



## UPHOLDING STANDARDS

Over the past five years, our robust regulatory framework has raised the professional and ethical standards of the real estate agency industry and inspired greater consumer confidence. In an ever-evolving operating environment, we will continue to review our business processes to be more enterprise-centric and refine our regulatory measures to ensure sound governance.



# > UPHOLDING STANDARDS

CEA continued to set the sights for the industry to reach higher professional and service standards. We actively engaged the industry to keep practitioners in tune with developments on regulations governing their duties, business activities, and conduct that have direct impact on them.

Another key focus for the year was to improve CEA's operational efficiency and enhance service support and delivery to the industry. We also thoroughly investigated complaints against and reported malpractices by the industry, and took firm but fair disciplinary actions against errant parties. These are all part of our efforts to achieve higher professional and ethical levels across the industry.

## STREAMLINING PROCESSES

To streamline our business processes and improve customer responsiveness, CEA embarked on a Business Process Re-engineering (BPR) exercise. The exercise involved a fundamental review of our regulatory philosophy to identify areas of inefficiencies in our current work processes, and to propose changes to streamline our workflow to be more efficient and productive, supported by suitable IT systems.

For the BPR exercise to be holistic, we recognised the need to seek views and input from a key segment of our customers: the real estate agency industry professionals. Involvement of our industry partners is important as we co-create the future state design of work processes that will benefit both CEA and the industry.

Two workshops involving industry practitioners were held on 10 December 2015 and 3 February 2016. Key Executive Officers, property agents,

Co-creating the future state of our regulatory processes with the industry will benefit both CEA and real estate agency professionals



plus operations and support representatives provided candid feedback on various process-related challenges that they faced in areas such as licensing applications, complaint management, and customer service. They also readily shared their vision of the ideal service engagement

and experience with CEA in the workshop on ideas generation. The valuable insights and suggestions garnered would be useful in our review of how we can improve our service delivery standards and workflows. We were also heartened to note there was a common understanding by

the participants in the BPR workshops that both CEA and industry have to work hand in hand to achieve what is best to meet business needs, while ensuring that consumers' interests remain a priority.

CEA will be consolidating the insights and suggestions gleaned from the workshops and develop them into action plans during the next phase of the BPR exercise. We will continue to involve and seek input from industry practitioners at various stages of the project. This will enable CEA to be more enterprise-centric while ensuring sound governance.

## TIMELY UPDATES ON REGULATIONS

CEA issues practice guidelines and circulars to update industry professionals on regulatory changes and provide clarity on the actions and responsibilities expected of them in the delivery of their services to clients. There were two key updates. One was an update in November 2015 to the practice guidelines on Options to Purchase and Sale & Purchase Agreements. In January 2016, we issued a practice circular to provide guidance on the general duties and ethical behaviour expected of property agencies and agents in relation to the collective sale, or en-bloc sale, of properties under the Land Titles Act.

## ALIGNMENT WITH INTERNATIONAL STANDARDS TO PREVENT MONEY LAUNDERING AND TERRORISM FINANCING

Singapore is a member of the Financial Action Task Force (FATF), an inter-governmental body that develops standards for combating money laundering, terrorism financing, and other related threats to the integrity of the international financial system.

As a member of the FATF, Singapore has an obligation to implement the recommendations of the task force, including measures to counter money laundering and terrorism financing. These measures are applicable to the real estate agency industry, which is one of the sectors identified as an important gatekeeper to counter the threat of money laundering and terrorism financing. The FATF conducted its evaluation of Singapore's anti-money laundering and combating terrorism financing efforts during an on-site visit from 17 November 2015 to 3 December 2015.

