
NEWS RELEASE

For Immediate Release
2016PREM0074-001180
June 29, 2016

Office of the Premier
Ministry of Finance

Government ends self-regulation, strengthens consumer protection in real estate industry

VANCOUVER – Premier Christy Clark announced today that government will end the industry self-regulation in the real estate industry and overhaul governance, oversight, transparency and accountability of the sector.

“After reading the report, our conclusion is that the privilege of self-regulation in the real estate industry must end,” Premier Christy Clark said. “This report examines shady practices and challenges plaguing the real estate market, particularly in the Lower Mainland, putting consumers at risk and tarnishing the reputations of honest professionals in the sector. We will act to protect British Columbians when they are making one of their most important family investments – purchasing a home.”

Government also accepts the recommendations of the independent advisory group and will:

- Establish a dedicated superintendent of real estate, who will take over the council’s regulation- and rule-making authority to carry out the changes required to restore public confidence.
- Reconstitute the Real Estate Council with a majority of public-interest, non-industry members.
- Implement the recommended penalties, as well as increased fines for unlicensed activity and other offences.
- Allow for commissions from licensees engaging in misconduct to be taken back to the council.
- Make the managing broker responsible for ensuring the owner of the brokerage does not engage in the business of the brokerage if the owner is not a licensee.
- No longer permit licensees to offer dual agency representation.

“Government is assessing the best and fastest way to enhance transparency and consumer protection in the real estate industry,” Finance Minister Michael de Jong said. “We are working on legislation that will expand the powers of the superintendent of real estate to address these issues, ensure appropriate public representation on the board, and implement higher disciplinary and administrative penalties.”

The new and enhanced role for the superintendent will give additional powers to address the other recommendations made in the report, including the comprehensive Code of Ethics and Professional Conduct, requiring increased standards for licensees, and requiring record keeping and reporting that will help identify industry practices that may be placing consumers at risk.

Action to protect consumers in the real estate market is just one part of government’s strategy to address affordability, which also includes plans to increase supply, focus on smart transit

expansion, support first-time homebuyers, and increase rental supply.

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Key Messages
Premier's Housing Announcement
June 29, 2016

- The point of regulations is to protect the public.
- The industry has had the privilege of self-regulation for 10 years and has failed to demonstrate responsible action. That is why we are taking away that privilege in the real estate industry.
- Today, government is taking action on all 28 recommendations of the Independent Advisory Group and will:
 - Establish a dedicated Superintendent of Real Estate, who will take over the council's regulation- and rule-making authority to carry out the changes required to restore public confidence.
 - Reconstitute the Real Estate Council with a majority of public-interest, non-industry members.
 - Implement the recommended penalties, as well as increased fines for unlicensed activity and other offences.
 - Allow for commissions from licensees engaging in misconduct to be taken back to council.
 - Make the managing broker responsible for ensuring the owner of the brokerage does not engage in the business of the brokerage if the owner is not a licensee.
 - No longer permit licensees to offer dual agency representation.
- These actions ensure fairness and transparency of the real estate sector and most importantly protect British Columbians when they are making the one of most important family investments of their lives – purchasing a home.

- This builds on measures already announced in Balanced Budget 2016 to protect consumers from shadow flipping.
- There is more action to come. We will be using these 6 principles to guide us in decisions we make to address the housing affordability in the Lower Mainland:
 1. Ensuring the dream of home ownership remains within the reach of the middle class
 2. Increasing housing supply
 3. Smart transit expansion
 4. Supporting first-time home buyers
 5. Ensuring Consumer Protection
 6. Increasing rental supply

Questions and Answers
Premier Housing Announcement

DRAFT – JUNE 29, 2016

1. Why are you ending self-regulation if that wasn't recommended by the IAG?

The IAG was asked to make recommendations that improve the existing model – as they said themselves, the decision on self-regulation rests with government. Their recommendations in that context are important and we accept them – but we have to do better.

After reading the report, our conclusion is that the privilege of self-regulation in the real estate industry must end. This report examines the shady practices and challenges plaguing the real estate market, particularly in the Lower Mainland, putting consumers at risk and tarnishing the reputations of honest professionals in the sector. We will act to better protect British Columbians when making one of their most important family investments – purchasing a home.

2. What does “ending self-regulation” mean in practical terms?

Presently the majority (13) of the members of the real estate council are appointed by industry. We will reconstitute the Real Estate Council with a majority of public-interest, non-industry members. We will establish a new, dedicated superintendent with expanded authority to oversee the council. The ability to make rules and bylaws will no longer rest with the council but will lie with the superintendent. Government will be able to pass a regulation giving any of council's remaining responsibilities to the superintendent, should the need arise.

3. What will happen to the staff members of the Council?

They will continue to undertake the day to day activities of the council. They will report to the council and work to implement the recommendations identified for them, as well as any regulations and rules that will be made by the new superintendent.

4. What recommendations require legislative changes?

Government will first bring forward legislation to:

- Implement the recommended penalties (recommendation 16). We will also increase the fines for (i) unlicensed activity and (ii) offenses commensurate with the recommended penalty increases. (These are not recommendations in the report but it retains the balance between various types of penalties.)
- Allow for commissions from licensees engaging in misconduct to be given to council. Council will use these proceeds to further licensee and public education about the industry and regulation. (recommendation 17)

- Make the managing broker responsible for ensuring the owner of the brokerage does not engage in the business of the brokerage if the owner is not a licensee (an interpretation of recommendation 23)
- Give the superintendent the power to oversee and direct the operations and activities of the Council. These powers will include but not be limited to those in (recommendation 21). These are listed on page 47 of the report (draft version).
- Replace the board with government appointed members (a more stringent version of recommendation 19).
- Give the superintendent regulation, rule and bylaw- making authority (not in the report but part of ending self-regulation).
- Remove rule and bylaw making authority from the Council (prospectively). Current rules and bylaws would continue.
- Give the authority to the government (LGIC) to make regulations transferring all of the powers granted to the Council to the superintendent (or to repeal such a regulation).

