



MANAGING BROKER REGIONAL ROUNDTABLES

Presentation Overview

- The role of managing brokers in real estate regulation
- Overview of current project: A review of managing brokers' roles and responsibilities
- Highlights from survey feedback
- Preliminary observations and discussion questions by theme:
 1. Supervision
 2. Liability and compliance
 3. Pre- and post-licensing education and qualifications
 4. Teams
 5. Rental, strata and commercial

Role of managing brokers in real estate regulation

- The real estate regulatory framework places significant responsibility and liability on the managing broker
 - Supervision of licensed and unlicensed staff
 - Brokerage operations and records
 - Ensure compliance with regulatory requirements
- In order to effectively discharge these duties, managing brokers play a variety of roles
 - Compliance officer
 - Teacher, mentor, advisor
 - Brokerage manager

Review of managing brokers' roles and responsibilities

- OSRE, in collaboration with the Real Estate Council of British Columbia and the Ministry of Finance, is undertaking a review of the roles and responsibilities of managing brokers in BC's changing real estate landscape.
- Project goals:
 - Ensure that the role continues to support adequate regulatory protections for consumers
 - Foster a strengthened culture of professionalism among real estate licensees
- We want to hear from licensees several times throughout the project:
 - On the current role of managing brokers
 - To identify challenges and the right potential solutions to explore (e.g. changes to Rules and/or Council bylaws, policies, guidance or education)
 - To provide feedback and identify obstacles to proposed solutions
 - On the implementation of workable proposals to support regulatory protections for consumers and further strengthen the professionalism of licensees

Project Timeline



Survey highlights

- OSRE conducted a survey from September 6-28, 2018 to identify issues, challenges, impacts, risks and potential solutions related to the role of managing brokers in a changing real estate landscape.
- We received approximately 2,380 responses
 - Including 340 managing brokers, 238 associate brokers and 1,722 representatives
- Respondents identified a wide range of challenges in the following areas:
 - Supervision
 - Liability and regulatory compliance
 - Pre- and post-licensing qualifications and education requirements
 - Teams (unique to trading services)
 - Other issues focused on rental, strata and commercial real estate services
- Today's session provides an opportunity to validate and further explore these results with managing brokers.

Regional Highlights: Northern BC

- Representatives and associate brokers from Northern BC were most likely to recommend:
 - Restricting managing brokers from providing real estate services (mainly trading)
 - Adopting a single licensing model
 - Requiring managing brokers to approve each contract
 - Restricting a licensee to a geographic area
 - Increasing the penalties and sanctions imposed for misconduct (managing brokers from Northern BC shared this suggestion)

And second most likely to recommend that managing brokers receive better compensation

- Managing brokers from this region are most likely to:
 - provide real estate services directly to clients
 - retire or lower license level in the next 5 years
 - manage smaller brokerages (1-49 individual licensees)
- No one from Northern BC suggested mandatory regular office meetings, one-on-one meetings or performance reviews

Regional Highlights: Vancouver Island & the Gulf Islands

- Licensees from Vancouver Island and the Gulf Islands were most likely to:
 - indicate they were a part of a team
 - recommend increasing the cost of a licence
 - recommend that managing brokers receive better compensation
- Managing brokers from this region were most likely to recommend:
 - ethics-focused education for individual licensees
 - limiting the number of licenses issued for and/or to a specific region
 - changes to continuing education
- Managing brokers from this region were least likely to:
 - retire or become licensed at a different level in the next 5 years
 - have an ownership stake in the brokerage they manage
 - delegate their management responsibilities to other licensees

Regional Highlights:

BC Interior

- Top solutions suggested by respondent from the BC Interior relate to education and qualifications (e.g. higher entry requirements, more on-going professional development including managing-broker specific courses, new/additional licence categories)
- Representatives and associates from this region were:
 - Amongst the most likely to indicate that they intend to become a managing broker in the next 5 years
 - Slightly less likely to indicate that they are a member of a team
- Managing brokers from this region were :
 - Among the most likely to actively provide real estate services to clients
 - Among the most likely to intend to retire or become licensed at a different level within 5 years
 - Among the most likely to delegate management duties to another licensee
 - The most likely to have an ownership stake (whether full or partial) in their brokerage

Regional Highlights: Lower Mainland

- Representatives and associate brokers from the Lower Mainland were most likely to recommend:
 - Regular, mandatory office meetings or one-on-one performance review meetings
 - Increased pre-licensing education
 - Increased managing broker resources and education
- Individual licensees from this region were:
 - 13.8% rental property management
 - 6.5% strata management
 - 93.9% trading services
- Lower Mainland managing brokers:
 - supervise the greatest number of brokerages with 1-24 licensees and 200+ licensees
 - were least likely to provide real estate services directly to clients

Key Survey Results and Observations:

Supervision

- Most representatives and associates want more supervision and training from their managing brokers
- Managing brokers report that they don't have sufficient time or incentive to provide the desired/required level of guidance and accessibility/mentorship
- On average, managing brokers indicated that they allocate approximately 40% of their working hours to supervision of brokerage staff
- On average, managing brokers would like to be able to spend more time on business development, followed by supervision of brokerage staff
- Some respondents indicated that the supervision of real estate licensees is made more difficult by its indirect nature as well as high numbers of related licensees and/or transactions
- Some respondents indicated that managing brokers who actively provide services to clients face additional potential challenges (e.g. conflicts of interests, perceived as a competitor)

Discussion Questions:

