

## **MND PRESS RELEASE**

### **CLOSE OF PUBLIC CONSULTATION EXERCISE FOR A NEW REGULATORY FRAMEWORK FOR THE REAL ESTATE INDUSTRY**

The Ministry of National Development (MND) conducted a public consultation exercise for a new regulatory framework for the real estate industry from 13 Oct to 17 Nov 2009. During this period MND received over 200 independent comments and suggestions on various aspects of the new regulatory framework. We would like to thank members of the public who participated in the exercise for sharing their views with us.

2 The vast majority of respondents welcomed the move towards enhanced regulation of the real estate industry. They were generally supportive of key features proposed under the new regulatory framework, including mandatory accreditation of agencies and agents, maintaining a public central registry for accredited agents, setting up an independent tribunal specialising in the real estate industry and introducing a Demerit Points System.

3 Given that complaints often stemmed from unethical practices or misconduct, respondents felt that it was important that agents pass a standard industry entrance examination covering not only practical knowledge, but also ethics, before they are allowed to practice. They also agreed that an agent should only represent one party in a transaction to avoid conflict of interest.

4 A summary of the views received is attached at ANNEX A for reference.

5 These views were generally consistent with feedback gathered during the industry consultations conducted from 10 Sep to 1 Oct 2009, where MND consulted relevant stakeholders, including industry associations, real estate agency directors, individual agents, CASE, and REDAS. The feedback received from the public consultation exercise also affirmed the need for a review of the industry, which seeks to achieve two objectives: one, to enable consumers to

better safeguard their interests, and two, to increase the professionalism of the real estate industry.

6 The views received from the various channels and stakeholders will be consolidated and taken into consideration for refining the new regulatory framework. Key elements are expected to be ready for announcement by early 2010.

Issued by:

**MINISTRY OF NATIONAL DEVELOPMENT**



## Annex A

### Summary of Public Feedback

Issue	Views
<b>Enhanced Regulatory Powers</b>	<p>Respondents were generally supportive of the Government's enhanced regulatory powers to oversee the real estate industry and to take calibrated action against non-compliance such as imposing demerit points and suspension. A handful of respondents suggested posting blacklisted agents online to forewarn the public.</p> <p><u>Dual Representation</u> Most agreed that an agent should only represent one party to avoid conflicts of interest. Some respondents also suggested disallowing dual representation by the same real estate agency and to impose this condition on rental transactions.</p> <p>Some respondents commented that the buyers' administrative fee may still incentivise sellers' agents to select only buyers who are willing to engage the agent's services. There were suggestions to mandate co-broking, to stipulate all buyers to engage an agent and to require agents to inform sellers of all offers, regardless of the offer price or agent fees.</p> <p><u>Regulate Commission Rate</u> Some respondents suggested that the Government set a standard commission guideline to curb undercutting among agents, protect less-educated consumers from overcharging by agents and minimise disputes between consumers and agents</p> <p><u>Licensing of Individual Agents</u> Respondents had also called for the Government to license individual real estate agents, as agents should be held accountable for their own actions.</p>
<b>Industry-led Accreditation</b>	<p>In general, the respondents supported mandatory accreditation of agencies and agents, with some preferring accreditation to be done by the Government.</p> <p><u>Minimum Entry Qualification for Agents</u> Respondents were supportive of a standard industry entrance examination covering both ethics and practical knowledge. Besides the entrance</p>

	<p>examination, some respondents also suggested stipulating some minimum educational qualifications.</p> <p><u>Public Central Registry</u>  Generally, the respondents supported the implementation of a Public Central Registry to list all accredited agents. A few respondents suggested that the Registry should incorporate feedback and ratings from past clients.</p>
<b>Improved Dispute Resolution</b>	<p>The respondents generally supported the idea of an independent tribunal specialising in the real estate industry. Some commented that the mediators/adjudicators should have industry background. Several respondents felt that the Tribunal should also handle disputes among agents, as well as between agents and their agencies.</p>
<b>Others</b>	<p>Some respondents highlighted that the new regime should also take into account interests of real estate agents. They raised challenges faced by agents such as no basic salary, having to bear the cost of advertising and transportation, giving their agencies a cut of their commissions, and running the risk of clients defaulting on their payments.</p> <p>Some other suggestions to regulate the industry are listed below.</p> <ul style="list-style-type: none"> <li>• Standardise real estate industry practices</li> <li>• Standard forms, contracts and agreements for consumers and agents</li> <li>• Limit the size of agencies for better control of agents</li> <li>• Accord recognition to outstanding agents</li> <li>• Disallow agencies/agents from direct buying of properties from sellers/developers, holding onto properties and resell them at good times</li> <li>• Prohibit agents from contributing to litter through advertisements brochures and flyers</li> <li>• Educate consumers on their rights and responsibilities.</li> </ul>