decision about reformation of Valuation Activity:

1. Licensing Abolition since 01.01.2006
2. Obligation to membership in SRO
3. Governmental function pass to SRO:
  - Establishment of Standards
  - Control of execution of Standards
  - Registration of membership



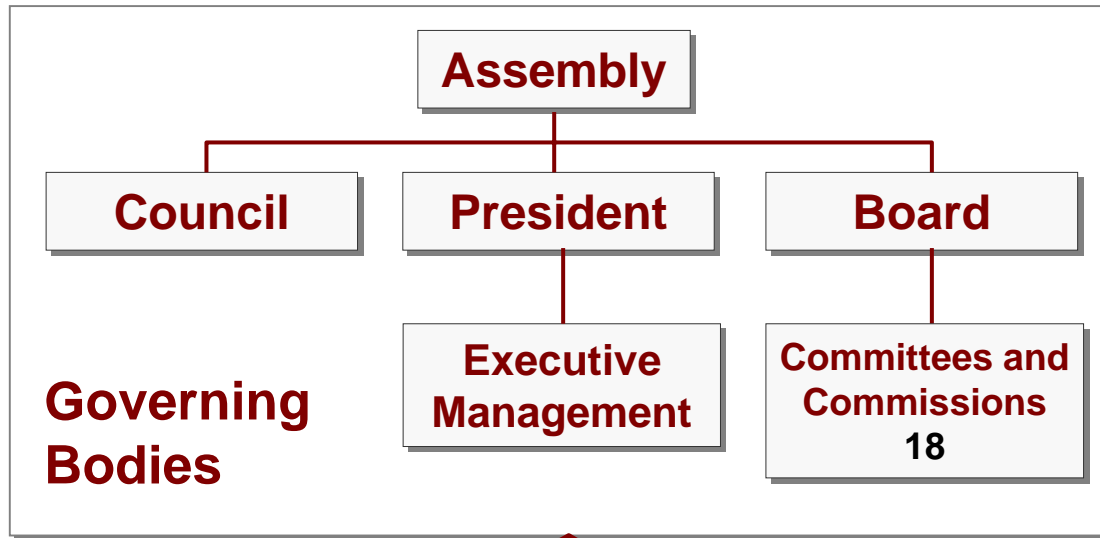
4. SRO provide members property responsibility.

5. Members sanctions:

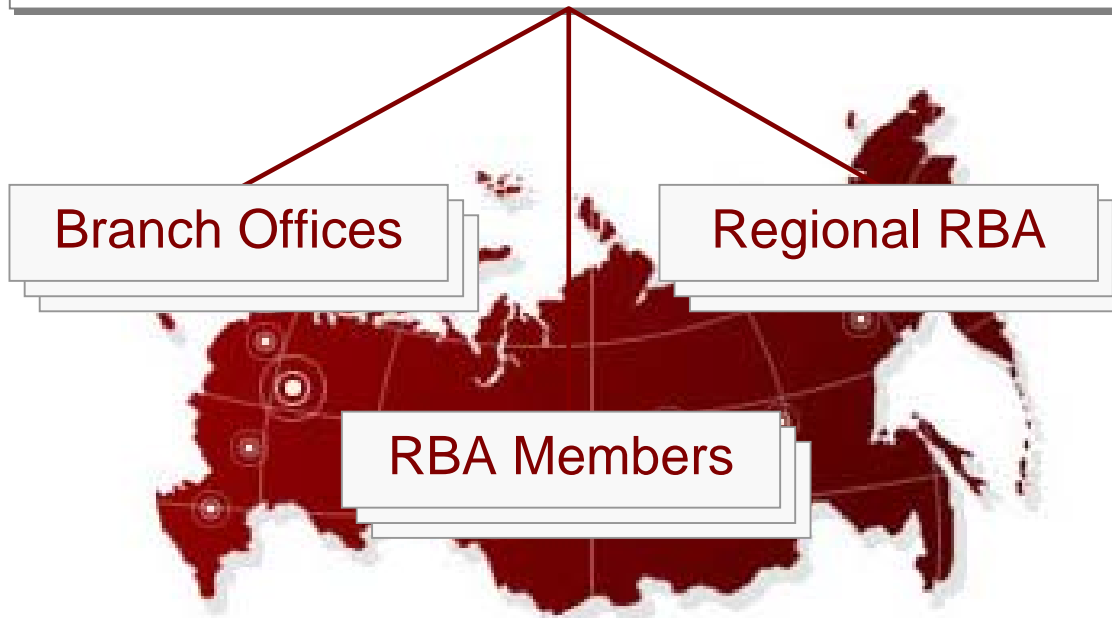
- **Enforce Members to Eliminate Violations**
- **Give Notice of Warning**
- **Suspend Membership**
- **Claim Membership Exclusion (no right to execute valuation during 3 yr after exclusion)**



# SRO Structure (RBA example)



- Committees and Commissions
- Regional Development
  - Budget
  - **Mass valuation**
  - PR
  - Education
  - **Standards**
  - Information support
  - Pricing
  - **International cooperation**
  - Corporative clients collaboration
  - etc.



