

BCFSA Updates

Presentation to BCREA Managing Broker
Community of Practice

July 19, 2023

BCFSA BC Financial
Services Authority

Classification: Protected A



Speakers

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Agenda

1. BCFSA 2023/24 Regulatory Roadmap and Stakeholder Engagement Strategy
2. Results of 2023 Data Call
3. Rules Consultation: Data Collection

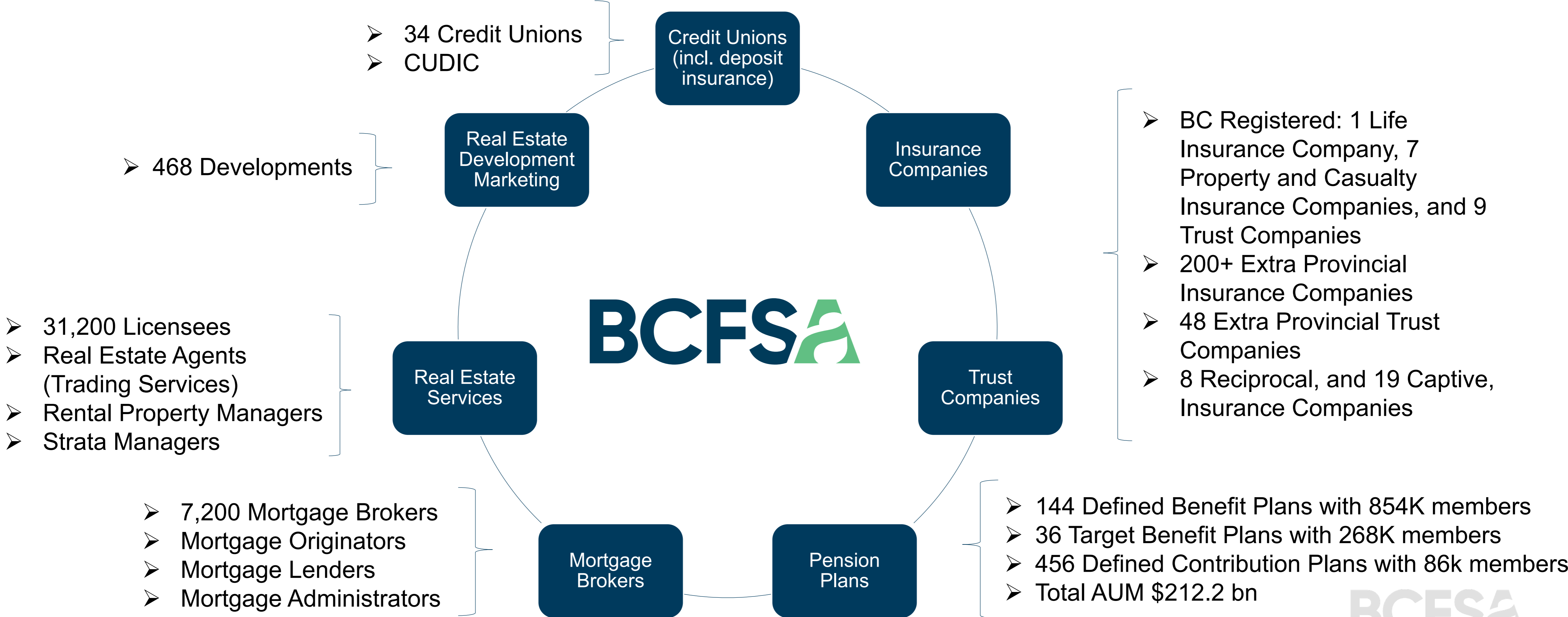


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BCFSA's mission is to promote confidence in British Columbia's financial services sector by providing risk-based and proportional regulation and protecting the public.

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Overview of the BC Financial Services Sector



2023/24 Regulatory Roadmap and Stakeholder Engagement Strategy

We purposefully and proactively engage with our external stakeholders.

