AGS Appraisal and Report Standards

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Overview

These standards are not intended to restrict the trade practices of American Gem Society (AGS) members. They codify the ethical practices observed by members engaged in providing appraisal and report services. Standardizing these practices and observing them is part of the Code of Ethics.

American Gem Society (AGS) members provide reliable services with integrity. In so doing, they are fulfilling the mission of the Society, which will increase trust and confidence in the retail jeweler and the appraiser among the public.

The American Gem Society believes a dependable appraisal service may best be provided by individuals who:

- Are trained in both gemology and valuation theory
- Are of proven integrity
- Maintain the highest standards of professionalism
- Adhere to the AGS Code of Ethics.

The following provides the AGS appraisal standards as a guide for all AGS members providing appraisals. For AGS members with appraisal credentials, these standards are required unless the standards of an AGS-approved appraisal organization are used and disclosed.

Appraisal Definition

An appraisal is a professional opinion of value, either verbal or written, rendered by a qualified appraiser who is unbiased and disinterested in the outcome. This valuation is conducted using current valuation methods that align with accepted appraisal methodologies, market analysis, and jurisdictional regulations.

An appraisal serves a particular function, whether for legal, financial, taxation, insurance, or personal purposes, and may be expansive or limited in reporting depth based on the assignment's needs. The appraisal conclusions are substantiated through recognized valuation principles and methodologies and are documented in compliance with the professional standards of the appraiser's association.

The appraisal process requires a clearly defined purpose, a specified effective date, and a sufficient property description that meets the scope of work and intended use of the report. A qualified appraiser demonstrates expertise in valuation science, systematic market research, and property assessment, and adheres to applicable local, federal, and/or national statutes governing the appraisal process.

AGS Standards for Appraisals

Services Covered by the Standards

- Reporting of the identification and condition of jewelry, including testing, analyzing, and grading gems and metals, to arrive at an opinion of value.

Responsibilities of Members

a. Conduct laboratory testing and appraisal services in a manner that fulfills the ideals and purposes of the American Gem Society and reflects credit on the professional ability and business integrity of its members.
b. Supply complete and accurate information based on scientifically correct testing methods, careful analysis, and knowledge of current markets.
c. Maintain confidentiality of information supplied to or received from a client.
d. Prepare and issue reports in such a manner that their validity may be relied upon.
e. Develop a properly executed appraisal, report, or gemological report based solely on the facts discovered in an analysis of the merchandise being reported on and the market for that merchandise, to the exclusion of all other considerations. The report requires complete impartiality—not directed toward any special interest.

Professional Practices

An AGS member providing an appraisal commits to:

1. General Practice

a. Maintain integrity, dignity, and professionalism in handling clients' property, in preparing and issuing appraisal and/or gemological reports, in advertising, and in the appearance of their business premises.
b. Perform in an ethical and lawful manner and act impartially as a provider of information.
c. Refrain from serving more than one party with respect to the same controversy or legal action, except with the consent of all parties, and then only with extreme caution and without bias.
d. Act without bias and prejudice in formulating and submitting descriptions and opinions of quality and value.
   i. The appraiser must not solicit from the client, nor accept from a third party, any information that might influence or even appear to influence the appraisal or report.
   ii. This does not preclude determining the limit of financial liability for an article submitted by a client. An example of an exception to this rule would be the need to obtain information from the client about provenance or original cost, in which knowledge of the consideration is necessary in some cases, such as federal fair market value situations.
   iii. The appraiser should indicate whether these facts were independently confirmed. It is not a breach of ethics to determine which articles submitted for appraisal were purchased from, or previously appraised by, the appraiser's business or the business the appraiser represents (acting as an agent of the seller).

2. Concurrence with the AGS Standards

a. Conform with the *AGS Appraisal and Report Standards* and/or those of an AGS-approved appraisal organization. Regardless of the standards, they need to be documented.
b. Use standards that comply with current jurisdiction and law. When indicated, appraisal methodologies of the AGS Member Business are required to comply with national, state, and/or local jurisdictional requirements.