CEA has been working with the real estate agency industry since January 2015 on the implementation of measures to prevent money laundering and terrorism financing. We will continuously enhance

### NUMBER OF PROPERTY AGENCIES

TOTAL LICENSED AS AT 31 MAR 15



NEW LICENSES FROM 1 APR 15 TO 31 MAR 16



LICENSES NOT RENEWED FROM 1 APR 15 TO 31 MAR 16



TOTAL LICENSED AS AT 31 MAR 16





Resources to help industry practitioners comply with regulatory requirements on money laundering and terrorism financing prevention

awareness, understanding, and implementation of the appropriate preventive measures to take against such activities that might be inadvertently conducted though property transactions. This will further strengthen professional and ethical standards in the sector.

We conducted a joint outreach session with the Commercial Affairs Department in July 2015 for industry professionals to deepen their knowledge of the vulnerabilities of the real estate agency sector to money laundering and terrorism financing. We also shared learning points on how the industry can better comply with current preventive measures.

The Practice Circular on prevention of money laundering and terrorism financing was updated in

September 2015 to further align with the FATF standards. To help industry practitioners comply with their obligations, we produced a simplified guide to help property agents better understand the requirements and an education poster on lodging suspicious transaction reports.

**SMARTER REGULATION**

We continued to focus on enhancing the effectiveness of our regulatory framework, while keeping in mind the need to manage industry compliance costs.

Following a review, two key amendments were made to the Code of Practice for Estate Agents in 2015. The first was to remove the requirement to state the holders' licence or registration expiry date on estate agent cards with

effect from 19 November 2015. This change arose from industry feedback about the high recurring cost of up to \$50 per card replacement. Removing this requirement will save the industry some \$1.3 million annually and reduce administrative workload. Consumers can continue to check the validity of a property agency's licence or an agent's registration using CEA's online public register.

The second amendment extended the retention period of transaction records from three years to five years. This will ensure industry compliance with international standards on combating money laundering and terrorism financing.

**STEADY FALL IN NUMBER OF COMPLAINTS**

CEA assesses and investigates complaints thoroughly through an established complaint management process. Appropriate enforcement actions are taken against substantiated cases. We received 780 complaints in the past year. On a per thousand transaction basis, to adjust for market volume, the number of complaints has steadily declined over the past six years to about 4.5 in FY2015.