- Regulatory roadmap to provide a line of sight on BCFSA regulatory priorities.
- Technical working groups to implement regulatory roadmap deliverables.
- Segment roundtables to provide strategic advice to BCFSA and inform the regulatory roadmap



Regulatory priorities tied to areas of risk

- Macroeconomic environment
- Enhanced professionalism to support consumer protection
- Regulatory framework modernization
- Crisis preparedness
- Natural catastrophe and climate risk
- Digitalization



Priorities for Real Estate Segment

- Proactive oversight of industry
- Efficient and effective regulatory enforcement program
- Natural catastrophe and climate risk

APRIL 2023

2023/24 Regulatory Roadmap

BCFSA

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Real estate regulatory initiatives

PROACTIVE OVERSIGHT OF INDUSTRY

- New Rules for real estate teams (Q1)
- Real estate data collection – annual data call (Q4)
- Real estate data collection – information sharing (on-going)
- REDMA consumer disclosure enhancements (Q3)
- Brokerage governance and accountability plans (Q3)
- Education enhancements – Applied Practice Course (on-going)

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2023/24 Regulatory Roadmap

BCFSA

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Real estate regulatory initiatives

EFFICIENT AND EFFECTIVE REGULATORY ENFORCEMENT PROGRAM

- Administrative penalties update – Rules changes (Q3)

NATURAL CATASTROPHE AND CLIMATE RISK

- Natural catastrophe and climate risk discussion paper (Q2)

APRIL 2023

2023/24 Regulatory Roadmap

Segment Roundtables

- **Convene annual roundtables with representatives from industry to discuss strategic and emerging issues:**
 - Provide opportunity for dialogue about regulatory agenda and priorities that can be integrated, as applicable, into the regulatory roadmap.
 - Segment roundtables are in addition to the ongoing work BCFSA undertakes to engage directly with industry associations.
 - Call for applicants will be forthcoming.



2023 Real Estate Data Call Results

2023 Data Call

- BCFSA requested information from trading services brokerages and branch offices on real estate transactions between February 19, 2023 – March 18, 2023:
 - Residential real estate sales
 - Rescission notices



Data request details

HOME BUYER RECISSION PERIOD (ALL TRADING SERVICES BROKERAGES)

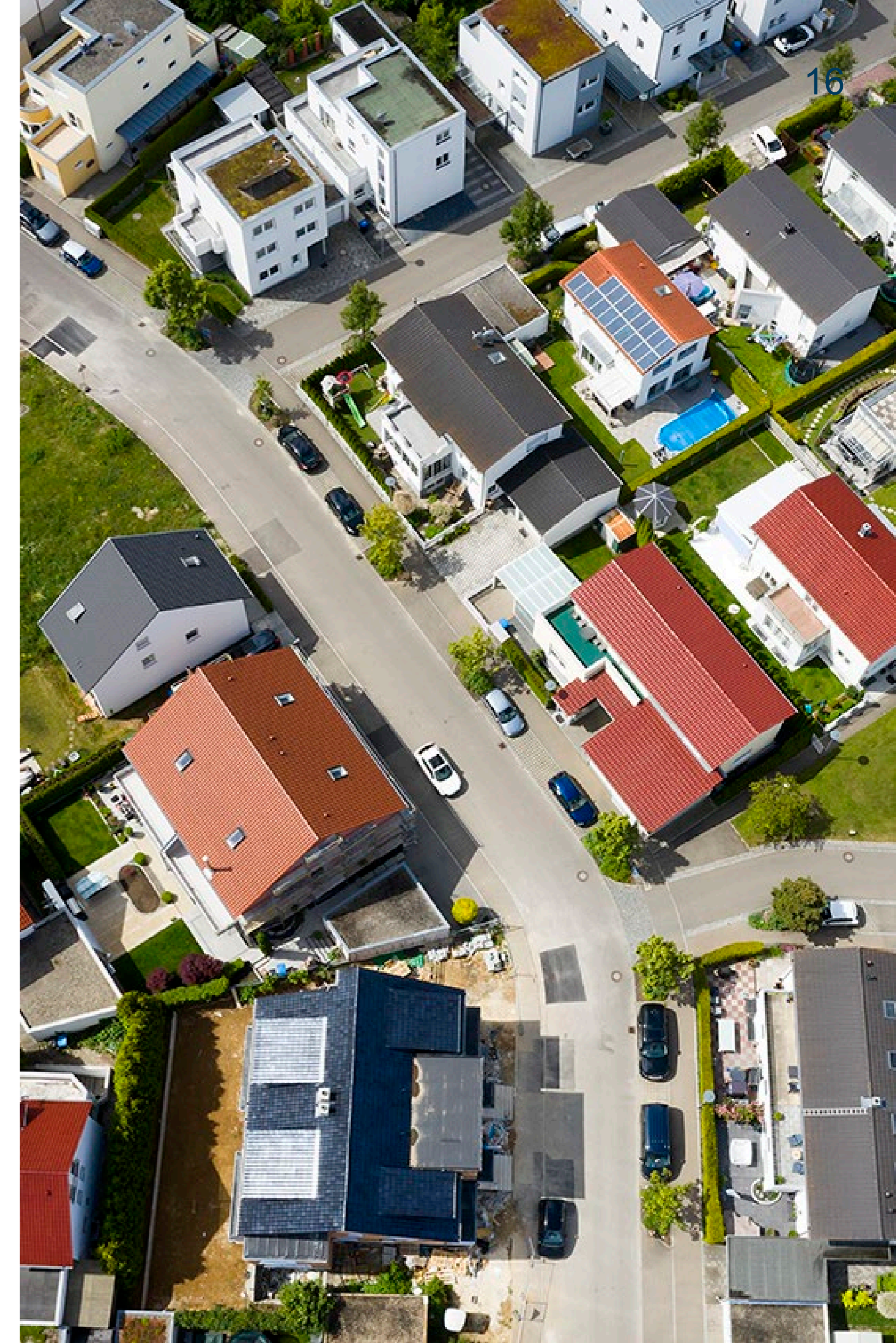
- Brokerage licence number
- Real Estate Board Area where subject property is located
- Property Type
- List price on date of offer acceptance
- Accepted offer price
- Date of offer acceptance
- Which party the brokerage represented
- Date of recission notice
- Amount payable on recission
- Whether there was a deposit
 - If so, the amount and whether held in trust



