



THE MANITOBA  
SECURITIES  
COMMISSION

## NOTICE TO REAL ESTATE AND MORTGAGE BROKERS/ AUTHORIZED OFFICIALS AND SALESPERSONS

Earlier this year, the Real Estate Division of The Manitoba Securities Commission (“MSC”) published a Notice advising of proposed increases in registration and renewal fees for brokers, authorized officials and salespersons. The proposed increases would result in registration and renewal fees at the following levels:

<b>REAL ESTATE</b>	<b>Annual Fee</b>
Broker - New	\$500
Broker - Renewal	\$400
Authorized Official - New	\$400
Authorized Official - Renewal	\$400
Salesperson - New	\$400
Salesperson - Renewal	\$400
<b>MORTGAGE BROKER</b>	
Broker - New	\$500
Broker - Renewal	\$400
Restricted Broker - New	\$500
Restricted Broker - Renewal	\$400
Authorized Official - New	\$400
Authorized Official - Renewal	\$400
Salesperson - New	\$400
Salesperson - Renewal	\$400

The notice asked for written comments. We received 30 comment letters. We also subsequently received a petition opposing the increases containing approximately 300 signatures.

The comments received were either opposed to the fee increases or requested that they be implemented over two or more years as opposed to a single increase in the full amount. Some of the commenters asked what additional services the real estate industry could expect to receive from the MSC for the additional fees.

Services provided by the MSC are regulatory services. This includes establishing and operating a registry, necessary for market intermediaries to conduct business. It also includes field audit, policy development, investigative and prosecutorial services all of which are designed to protect the public and maintain the integrity and reputation of the industry. These are the basic services that have been and will continue to be provided by the MSC to the real estate industry.

The MSC is a division of the Manitoba Financial Services Agency (“MFSA”). The MFSA, in addition to the real estate industry, regulates several other financial services industries in Manitoba including securities, insurance and credit unions. Each of these industries is assessed costs and fees which cover the cost of the regulatory services provided. That is standard in the area of financial services regulation, however, that has not been the case with the real estate industry in Manitoba. The real estate industry in Manitoba does not cover the cost of regulatory services provided.

### Real Estate Division

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A DIVISION OF THE MANITOBA FINANCIAL SERVICES AGENCY

Over the years, as a part of the MSC, the real estate division has only been assessed certain basic costs, including the salaries of assigned staff members, the area's proportionate share of office space costs and certain operating expense attributable to it such as the cost of operation of its electronic registration system. With registration revenues as currently set the real estate division has traditionally finished the fiscal year with a small operating deficit.

The real estate division has not been assessed a share of certain overall operating expenses of the MSC, but most importantly, the costs assessed to the division have not included any contribution to significant regulatory expenses, including investigators, investigative procedures, lawyers and hearing costs. In addition, there are considerable unallocated costs attached to out-sourced specialized services (i.e. forensic auditing) connected to real estate investigations in recent years.

In past years, due to relatively low volumes the situation was deemed acceptable, however, the number and complexity of real estate investigations and hearings have increased significantly in the last few years and the shortfall of revenues to cost of regulation has become significant. The situation is not expected to ease in the future. In fact, the obvious need for more field audits in certain areas of the industry will require the MSC to look to add another dedicated real estate auditor for 2018/19.

Simply put, the artificially low level of registration fees assessed over the years has resulted in the real estate industry not covering the cost of its own regulation. The proposed fee increases, when put in place, should allow the real estate division to be self sustaining and, if necessary, be capable of operating as a stand alone regulator, as is the situation with other financial services industries regulated by the MFSA.

Fee increases are not something the MSC itself can impose on the real estate industry. All fee regulations must be enacted by the provincial Government through Cabinet. Our current instructions are to proceed with the proposed fee increases by way of Cabinet regulation. We expect to do this as part of the overall package of regulations being developed for the new Real Estate Services Act. We anticipate this will be finalized by the end of the current year.

Don Murray  
Chair and CEO, The Manitoba Securities Commission  
CAO, Manitoba Financial Services Agency

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