

Content of question:

Which person may be considered to be an independent valuer (assessor) for the purpose of the review of real estate collateral valuation?

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Approved by: **Pavel Vacek**

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Piece of law	Decree No. 123/2007 Coll. (as amended)
Provision	Art. 20, (2) and (3) Annex 15, A.II.1, b), 4
Explanation	<p>There is no detailed explanation of this notion in the Czech legislation, which, in terms of the factual scope, is thus equivalent to the EU legislation[1].</p> <p>General requirements stipulate that a liable entity must ensure that up to the senior management level there is a separation of responsibility between the management of business activities and the management of credit, market and concentration risk and the settlement and reconciliation of transactions executed in financial markets. Similar requirements are laid down in the Directive as well [2].</p> <p>For the purpose of satisfying the minimum requirements for the recognition of real estate collateral, the CNB anticipates that, most of all, the valuer should be independent of the activities which directly cause a liable entity to be exposed to credit or market risk and, in particular, take no part in the loan granting process. Such a valuer should not be under any undue influence from business units and should not directly benefit from decisions on granting a loan or continuing a loan relationship. Such conditions may be satisfied by both an external and an internal person.</p> <hr/> <p>[1] Annex VIII, Part 2, point 8(b) of Directive 2006/48/EC: 'Independent valuer' shall mean a person who possesses the necessary qualifications, ability and experience to execute a valuation and who is independent from the credit decision process.</p> <p>[2] Annex VII Part 4 para 109 and 128 of Directive 2006/48/EC: 109. The credit institution shall have an effective internal process for assessing compliance with all internal policies and procedures. The process shall include regular audits of all critical phases of the credit institution's receivables purchase programme, verification of the separation of duties between firstly the assessment of the seller and servicer and the assessment of the obligor and secondly between the assessment of the seller and servicer and the field audit of the seller and</p>

	<p>servicer, and evaluations of back office operations, with particular focus on qualifications, experience, staffing levels, and supporting automation systems.</p> <p>128. The credit risk control unit shall be independent from the personnel and management functions responsible for originating or renewing exposures and report directly to the senior management. The unit shall be responsible for the design or selection, implementation, oversight and performance of the rating systems. It shall regularly produce and analyse reports on the outputs of the rating systems.</p>
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