3. Professional Competence

a. Maintain gemological and valuation theory competence by continued training, research, practice, and study of current developments in the industry.
b. Ensure that the appraiser, identifier, or grader bases the quality, identity, grading, or value conclusion on the hue (including grades of colorlessness), tone, and intensity (saturation) of the item being reported on, and has had a color vision examination.
c. Render services only with respect to those articles and those matters for which the appraiser is qualified by training and experience, or for which the appraiser has secured the assistance and advice of a qualified person, to perform with competence.

4. Omission and Misrepresentation of Information

a. Avoid suppression or minimizing of any facts, data, or opinions that, if fully stated, might affect the accomplishment of a client's objective in the writing of a report, in giving an exposition of it before third parties, or in giving testimony in a court action.
b. Avoid adding any irrelevant data, unwarranted opinions, or placing an improper emphasis on any relevant facts for the purpose of aiding a client in accomplishing the client's objective.
   i. If one suppresses facts or adds irrelevant opinions or data, one becomes an advocate. Advocacy is described as an action that adversely affects the establishment and maintenance of trust and confidence in the results of professional appraisal practice. Professionally, advocacy as an appraiser is an unethical practice.
c. Avoid authoring or giving a report titled "appraisal," "certificate," "certificate of assurance," "assurance of value," or any other similar title in which the report states a value conclusion or monetary value that is different from the selling price of the item without a full disclosure explaining the difference.
   i. If the author or preparer of the report is also the seller or an agent of the seller, that relationship **must** be disclosed in the report along with the date of sale. Unless market research or the cost approach (as outlined in "Appraisal and Report Values, Part B") has been performed to determine the value, the report cannot be titled "appraisal."
   ii. Avoid using pre-made forms titled "appraisal" that do not comply with the standard being used. Such a report should be entitled "Statement of Replacement Cost," "Estimate to Replace," "Cost of Replacement," or similar wording.

5. Obligations to the Client and Foreseeable Third Parties

a. Maintain complete confidentiality of the client's identity, the report, and any information related to the report, unless disclosure is legally required or by written authority from the client.
b. Advise an appraisal client of any personal interest in purchasing or selling the article submitted for appraisal.
c. Disclose the methodology used in developing the report.
d. Retain records of services rendered, appraiser's notes, and copies of reports issued to the client for a minimum of seven (7) years, although it may be necessary to retain them longer.
   i. Identities of third parties who have been listed in the appraisal as significant sources of opinions relied upon should be retained in the appraiser's files.

6. Responsibility to the Trade

a. Avoid criticism of others engaged in the jewelry industry and of their products.
b. Never intentionally disparage another's product or service by issuing misleading or false appraisals, as this is unethical.

7. Jewelry Specific Professional Practices

a. Use specialized equipment relevant to identification and grading. For recommended equipment, see the Accredited Gem Lab® (AGL) required equipment list at americangemsociety.org/membership/credentials/accredited-gem-laboratory.

8. Artificial Intelligence (AI) and Appraisal Software

a. Use caution when employing AI programs and appraisal software tools, as they must be thoroughly reviewed for accuracy within the scope of work for each appraisal or report assignment.
    i. It is not prohibited to use Artificial Intelligence (AI) or appraisal software tools when researching comparables and the initial generation of material to include in reports.
b. Never use AI and appraisal software tools in place of a qualified appraiser and appropriate research. The appraiser is required to reconcile the value and work presented in the report, ensuring that it follows the appraisal and report standards, and claim it as their work with their signature.

9. Prohibitions

a. Never offer to purchase an item in the form of an appraisal.
b. Never base the appraisal fee on a percentage of the report's value conclusion. The fee cannot be contingent on the outcome of the situation for which the document was prepared.
    i. It is generally accepted that appraisal fees are based upon an hourly amount, a daily amount, or a per-item amount.

