

## THE ESTATE AGENTS (AMENDMENT) BILL (5 MAY 2020)

### ROUND-UP SPEECH BY MR ZAQY MOHAMAD, MINISTER OF STATE FOR NATIONAL DEVELOPMENT AND MANPOWER

1. Mr Speaker sir, I thank the Members for their comments and their support of the Bill. Let me address the issues raised.

#### AML/CFT duties

2. First, there were several questions about the duties related to the prevention of money laundering and terrorism financing.

3. The Bill provides for duties to conduct customer due diligence (CDD) checks, to keep records of the checks and relevant documents, and to also submit Suspicious Transaction Reports (STRs), as required under the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (CDSA).

a. These are duties aligned with the international standards set by the Financial Action Task Force (FATF), and are key building blocks for an effective regime to prevent money laundering and terrorism financing. This standard applies to various sectors including estate agents, lawyers and the financial sector.

b. **Mr Saktiandi Supaat** asked how the duties under the Bill compare to those for the financial sector. We have taken a risk-based approach and calibrated the specific requirements for the real estate agency industry vis-à-vis other industries.

For example, salespersons are required to conduct customer due diligence checks when facilitating a sale or purchase of a property. For banks, there are instances where additional due diligence checks are required, such as when conducting a wire transfer transaction of more

than S\$1,500, which are not relevant to estate agents and salespersons in this case.

4. **Mr Saktiandi Supaat** also asked whether estate agents are capable of assessing the compliance of their salespersons with the duties under the Bill.

- a. Let me reiterate, and to respond to **Member Mr Melvin Yong's** question earlier on whether this Bill puts additional burden on the industry, that this Bill will not introduce new duties for the industry. Estate agents and salespersons are already required to fulfil duties to counter money laundering and terrorism financing.

Disciplinary action can be taken for the failure to perform these duties today. The Bill merely inserts express provisions on these duties in the Act, in order to comply with FATF Recommendations.

- b. Hence, the industry is familiar with the duties and has already been performing them. To facilitate compliance, CEA has consulted with the industry to put in place guidelines to provide clarity on the steps and checks required to comply with the duties.

This includes checklists to guide salespersons and estate agents on the conduct of customer due diligence checks and to determine if there is suspicion of money laundering or terrorism financing.

For example, where there are complex or unusually high value transactions, salespersons should ask clients about the purpose of the transaction and the client's source of funds. These are some of the red flags to assess if the transaction was meant to launder monies.

Salespersons should also look out for suspicious indicators of money laundering or terrorism financing, such as adverse news concerning the

client, paying a substantial down payment in cash or paying a higher price for a property without viewing.

- c. I would like to assure **Mr Melvin Yong** that these guidelines are already in place today, and the Bill will not result in any material change to the way due diligence checks and submissions of Suspicious Transaction Reports are conducted.

### **Investigative and disciplinary levers**

5. Next, on investigations of estate agents and salespersons, **Mr Saktiandi Supaat** asked about the role estate agents play in investigating customer complaints and disciplining errant salespersons, as well as the average time taken for the industry to resolve consumer complaints.

6. CEA has a framework to assess and classify complaints, and works together with estate agents to address the complaints. Estate agents are required to manage and supervise their salespersons, and where there are non-compliances, they need to take the necessary remedial actions to prevent a repeat of a similar incident.

- a. For service-related complaints, such as being late for appointments or unsatisfactory services, CEA will refer them to the estate agent to resolve the matter. These typically conclude within 3 months.
- b. Similarly, for complaints involving minor disciplinary breaches, such as advertisements with a missing salesperson's registration number, or making claims on a salesperson's area of expertise in advertisements that cannot be substantiated, CEA will refer the complaint to the estate agent for them to take the appropriate action against the errant salespersons. These typically conclude within 3 months as well.
- c. For complaints involving more serious disciplinary breaches and criminal offences under the Act, CEA takes between 6 and 12 months to

complete its investigation, depending on the nature and complexity of the cases.

Those which proceed to Court or Disciplinary Committee hearings may take several months to complete the proceedings. For disciplinary breaches that are not as serious, the new powers under section 49, as amended by Clause 11, allow CEA to censure errant estate agents and salespersons and impose financial penalties of up to \$5,000 per matter. This will allow CEA to deal with these cases more efficiently, hopefully quicker for all concerned.

7. **Mr Melvin Yong** asked about the number of complaints in 2019 and how many agents have been sanctioned by CEA.