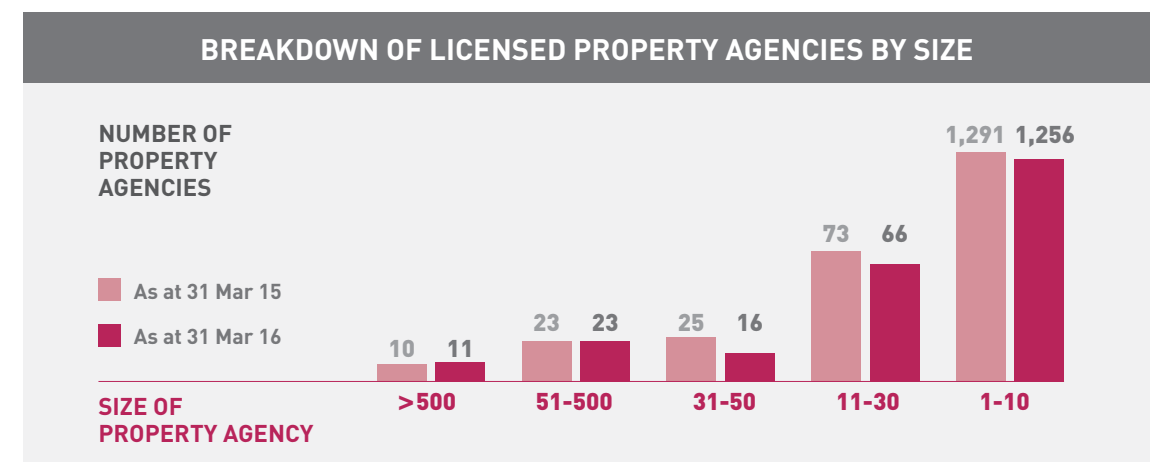
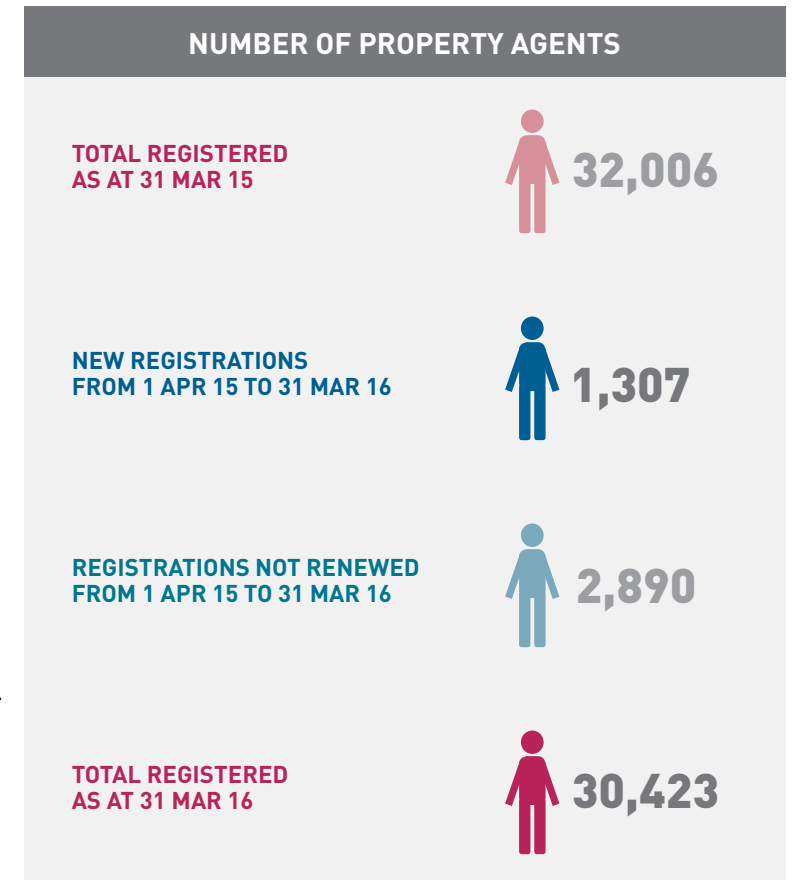
Consumers and property agents continued to leverage CEA's Dispute Resolution Scheme to effectively resolve contractual disputes.

Under the Scheme, CEA works with its appointed mediation and arbitration centres to provide a cost-effective and expeditious means to resolve disputes between consumers and property agencies.

**ONGOING VIGILANCE**

CEA conducts proactive checks to ensure that the work carried out by property agencies and agents adhere to rules and guidelines, and that estate agency work is being carried out only by licensed persons.

In the past year, we carried out regular field surveillances at property launches, property exhibitions, and investment seminars. We also monitored online and print advertisements. These checks enabled us to promptly identify breaches or infringements of the regulations and guidelines, and take enforcement actions.



We conducted 26 inspections on property agencies to check on their compliance with the practice circular on prevention of money laundering and terrorism financing. This included follow-up inspections to check on their readiness ahead of the FATF evaluation of Singapore at the end of 2015.

We also conducted inspections to see if they abided by the practice guidelines with respect to marketing foreign properties. This included assessing whether they had carried out due diligence on foreign developers and foreign properties, and on claims of investment returns, before they marketed the foreign properties.

**TAKING A FIRM STANCE**

During the year, CEA pressed on with our firm and coordinated stance in investigating and taking enforcement action against companies and individuals who breached the Estate Agents Act and the Regulations. These included prosecution cases related to unlicensed property agency work, unethical behaviour, and malpractices.

We initiated disciplinary proceedings against parties for infringements under the Code of Ethics and Professional Client Care. These included making misrepresentations to the client, failure to conduct property agency work with due diligence and care, and acting in ways that are in conflict with the client's interest or bring disrepute to the industry, such as signature forgery.

In one case, a property agent used his clients' HDB lease transaction security deposits and monthly rental monies totalling \$21,475 to repay his personal debts. As a result, his clients' payments to landlords were delayed. The agent also lied about the status of the monies and issued cheques that were subsequently dishonoured. He pleaded guilty to six charges of handling transaction monies. The court sentenced him to a fine of \$16,400.