Appraisal Reports

1. General

All appraisal reports must:

a. Be submitted in a manner that satisfies the assigned use (purpose) and scope of work of the assignment. Reporting is to be written or, when appropriate, verbal. These standards are intended for both written and verbal appraisals.
b. Include a statement that it was written in accordance with either the AGS standard or the standard of another AGS-accepted appraisal organization to which the AGS credentialed appraiser is in current good standing.
c. State the intended and assigned use (purpose), scope of work, and with the intended user and intended third party (or kind of third party).
d. Include a statement clearly excluding unintended users, unintended third parties, and unassigned uses.

e. Have a documented and clearly stated Effective Date, which may be the same or different than the appraisal or examination date. The Effective Date is the date to which all appraisal-related opinions will apply.
f. Be prepared in a narrative style, understandable to the layman, clearly providing the user and intended and/or assigned third parties with the information relevant to the assigned use.
   i. To permit positive identification and to prevent misapplication of the report, all items require adequate description. Descriptions include an analysis and description of relevant components. Gender descriptions and functional adjectives should be avoided unless they are relevant.
   ii. A worksheet, check-off list, or form-type appraisal is not acceptable as a substitute. This does not preclude the use of a worksheet, check-off list, or specific appraisal forms as part of the addendum section of the appraisal or report.
g. Include the name of, and be signed by, the appraiser who authored the report. A responsible member of the business issuing the report may also co-sign the report as a "reviewing authority."
   i. Electronic signatures are valid signatures provided that the signature is intended and assigned by the report writer.

2. Report Content

a. A report should contain the following:
   i. A letter of transmittal, which may or may not be an actual part of the report itself;
      1. The letter must be prepared for a specific person, group, or business, and may contain the client's address
      2. Although a letter of transmittal or cover letter is not required for insurance appraisals, the report must include equivalent information, including the client's name and address, effective date and/or appraisal date, number of items, total value, and a statement that the report does not constitute proof of ownership.
   ii. A cover page;
   iii. A statement of the assigned use/purpose;
   iv. The intended user and limited third parties;
   v. The effective date and the date of examination;
      1. If these dates are different. This is especially important for the IRS and retrospective appraisals based on hypothetical information.
   vi. The value approach used and market selection;
   vii. Statements of assumptions and limiting conditions;
      1. Provide accurate and relevant facts specifically related to the report's purpose and intended and assigned use. Any limitations on the facts need to be described and listed so that the extent of reliability is reasonably known.
   viii. A Certification of Appraisal Practice by the appraiser;
      1. Provide a statement such as the Uniform Standards of Professional Appraisal Practice (USPAP®) certification statement or similar, indicating

that impartiality exists in rendering the report, and all known past, present, or contemplated future interests should be disclosed.

ix. A notice of confidentiality;

x. The appraiser's curriculum vitae (CV), or resume;

1. Provide a CV, or resume, in the report that contains the true and accurate credentials of the appraiser, preparer, or author. For insurance reports, a simple summary of credentials is all that is required.

xi. A dedicated section defining specified terminology.

b. The presentation and form of the report and the preparation of the report are required to employ adequate safeguards to prevent fraudulent alterations and/or the deceptive use of the report. The use of sealed, laminated, special paper, or other methods prevents unauthorized alterations. Likewise, one or more methods should be employed to secure digital and/or electronically transmitted appraisals.

c. The client's name and address, number of items, and the number of pages must be listed on the first page of the report, with the client's name and a page number listed on each of the ensuing pages. The pages or items need to be numbered in a fashion that missing pages or items are easily detected. The total value and number of items must be shown on the last page. All factors that could materially affect the reliability of the report need to be stated in the report. This includes limiting conditions and any critical or extraordinary assumptions.

i. Limiting conditions may include:

1. Grading gem mountings and mounting designs that preclude precise determination of gem weights and grades
2. Special limitations of equipment and/or lighting
3. Limitations of time and/or environments non-ideal for the process

ii. Critical and extraordinary assumptions may be made when physical inspection of the item is limited or non-existent.

