

## **NEW STATUTORY BOARD TO BE FORMED TO RAISE PROFESSIONALISM OF REAL ESTATE AGENCY INDUSTRY**

The Ministry of National Development (MND) plans to set up a new statutory board to raise the professionalism of the real estate agency industry and to better safeguard consumer interest.

2 The proposed statutory board — the Council for Estate Agencies (CEA) (房地产代理理事会) — will implement a new framework to regulate the industry, through the enhanced licensing of estate agencies, registration of estate agents, new regulations on the conduct of estate agency work, discipline and dispute resolution mechanisms, and public education. CEA will take over the Inland Revenue Authority of Singapore's ('IRAS') current role in licensing real estate agencies. MND will introduce a Bill in Parliament in the second half of this year to set up the new Council and to establish the new regulatory framework.

### **Overview of the New Regulatory Framework**

#### *Enhanced Licensing for Estate Agencies*

3 Real estate agencies will continue to be licensed, but will have to satisfy enhanced licensing conditions. These conditions seek to ensure that the licensees are competent, fulfil fit and proper criteria, and have in place systems and processes to manage the business and supervise their agents well. For instance, the licensees must not be un-discharged bankrupts, possess criminal records involving fraud or dishonesty, or have previous track records of complaints as agents.

4 They also need to comply with a Code of Practice that stipulates systems and processes for areas such as agents' training, complaints handling and dispute resolution. They will need to have professional indemnity insurance to adequately

cover any financial liabilities arising from their transactions, and cannot be a licensed moneylender or an employee of a licensed moneylender to avoid a conflict of interest.

### Registration of Agents through their Agencies

5 Agencies will also be expected to exercise effective supervision of their agents and take responsibility for their actions. To enable agencies to do so, all estate agents are to contract with only one agency. Individual agents will need to be registered with the Council through and with the support of their agencies, before they are allowed to do estate agency work. Agencies will have to ensure that the agents registered under them are competent and meet the fit and proper criteria.

6 As part of the new registration requirements, estate agents will need to pass a mandatory industry examination, and undertake mandatory continuing professional development (CPD) of six hours a year. This is to ensure that the agents possess the necessary knowledge for estate agency work, and continuously upgrade themselves by keeping abreast of latest changes in Government policies and procedures relating to real estate transactions. The number of CPD hours will be increased over time to raise the professional standards of the industry.

### Regulations on Conduct of Real Estate Agency Work

7 Agencies and agents will be required to comply with new regulations on the conduct of real estate agency work. These include a code of ethics and professional conduct for estate agents, standard prescribed estate agency agreements for sale and leasing transactions and other measures aimed at avoiding a conflict of interest, such as the dual representation of both the buying and selling parties. MND will

engage the industry and CASE over the next few months to work out the details of these measures.

### Mechanisms for Discipline and Dispute Resolution

8 The new regulatory framework will also include legislative powers and mechanisms to investigate and discipline agencies and agents who fail to comply with the new regulations and codes. Disciplinary actions will include warnings, fines, suspension and debarment of agencies and agents. Alleged criminal offences such as fraud and cheating will continue to be referred to the Police.

9 To help consumers seek redress on disputes and contractual matters, estate agencies and agents will be required to participate in a dedicated dispute resolution process covering both mediation and adjudication, which will tap on existing dispute resolution facilities such as CASE and the Singapore Mediation Centre.

### Public Education

10 While the Government works to strengthen the regulatory framework for estate agencies, individual homebuyers and tenants will also need to exercise greater care and responsibility. Public education will be a key focus of the new Council's work, and the new regulatory framework will include measures to equip consumers with the necessary knowledge to conduct their real estate transactions prudently and with due diligence.

11 Agents will be required to wear a standard agent identification card when doing estate agency work. A public registry of real estate agencies and agents will be set up to provide a comprehensive listing of all licensed agencies and registered agents. The public registry will include any records of disciplinary actions taken over the last

three years or any recognition and award received. Consumers can then check on the particular agency or agent they are engaging.

### **Transition Arrangements for Existing Agencies and Agents**

12 Arrangements will be made to help existing estate agencies and agents transit to the new licensing and registration framework. For instance, they will be exempted from the new minimum 4 GCE "O" level passes or equivalent educational qualification criterion. Those who have passed an industry examination, such as the Common Examination for House Agents, the Common Examination for Salespersons, the Certified Estate Agents Examination and the National Skills Recognition System, will not be required to take a new examination. Those who have not passed any existing industry examination will be given one year after the start of the new examination to pass the examination, and be given a provisional registration in the interim. Existing agents who are undischarged bankrupts or have past criminal records will be considered for registration on a case-by-case basis.

### **New Regulatory Framework**

13 MND first announced its intent to develop a new regulatory framework for estate agencies in August last year. An industry consultation exercise was conducted from September to October 2009, followed by a public consultation exercise' from October to November 2009. Industry and public inputs were taken into consideration in developing the new regulatory framework.

14 The proposed key elements of the new regulatory framework are summarised at Annex. MND will continue working out further details of the new framework over the next few months.

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Click here for more details on the public consultation exercise:

<http://www.mnd.gov.sg/RealEstateReview/index.html>

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## PROPOSED KEY ELEMENTS OF NEW REGULATORY FRAMEWORK

### \* **New Statutory Board – Council for Estate Agencies – to strengthen regulatory of real estate agency industry**

#### \* **Enhanced Licensing for Estate Agencies**

- Singapore Citizen or Permanent Resident (*current*)
- At least 3 years of working experience (*enhanced*)
- Completed at least 30 property transactions in past 3 years, of which at least 10 must be private properties and at least 10 must be HDB flats transactions (*enhanced*)
- Major shareholder of the applying agency (*current*)
- Register its business with ACRA (*current*)
- Not to register a name which is similar to existing agencies (*current*)
- Pass examination for licensees or equivalent qualifications (*current*)
- Have minimum 4 GCE 'O' Level passes or equivalent (*new*)
- Fulfill fit and proper criteria (*new*) such as
  - (i) Must not be an un-discharged bankrupt;
  - (ii) Must not possess criminal records involving fraud or dishonesty;
  - (iii) Must not have previous track record of complaints or convictions
- Put in place systems and processes to ensure proper management of business and agents (*new*)
- Be covered under a Professional Indemnity Insurance (*new*)
- Must not be a licensed moneylender or an employee of a licensed moneylender (*new*)

#### \* **Registration of Agents through their Agencies**

- Singapore Citizen or Permanent Resident
- Must be at least 21 years old
- Not be registered with another agency or be an existing licensee of an agency
- Have minimum 4 GCE 'O' Level passes or equivalent
- Pass examination for estate agents
- Undertake mandatory continuing professional development
- Fulfill fit and proper criteria such as
  - (i) Must not be an un-discharged bankrupt;
  - (ii) Must not possess criminal records involving fraud or dishonesty;
  - (iii) Must not have previous track record of complaints or convictions;

- Must not be a licensed moneylender or an employee of a licensed moneylender

**\* Regulations on Conduct of Real Estate Agency Work**

- Code of Ethics and Professional Conduct
- Standard prescribed estate agency agreements
- No dual representation

**\* Mechanisms for Discipline and Dispute Resolution**

- Disciplinary actions such as warnings, fines, suspension and debarment
- Dedicated dispute resolution mechanism covering both mediation and adjudication

**\* Public Education**

- Agent identification card
- Public registry of agencies and agents