We also investigated the case of a Chinese national on a student pass who brokered lease transactions on behalf of Chinese nationals in Singapore. He sourced for available rental properties online, advertised them on Chinese media portals, arranged property viewings, and negotiated with landlords' property agents on his clients' behalf. He closed 10 rental transactions and collected \$11,000 in referral fees. CEA inspectors caught the agent following a tip-off from a licensed property agency. He was charged in court with 11 counts of conducting estate agency work without a licence. He pleaded guilty and was fined \$40,000, in default 12 weeks of imprisonment.

CEA took disciplinary action against another agent for failing to conduct her work with due diligence and care, and placing an inaccurate advertisement. The agent had advertised her landlord client's property as being for commercial use, despite

knowing that it was zoned for residential use. When a tenant wanted to lease the premises to operate a fitness centre, the agent proceeded to prepare a Letter of Intent stating that the property may be used for commercial purposes. The misuse of the property came to light during an inspection by the Urban Redevelopment Authority. The tenant, who spent \$65,000 on renovations, had to vacate the property. The Disciplinary Committee issued the property agent with a five-month suspension and a \$4,500 fine.

**PRIORITIES AHEAD**

In the coming year, CEA will continue to work closely with the industry to design regulatory measures that will enable practitioners to achieve higher levels of professionalism and productivity. This in turn will drive industry towards greater client-centricity and further improve its standing.

We aim to refine our regulatory framework by introducing greater flexibility and being more pro-enterprise. This will include reviewing current compliance processes and introducing new workflows that will empower property agencies to take greater accountability in generating greater value for their clients.

NATURE OF COMPLAINTS	NUMBER OF COMPLAINTS	
	FY2014/15	FY2015/16
<b>Advertisement/flyer</b> e.g. misleading/missing information, improper distribution of flyers	<b>305</b> (43%)	<b>315</b> (40%)
<b>Unprofessional/poor service</b> e.g. wrong advice, not punctual, not following proper procedures	<b>161</b> (23%)	<b>212</b> (27%)
<b>Misconduct</b> e.g. use of threatening words, harassment, misrepresentation	<b>121</b> (17%)	<b>131</b> (17%)
<b>Not acting in client's interest</b> e.g. conflict of interest, refusing to co-broke, failing to convey offer	<b>33</b> (5%)	<b>33</b> (4%)
<b>Unregistered property agent/unlicensed property agency</b>	<b>46</b> (7%)	<b>55</b> (7%)
<b>Others</b> e.g. dual representation, fraud, money lending, handling transaction monies	<b>36</b> (5%)	<b>34</b> (5%)
<b>Total</b>	<b>702</b>	<b>780</b>

CATEGORIES	INVESTIGATION OUTCOME	NUMBER OF COMPLAINTS	
		FY2014/15	FY2015/16
<b>Substantiated</b>	<b>Letter of Advice/Warning served</b>	<b>329</b> (48%)	<b>249</b> (46%)
	<b>Disciplinary action#</b>	<b>20</b> (3%)	<b>17</b> (3%)
	<b>Prosecution#</b>	<b>15</b> (2%)	<b>15</b> (2%)
<b>Unsubstantiated</b>	Refers to cases with insufficient evidence to substantiate claims, assessed to have no wrongdoing on the part of the property agent, baseless/frivolous complaints	<b>218</b> (32%)	<b>255</b> (40%)
<b>Others</b>	Refers to cases with insufficient evidence for investigations, complaints resolved by property agencies, referred to other bodies/government agencies	<b>102</b> (15%)	<b>54</b> (9%)
<b>Total</b>		<b>684</b>	<b>635</b>

# These figures refer to the conclusion of the case before the Disciplinary Committee or Court. The corresponding figures in CEA's Annual Report 2014/15 refer to the conclusion of CEA's investigations of the complaint.