Supervision

- Based on your experience, is there anything significant missing from the summary of survey results?
- How does effective supervision impact consumer protection? What does it look like (e.g. is it “hands-on,” does it require people to be in the same physical location, can it be done remotely)?
- How would the following solutions improve consumer protection? Could there be unintended consequences from these solutions?
 - More detailed regulatory requirements on supervision (e.g. regular, mandatory office meeting or one-on-one meetings; managing broker presence at brokerage)
 - Cap on the number of licensees per managing broker
 - Restrict managing brokers’ ability to provide services to clients

Key Survey Results and Observations: Liability and Regulatory Compliance

- Respondents indicated that they want swift and decisive action by the Council against licensees who commit misconduct, and for more licenses to be revoked in cases of serious misconduct, such as fraud. However, they are generally not willing to report misconduct
- Many managing brokers indicated that they would like to see greater consideration of whether they were directly responsible or involved in licensee misconduct when liability is assigned in discipline cases
- Respondents identified that managing brokers have vicarious liability but limited control over licensees' or brokerage owners' conduct
- Managing brokers indicated that they face a complex and broad range of regulatory compliance requirements (e.g.: anti-money laundering, residential tenancies, *Homeowner Protection Act*), beyond RESA.

Discussion Questions: Liability and Compliance

- Based on your experience, is there anything significant missing from the summary of survey results?
- How should liability be placed on brokerage owners, managing brokers and other licensees to ensure effective consumer protection?
- What role can managing brokers or other licensees play in improving licensee conduct and professionalism?
- How would the following solutions improve consumer protection?
Could there be unintended consequences from these solutions?
 - Representatives and associate brokers being responsible for their own misconduct; single licensing
 - Brokerage owner restrictions or requirement

Key Survey Results and Observations:

Pre-and Post-Licensing Education

- There is general consensus among survey respondents that education and licensing requirements need to be re-examined for all licensees (e.g. representatives and managing brokers)
- Respondents suggested that brokerages may not provide sufficient on-going training to related licensees to ensure that they understand and comply with regulations
- Respondents identified that there may be insufficient educational options for managing brokers' unique role and duties
- There is concern among respondents about the existence of cheating or learning avoidance schemes in pre-licensing education and in continuing education and professional development

(Note: The Council is currently undertaking a review of licensing education that may address some of the issues and challenges identified through the survey)

Discussion Questions:

Pre- and Post-Licensing Education

- Based on your experience, is there anything significant missing from the summary of survey results?
- What role should managing brokers play in the training of new licensees in their brokerage?
- What role should managing brokers play in the continuing training and professional development of all licensees in their brokerage?
- To what extent would "Train the Trainer" programs be helpful to managing brokers?

Key Survey Results and Observations: Teams (Trading Services only)

- Teams have evolved from an advertising vehicle into more sophisticated sales and marketing vehicles
- Respondents indicated that large teams may operate as a “mini brokerage,” creating confusion among licensees and consumers
- Licensees at all levels indicated that they want more guidance in the regulatory framework about teams (e.g. best practices guidance in PSM/BSM, clear consideration of education or qualification requirements for leaders or team members)
- Many managing brokers would like to see process improvements related to teams (e.g. changes to forms and processes for creating teams and/or recording membership changes)

Discussion Questions: Teams (Trading Services only)

- Based on your experience, is there anything significant missing from the summary of survey results?
- What are the potential impacts on consumers from the current formation and operation of teams? What role could managing brokers play in the operations of teams to address these impacts?
- How would the following solutions improve consumer protection? Could there be unintended consequences from these solutions?
 - Team leader qualifications (e.g. education, discipline history, experience)
 - Team member qualifications
 - Restrict or prohibit teams (e.g. limit team size, limit number of teams within a brokerage, abolish teams)

Preliminary Observations:

Rental, Strata and Commercial

- Respondents identified that there is insufficient focus on the needs of rental property, strata management and commercial licensees
- Respondents indicated that all three areas (i.e. rental, strata and commercial) need targeted education, practice advice, standard / prescribed forms and other supports
- Some licensees requested the development of an APC for rental property and strata management
- Commercial licensees suggested recognition as a separate category in the regulatory framework and/or their own regulatory framework

Discussion Questions:

Rental, Strata and Commercial

- Based on your experience, is there anything significant missing from the summary of survey results?
- How do the issues and challenges identified in the survey negatively impact consumer protection?
- Are there consumer protection issues in your area of practice that need to be addressed? What are they and where do we need to start?
- How would the following solutions improve consumer protection?
Could there be unintended consequences from these solutions?
 - Rental: resolving perceived conflicts between the *Real Estate Services Act* and other residential tenancy legislation
 - Strata: new rules to help strata licensees avoid conflicts (e.g. acting as a strata building caretaker or a supervisor of contractors and tradespeople on behalf of strata clients, having an interest in a strata restoration company, limit remuneration from strata wind-ups)
 - Commercial: separate licensing scheme; identification of “sophisticated” clients
 - All: changes to licensing education; standard forms; practice advice; enforcement of existing rules

Next steps



- The project includes multiple licensee engagement opportunities
 - Feedback received through the survey and the regional roundtables will be used to inform a discussion paper that will be released in spring/summer 2019
 - OSRE also welcomes written submissions on the discussion questions (send to OSREpolicy@gov.bc.ca)

Useful links

- For more information, consult the [project website](#)
- Summary of information gathering survey link:
<https://www2.gov.bc.ca/assets/gov/housing-and-tenancy/buying-and-selling/consumer-protection/consultation-summary-report-role-of-managing-brokers.pdf>

Thank you for your participation!



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