

JULY 2022

Summary of Consultation Feedback

Brokerage Trust Accounting

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1. Introduction

This report provides a summary of feedback received by BC Financial Services Authority (“BCFSA”) in relation to a proposed amendment to the Real Estate Services Rules (“the Rules”) respecting brokerage trust accounting requirements.

The proposed amendment is intended to align BCFSA’s requirements for pooled trust account reporting with federal requirements, enabling brokerages to designate certain accounts as professional trustee accounts with their federally regulated financial institution to benefit from Canada Deposit Insurance Corporation’s (“CDIC”) streamlined information reporting.

For further information on the proposed amendment see the [Real Estate Services Rules Amendments](#) consultation page on BCFSA’s website.

2. Consultation Process Overview

The consultation was open for public comment from February 23 to April 24, 2022. The primary source of feedback came from BCFSA's online feedback form.

Participants were invited to share their opinions on the repeal of section 71 of the Rules.

To support informed participation and raise awareness, BCFSA shared information and resources with stakeholders in advance and throughout the consultation period

Some of the engagement activities BCFSA undertook include the following:

- Notified licensees of the opening of the consultation period via an email Advisory;
- Published a news release inviting the public and licensees to participate in the consultation opportunity;
- Invited feedback from key industry associations (e.g., British Columbia Real Estate Association, local real estate boards, the Professional Association of Managing Agents, Strata Property Agents of BC, Landlord BC, and the Real Estate Brokers Association of BC);
- Published a consultation page with a variety of resources explaining the proposed Rule amendment and its anticipated impact including:

[Annotated Rules](#),

[Frequently Asked Questions](#), and

Consultation Feedback Form;

- Sent regular reminders to licensees to participate in the consultation, via email, newsletter articles, and social media; and
- Hosted a webinar for managing brokers to provide information about the proposed amendment.

3. Summary of Feedback: What We Heard

A total of 1,252 people participated in the consultation, which included the consultation on real estate teams, by responding to the feedback form.

In total, 22 comments were submitted regarding the proposed amendment to the brokerage trust accounting Rule. These comments were reviewed and considered by BCFSa and formed the basis of the themes outlined in table 1 below.

Seven responses were supportive of the change, four were satisfied with the existing Rule, two expressed criticism of the proposed amendment, while the remaining responses were off topic. The following table summarizes the key themes from the feedback received during the consultation.



Table 1: Key Themes From Feedback

Theme	Summary of Issue/Comment	BCFSA Response
General support	Seven respondents supported the repeal of section 71, believing the change “made sense.”	<p>The proposed amendment will allow brokerages to take advantage of the new CDIC rules and designate their pooled trust accounts as professional trustee accounts with their financial institution.</p> <p>Brokerages that choose to do this will only need to provide beneficiary information to CDIC upon request, rather than annually as is currently the case. Ultimately, this change will reduce unnecessary duplication between the Rules and CDIC’s rules.</p>
Annual reporting	Four respondents believed that the current system of annual reporting should continue.	<p>Although the amendment will allow brokerages to designate certain accounts as professional trustee accounts, brokerages are not required to do so. If a brokerage chooses not to designate their pooled trust accounts as professional trustee accounts, they will be considered general trust accounts and will be required to report beneficiary information to CDIC member institutions for these accounts, despite the repeal of section 71 of the Rules. Therefore, if a brokerage prefers to continue to report beneficiary information to their financial institution, they may continue to do so.</p>
Deteriorating diligence	Another respondent believed that reporting only upon CDIC request could lead to the deterioration of brokerages’ diligence respecting information collection.	<p>Despite the proposed repeal of section 71, brokerages are still required, under section 81 of the Rules, to maintain a monthly trust liability and asset reconciliation, which contains the same information that would previously be reported annually under section 71.</p> <p>Brokerages are also required to maintain a record of beneficiary information for the accounts that they designate as professional trustee accounts, even though they will no longer have to report this information proactively.</p>
Anti-money laundering	One respondent was concerned that more streamlined reporting is contrary to the goals of anti-money laundering.	<p>The purpose of CDIC is to provide insurance against the loss of part or all deposits and to contribute to the stability of the financial system in Canada. The information CDIC collects for this purpose is not utilized to prevent, detect, or deter money laundering.</p> <p>Real estate brokers and sales representatives have specific obligations that are required by the <i>Proceeds of Crime (Money Laundering) and Terrorist Financing Act</i> and associated Regulations to combat money laundering activity. These obligations are not impacted by the proposed Rule change.</p>

4. Consultation Outcomes and Next Steps

BCFSA thanks those that took the time to participate in the consultation. Given the low impact of the amendment, the feedback BCFSA received from this consultation was quite limited. BCFSA did not expect to receive a large number of comments. Many of the comments that BCFSA received were in favour of the change, and no major risks were identified that would require an amendment to the proposed Rule.

Going forward, BCFSA must seek the Minister of Finance's consent to make the new Rule. If the Minister consents to the proposed Rule, BCFSA will bring the Rule into force on October 1, 2023.

BCFSA will post a news release and advisory informing the public, licensees, and the media of the Minister's decision.





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