Russian Board  
of Appraisers

# Quality Control System

Objective

- Improvement and Efficiency Increase of Valuation Activity of Members
- Appropriate Quality to Consumers

Control Subjects

- RF Valuation Legislation
- Valuation Standards

Types of Verification

*Plan*

*Not less than one verification per 3 year*

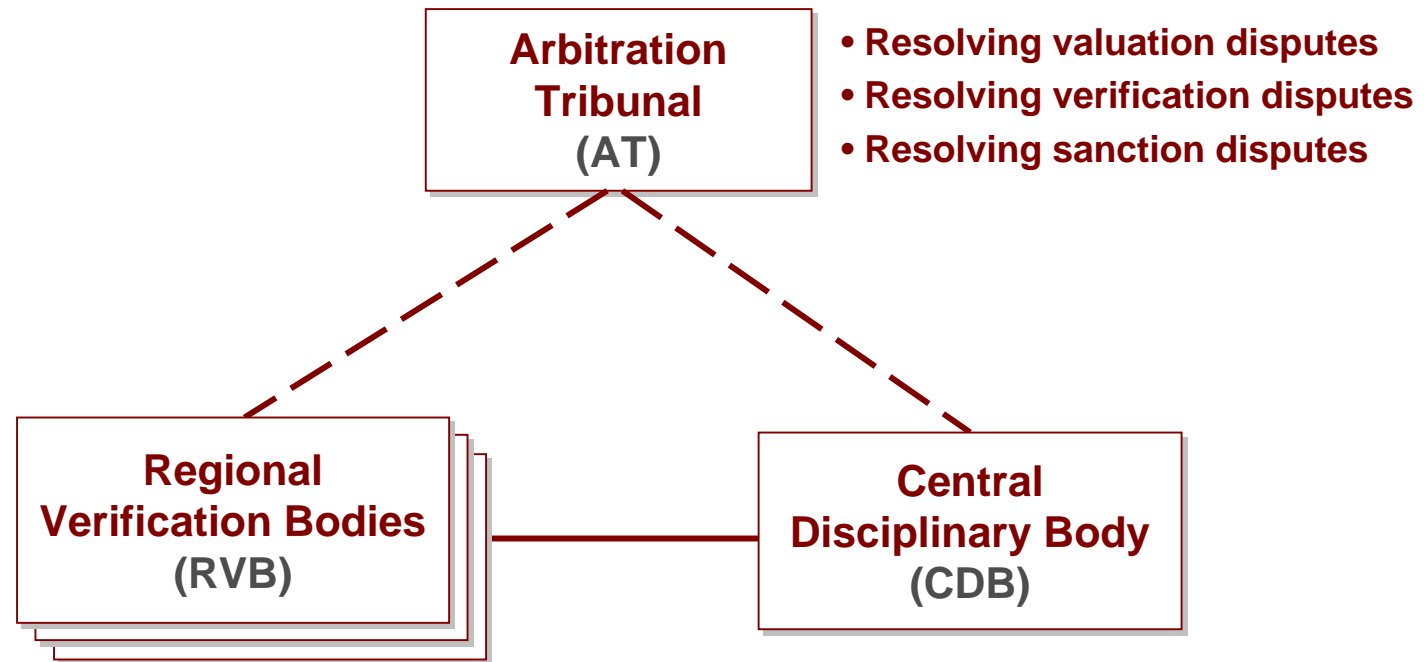
*Unplanned*

- *Complaint*
- *Member's Initiative*



Russian Board  
of Appraisers

# Control Bodies System (RBA example)



- Carry out of verification
- Control of execution CDB and AT decisions
- Recommendations to eliminate violations

- Examination of verification reports
- Disagreements and claims examination
- Choose and apply sanctions
- Coordination of regional verification bodies
- Audit of regional verification bodies
- Examination of appeals of RVB in cases when decisions of CDB and AT are not fulfilled. Choose and apply new sanctions



# Property Tax Reform

- Estimation of cadastral values for all of Russia as a federal project
- Land tax based on cadastral values from 2006
- Tax rates:
  - 0.3 % residential, agriculture, utilities
  - 1.5 % industry, business
- Value appeals allowed to be administered
- **2007-2008 real estate tax implementation**



# Real Estate Tax

- Draft law adopted in 1st (out of 3) reading
- Tax rate defined locally (0.05-0.5% for residential), could be differentiated by type of object and non-residential properties
- Taxpayers – owners of property
- Tax base – cadastre value as proxy of market value (mass appraisal results)

**?? How to manage transition to insure quality mass appraisal (assessment) under self-regulation ??**



# Mass Assessment Tasks and SRO Potentialities

## Tasks

**Professional Mass Assessments Standards Implementation**

**Quality Mass Assessment Insuring**

**Mass Assessment Training**

**Software Development**

**Contractors Responsibility of Assessment Results**

## SRO Potentialities

**Flexibility, quickness and professionalism** in development and approval of assessment standards

**Effective Control System:** regular control of assessment results; revocation of membership leads to 3 year prohibition of valuation

**Flexibility, quickness and professionalism** in training programs development. Training infrastructure

**Software development experience. Experts** in valuation processing description

**Compulsory property responsibility of Members**



Russian Board  
of Appraisers

# RBA Contacts



**34 “V”, Sofiyskaya naberezhnaya, office 505, Moscow  
115035, Russian Federation**

Tel. +7 095 951-03-20 Fax +7 095 951-56-58

E-mail: [nprko@nprko.ru](mailto:nprko@nprko.ru)

<http://www.nprba.com/>

## ***Membership in:***



Russian Board  
of Appraisers



Russian Union of  
Industrialists and  
Entrepreneurs



European Group  
of Valuers'  
Associations



Russian Chamber of  
Commerce and  
Industry