iii. An appraisal may be written to address some hypothetical condition or outcome when this is clearly stated in the document.

d. It must be prominently stated in the body of the report whether the report is tentative, temporary, or otherwise limited or restricted.

e. Disclose all representations of quality or quantity made by third parties, such as other experts, gemological laboratories, manufacturers, or suppliers. Disclose the degree to which you are relying on that information in forming your conclusion.

i. Disclose to clients and third parties the use, extent, and limitations of any person who was a significant material aid to the assignment. List the qualifications of any expert used and cited in the report, detailing any limitations on the individual or in the information provided. Include relevant communication documentation and signatures, if available.

f. If the appraisal assignment includes a gemological grade opinion, disclose a representation of quality if the seller sold the item as a different quality grade and you disagree, and list the different grade in your report, especially if you include the contradictory documents as an addendum.

3. Jewelry Specific Guidelines

a. Split cut, color, or clarity grades cannot be used in a report on a single gemstone. If there are limiting conditions that prevent accurate determination of the cut, color, or clarity grade, it is proper to use a narrative statement describing these conditions. A single grade conclusion for cut, color, or clarity must be assigned, along with a description of the limiting conditions.
b. Disclosure of fluorescence in a diamond is required, including a description of its strength and color. The absence of fluorescence is described as negligible.
    i. See the current edition of the *AGS Diamond Grading Manual* color chapter for more detailed information.
c. A range of grades can be used when there are a number of small gems which vary in size, dimension, and quality.
    i. State the most typical you have observed in each level and category. For example, eight full cut diamonds, 0.03-0.05 carat each, 0.32 carat total weight, G-I color, VS2-SI2 clarity, good to very good symmetry and polish.
    ii. If the range differential is sizable, subdivisions within each group may be used, stating the most typical findings in each group.
d. It is required to disclose all assumptions regarding the identity, quality, or quantity of the item or any component parts, in addition to a statement of why the assumption is appropriate.
    i. Gem carat weight should be noted as actual weight for gems directly weighed or noted when estimated by formula or measurement.
    ii. Metals should be described by type, purity, weight, and color.
    iii. The manufacturing process of the item should be identified. For example: cast, die-struck, handmade, custom, or otherwise.
e. Describe trademarks, hallmarks (full or partial), and/or export marks in the report, whether they are stamped or by hand.
f. Avoid authoring or providing a report on any gem whose value is significantly dependent upon the cutting grades or qualities without indicating the cutting quality in the report.
g. Avoid authoring or providing a report on any item that is, or might have been, treated where the treatment is relevant to the value consideration without disclosing treatment or possible treatment.
    i. Such treatments are to include, but are not limited to, heating, oiling, dyeing, impregnation, and irradiation. Laser drilling, clarity enhancement, HPHT, infilling, coating, lamination, and diffusion are treatments that should always be clearly identified, regardless of any value considerations.
    ii. If the treatment makes accurate grading problematic or if the treatment may deteriorate and cause a change in appearance, disclosure of such concerns should be clearly stated in the body of the appraisal report.
h. Documents will clearly communicate lab-grown gemstones as lab-grown or other accepted labels (following FTC guidelines) so that there is no misrepresentation or omission. Screening procedures must be disclosed, including whether each gem was screened or whether a random sampling spot check was used.

Value Definitions

Retail Replacement Value: New and Comparable

- Retail Replacement Value–New – refers to the amount required to replace an item—whether the original is new or used—with a new, modern equivalent that is of like kind, quality, and provenance. This type of replacement value is particularly relevant when the item being appraised is mass-produced or when an identical duplicate can reasonably be found in the current market. It reflects the amount one would expect to pay in a retail setting to obtain a new item that closely matches the original in all relevant characteristics.
- Retail Replacement Value–Comparable – refers to the most typical amount required to replace an item with a comparable used item that is of like or similar vintage or period, artistic merit, function, and other relevant value factors, and is in relatively like-new condition. This value is used when an exact duplicate of the original item cannot be found, but a suitable replacement of similar kind, quality, and utility is available in the retail market.