- a. In my opening speech, I mentioned that CEA received 777 complaints in 2019. In total, 6 cases were prosecuted in Court, 5 of which resulted in fines being imposed. 17 cases were concluded by the Disciplinary Committee where disciplinary action was taken and CEA issued 206 Letters of Advice to errant estate agents and salespersons.
- b. The **Member** also suggested to introduce a demerit points system as a simple and effective way to deter first-time minor breaches, so that such breaches would not result in a censure or financial penalty. I thank the Member for his suggestion and would like to assure him that CEA will adopt a calibrated approach in imposing censures and financial penalties under section 49 as amended by Clause 11.

CEA will take into consideration the severity of the breach and whether the estate agent or salesperson is a repeat offender. For example, for minor breaches, CEA will generally refer the matter to the estate agent for them to take the appropriate action, or CEA may issue a warning letter. If the minor breaches are repeated, then CEA may issue a letter of censure. If the salesperson commits yet another minor breach, CEA may consider imposing financial penalties as a stronger deterrent.

- c. Hence, first-time minor breaches will not result in a censure or financial penalty. In a way, this incremental approach works like a demerit points system, and these disciplinary actions will also be published on the CEA Public Register as a strong deterrent to would-be wrongdoers in the industry.

## Training

8. On training, **Mr Saktiandi Supaat** asked about training efforts to enhance the professional standards of the industry. I agree with the Member that training is crucial to ensure that our salespersons continue to have the necessary knowledge and skills to comply with regulations and safeguard consumer interest.

- a. This is why Continuous Professional Development (CPD) training is a key component of CEA's regulatory framework. Each salesperson must complete about 6 to 9 hours of CPD training annually in order to renew his registration.
- b. CEA recently reviewed its CPD framework last year to place emphasis on both Professional and Generic Competencies.
- c. The courses on Professional Competencies ensure salespersons are competent and have updated knowledge of relevant laws and regulations, property markets, as well as policies.
- d. On the other hand, courses on Generic Competencies cover general skills relevant to the real estate agency industry, such as leadership, digital literacy and communication. These are in line with Singapore's Skills Framework's list of generic skills and competencies.
- e. Both Professional and Generic Competencies are important to ensure that our salespersons have the skillsets and critical competencies to carry out their duties effectively. I thank Member **Mr Melvin Yong** for his

suggestion to list digital skills as Professional Competencies, and agree that the ability to harness technology has enabled the industry to serve their clients better and more productively.

I would like to assure the Member that just because digital skills are listed as Generic Competencies does not mean that they are less important. Salespersons are required to complete courses from both Professional and Generic Competencies under CEA's CPD framework. We will continue to encourage the industry to upskill themselves with digital skills to enhance their service offerings.

9. **Mr Saktiandi Supaat** asked about the SkillsFuture Study Award for the real estate agency industry.

- a. CEA started the SkillsFuture Study Award for the Estate Agency Industry in 2018 to support salespersons in upskilling and acquiring skillsets and competencies. The award was given to its first recipient last year, and CEA will continue to offer the award to encourage more salespersons to better serve their clients.

10. Lastly, **Mr Melvin Yong** suggested that CEA waive the licence and registration renewal fees for estate agents and salespersons in view of the COVID-19 situation. We have received a few similar requests from the industry recently and rest assured, we are studying the matter carefully.

- a. So in fact, for many salespersons today, we also have other schemes that are available to them, such as the Self-Employed Person Income Relief Scheme (SIRS) which NTUC manages, the Temporary Relief Fund (TRF), as well as the Self-Employed persons (SEPs) Training Support Scheme, which enables our salespersons to also undertake courses and still get allowance while doing so.
- b. But at the same time, I would like to also take the opportunity to commend the efforts of some of our estate agents, who have

implemented their own resilience packages to help their salespersons. Some estate agents have stepped up during this difficult period by extending financial help, by allowing salespersons to apply for early release of commissions; some have subsidised real estate salespersons' course fees; some have provided discounts for rentals by salespersons such as training rooms and offices within the estate agents premises. So I think all these measures today have helped, and I hope that the industry will prosper beyond this circuit breaker period.

## **Conclusion**

11. Sir, the Bill will align Singapore's levers against money laundering and terrorism financing in the real estate agency industry with international standards. It also strengthens CEA's disciplinary and investigative powers under the Estate Agents Act.

12. Overall, the amendments will help to deter and punish errant estate agents and salespersons, to safeguard the interest of consumers, and the professional reputation of the majority of the sector who discharge their duties responsibly and with care.

13. Mr Speaker sir, I beg to move.