Data request details

RESIDENTIAL REAL ESTATE SALES (LISTING BROKERAGE ONLY)

- Brokerage licence number
- Real Estate Board Area where subject property is located
- Date of listing agreement
- Date of offer acceptance
- List price on the date that the accepted offer was received
- Firm contract date
- Sale price
- Conditions
- Property Disclosure incorporated into CPS
- Total number of offers received
- Price of highest non-accepted offer



Residential Real Estate Sales

Results

RESPONSE

- 781 brokerages and/or branch offices provided a reply
 - 62% response rate (compared to 47% in 2022)
 - 328 nil replies
- Data sample includes 3,266 transactions total
 - Compared to 1,904 in the 2022 Data Call

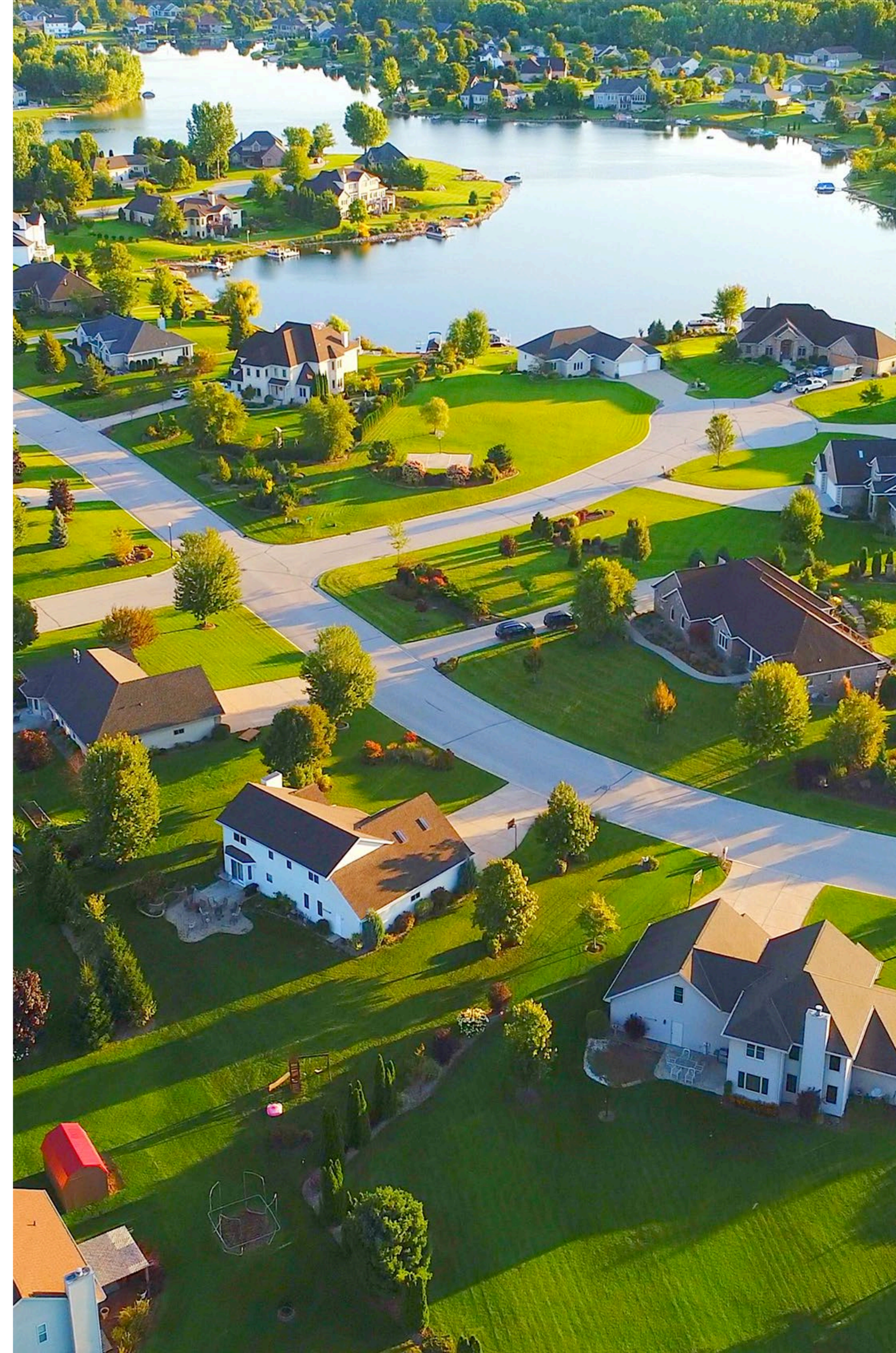
DATA

- The results outline general observations only
- Can't be extrapolated to the broader real estate market outside of reporting period
- Data quality challenges



Residential Sales Results

- Observations generally consistent with reports of a **slower real estate market**
- **No major regional differences** in the observed trends
- **Multiple offers less common** than in 2022 and 2021
 - ~70% of transactions had only one offer
- In most cases (80%), the **highest priced offer was accepted**
- **Properties took longer to sell** than in 2022 (39 days)
- **More properties sold below their listing price** compared to 2022 and 2021
 - ~60% of properties sold within 5% below asking price
- **Decline in transactions with no conditions**
 - Only 13% of transactions had no conditions
- **Unconditional offers were more commonly accepted in multiple offer situations**, though still occur in single offer situations
 - 40% of the transactions where an unconditional offer was accepted had only one offer



Home Buyer Rescission Period

Home Buyer Recission Period

- 45 distinct rescissions in the sample (~1% of transactions)
- Rescission occurring in all regions (i.e., local real estate board areas), excluding Powell River Sunshine Coast
 - 20 rescissions in Greater Vancouver
 - 5 rescissions each in B.C. Norther,, Interior, Fraser Valley, Victoria
- Almost half the rescissions **occurred on the third day** of the rescission period
- **Average rescission fee was \$2,648**
- Rescissions **most common with detached houses** (42% of rescissions)
- **Deposits provided about half the time**