Fair Market Value

These federal definitions may not reflect your jurisdiction's definition of fair market value (FMV). You are required to conduct your own research if your jurisdiction does not adopt the IRS's definitions of fair market value. Periodic review of your jurisdiction and federal regulations is advisable to ensure current compliance in the event of change.

- Non-cash Charitable Contribution:
  - IRS Publication 561 – "FMV is the price that property would sell for on the open market. It is the price that would be agreed on between a willing buyer and a willing seller, with neither being required to act, and both having reasonable knowledge of the relevant facts."
- Estate Tax:
  - IRS Regulation §20.2031-1(b) – "The fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of relevant facts. The fair market value of a particular item of property includible in the decedent's gross estate is not to be determined by a forced sale price. Nor is the fair market value of an item of property to be determined by the sale price of the item in a market other than that in which such item is most commonly sold to the public, taking into account the location of the item wherever appropriate. Thus, in the case of an item of property includible in the decedent's gross estate, which is generally obtained by the public in the retail market, the fair market value of such an item of property is the price at which the item or a comparable item would be sold at retail."
- Gift Tax:
  - IRS Regulation §25.2512-1 – "The value of the property for gift tax purposes is the fair market value at the date of the gift. Fair market value is the price at which the property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell, and both having reasonable knowledge of relevant facts."

Marketable Cash Value

- Marketable Cash Value – the net amount a seller can reasonably expect to receive from the sale of their property after deducting typical selling expenses, such as marketing costs, sales commissions, auctioneering fees, and other related costs. It represents the most typical net proceeds from a transaction conducted in an open market between a willing and knowledgeable buyer and seller, with no unusual or urgent time constraints affecting the sale. In essence, Marketable Cash Value reflects the expected net return to the seller once all standard costs of selling the item have been subtracted from the gross selling price.

Liquidation Value

- Orderly Liquidation Value – a type of market value representing the most probable price, in cash or clearly defined terms, that a property would bring when sold under limiting conditions, but in an orderly manner. It assumes the seller has a reasonable amount of time to market the item, can access an appropriate marketplace, and can properly advertise to knowledgeable buyers. This value considers the market position of the seller, the best use of the item, and is based on real-world selling conditions, such as a private individual selling jewelry on a commonly accessible market. While the sale may be under some level of compulsion, it is not forced; both buyer and seller are presumed to act with reasonable knowledge and intent.
- Forced Liquidation Value – refers to the value assigned to a property or item under circumstances where the sale is compelled, involuntary, or occurs under atypical pressure, often without sufficient time or opportunity to seek the most suitable market. This value is typically considered scrap value rather than market value and reflects a situation in which the owner is attempting to quickly dispose of the property, often to recover intrinsic material worth (such as gold from an irreparable piece of jewelry). Also known as Forced Sale or Immediate Liquidation Value, it represents the most probable price, in cash or clearly defined terms, that the item would bring if sold immediately under compulsion, without the benefit of choosing the most appropriate marketplace or allowing reasonable time for marketing.

Replacement Cost

- Replacement Cost – a factual cost measure—distinct from an appraisal value—that represents the actual amount required to replace a property with the same or a comparable item, without the application of market research or professional judgment. In appraisal contexts, it denotes the direct cost to meet a replacement objective, which may involve creating, reproducing, sourcing a substitute, or purchasing from a maker or designer.

Nomenclature Guidelines

For nomenclature guidelines specific to diamonds, please refer to the *AGS Diamond Grading Standards*. For nomenclature guidelines specific to colored stones and merchandise, please refer to the *AGS Colored Gemstone Guidelines*. At present, the American Gem Society (AGS) does not endorse any particular colored-stone grading system. Should such a system be developed in the future, all standards of such a system should be presented to the AGS International Board of Directors for consideration.