Other recommendations in the report may also require legislative changes. Some are more complex and require action in further steps later on.

5. Will there be a summer session to implement legislative changes?

We are working on the legislation needed and will be bringing it forward as soon as it can be ready – at the next available session. We believe this is an urgent matter and are acting as quickly as possible.

6. How and when is the Superintendent going to be selected?

The position will be posted today and the search will get underway. The job is a public service role appointed by Order In Council – just like any other government executive at that level.

7. What will their role be?

The new superintendent will have expanded power and authority to oversee the regulation of real estate licensees, and make regulations and rules that govern the industry.

8. Will the Real Estate Council still exist in some form?

The council will continue to exist but it will be reconstituted with a majority of non-industry members who will operate under the significantly increased oversight of the Superintendent. It will no longer have the ability to make rules and bylaws.

9. What will happen to the people currently working at the real estate council --

They will continue to do their work and carry out their responsibilities, reporting to the reformed Council and under the oversight of the new superintendent. The rules and regulations they administer will come to be established primarily by the superintendent.

10. Is self-regulation to blame for the current situation?

Self-regulation has been challenged by the pace of the marketplace, and hasn't kept up effectively with the changes in the industry.

The majority of people in the real estate industry are honest and professional. But a regulatory system that does not put consumers first, ultimately fails to protect the vast majority of agents.

11. How soon will you be able to implement the IAG report recommendations?

We are working in the legislation needed and will be bringing it forward as soon as it can be ready – at the next available session. We believe this is an urgent matter and are acting as quickly as possible.

12. How will you select the new public members of the board?

Government appointed members will be selected through the existing board resourcing system. Our intention is also to act quickly to establish a reconstituted board that can support the implementation of these actions.

13. What will happen to existing rules and bylaws passed by the council?

The existing bylaws will continue to be in effect. However, the power to make any new rules and bylaws will lie with the superintendent.

14. Are there any recommendations of the report that you are not implementing?

One of the recommendations (recommendation 20) is that the responsibility for regulating unlicensed activity be placed with the real estate council instead of the superintendent. Given the other changes we are making, this responsibility will continue to lie with the superintendent. However, the report did speak to the need for both licensed and unlicensed activity to be under the jurisdiction of a single regulator. Following the changes we will make, both types of activity will be under a single regulator – the superintendent.

15. Why are you not addressing money laundering and foreign money?

The issue of foreign money is not ignored – we announced steps in the February budget, and even now we're tracking the data necessary to help us understand what effect it's having and how best to address it. Managing cross-border flows of investment and currency is not something a provincial government can do by itself. Minister de Jong discussed the issue with Minister Bill Morneau at the recent finance ministers' meeting, and the working group announced last week will be looking at the issue, along with other important matters.

16. Will you also respond to calls for a flipping tax?

Remember that we have a tax that taxes transactions – the property transfer tax, and we increased the rate on the value of homes over \$3 million in the recent budget.

The Finance ministry has been working with Landcor to get a better sense of how much “flipping” is going on. The preliminary result of that work is that just over 300 homes were resold within 12 months in 2015, out of approximately 13,000 total sales in the City of Vancouver – less than 2.5% of sales.

17. Will eliminating double agency increase the cost for consumers because they now need to use two realtors not one?

Eliminating dual agency won't impact the commission paid by a seller. When both the buyer and seller are represented, the commission - which is paid by the seller - is split among the two licensees. In dual agency situations, both 'halves' of the commission would have been kept by one licensee.

DRAFT

SPEAKING NOTES | INTRO REMARKS – JUNE 29, 2016

FINANCE MINISTER MICHAEL DE JONG

REAL ESTATE REGULATION ANNOUNCEMENT

In February, the Real estate council of BC asked Superintendent of Real Estate Carolyn Rogers to head up an independent panel to examine regulation of the real estate sector.

Since the mid-1980s, the role and responsibilities of regulating professions have increasingly been delegated to the professions themselves for good reasons.

And real estate industry enjoyed that privilege as well for more than a decade.

The findings of yesterday's report show the self-regulatory structure has not met the standard we expect in terms of protecting the public interest.

At a time when home prices have been rising at an unprecedented rate, it is fundamentally important that, when people seek professional guidance in the purchase or sale of a home, that they can have confidence that their realtor is acting ethically and in their best interest.

The report presented to the Council yesterday is a comprehensive examination of the practices and challenges plaguing the real estate industry right now, and paints a troubling picture.

It includes 28 primary recommendations to improve the sector's governance, oversight, transparency and accountability for consumers, including seven recommendations for government.

[pg. 41 finding – recommendation 11 *The Real Estate Council impose an explicit duty on managing brokers to report licensee misconduct to the Council, and explicit duty on licensees to report misconduct to their managing broker, when that misconduct places the public at risk.*]

These recommendations address all aspects of governance, oversight and regulation of the real estate industry, as well as protection and fairness for consumers against questionable behaviour in the market.

Some people asked yesterday – why didn't the group address the fundamental question, should the industry continue to be self-regulated.

Quite correctly, the response was that this is a question only government can answer.

And with that, I would like to introduce Premier Christy Clark.