 - 80% of those held in trust



Observations

- Participation rate
- Reporting ability
- Data quality challenges
- Communication



Rules Consultation: Data Collection

Consultation on Proposed Real Estate Data Collection Rules

- BCFSA collects data from its regulated entities and institutions in order to meet its mandate of ensuring financial services sector safety and soundness, protecting consumers, and ensuring public confidence in financial services
- Starting in 2024, BCFSA intends to conduct a mandatory data call with real estate brokerages
- RESA contemplates broad data collection authorities for BCFSA, which BCFSA uses to collect data and information from brokerages. Additional Rules will provide greater clarity for future mandatory data calls.
- Other amendments to licensee disclosure and record retention requirements are also proposed



Proposed Changes

Proposed Rule amendments would:

- Provide BCFSA with flexible authorities to collect information and records that are timely and comprehensive to support evidence-informed policy and regulatory decisions:
 - Ad hoc data collection (e.g., data calls)
 - Periodic data collection (e.g., monthly, quarterly, or annual reports)
 - Contingent data collection (e.g., provide information within a specified time period after a triggering event)



Proposed Changes (cont'd)

Proposed Rule amendments would:

- Strengthen record-keeping and disclosure requirements in some key areas:
 - Require brokerages to retain copies of any offers prepared or received in relation to a trade or prospective trade in real estate; and
 - Require licensee disclosures of conflicts of interest to be made in writing and retained as part of brokerage records.



Public Consultation

- BCFSA is currently conducting a 60-day public consultation to seek feedback on the proposed rule amendments
 - Comment period open from June 26 to August 27, 2023
- Visit BCFSA's website to view the proposed Rules and provide feedback

www.bcfsa.ca

REAL ESTATE PROFESSIONAL

CLOSES: 27 AUGUST 2023

Consultation on Proposed Amendments to Real Estate Data Collection Rules

BC Financial Services Authority is consulting the public and licensees on proposed amendments to the Real Estate Services Rules ("Rules") that will strengthen and clarify BCFSA's authority to...

**Thank
you.**