

## Best Practice Guide for Co-Broking Commission - FAQ

### 1) Why are we doing this?

There is no uniformity in the current practice of how property agents are remunerated which causes pain points. For example, in some sale transactions, the seller will pay the commission to the property agent representing them while it is up to the discretion of the buyer, if they want to pay commission to the property agent who represents them. If the buyer does not pay the commission to their property agent, then their agent will negotiate with the seller's agent to share the commission. This creates potential conflict of interest as the buyer's agent can be caught in the dilemma of deciding to put the clients' interest first or to protect their commission. The same applies for rental transactions.

In many other jurisdictions around the world, the concept of real estate representation is very clear; Agents should collect commission from who he or she represents, i.e., Seller's agent to collect from seller, Buyer's agent to collect from the buyer. The same applies to tenancy commission, Landlord's agents will collect from landlords, and Tenant's agents from tenants. This is the arrangement the Best Practice Guide seeks to achieve.

### 2) How does this affect me as an agent?

If you are serving a buyer/tenant, you can go through the Best Practice Guide with your buyer/tenant and explain to them that the industry is encouraging the agent to be paid by the client they represent. Here are some reasons why:

- i. Agents should be paid for his/her service rendered, just like any other services engaged. They value add to the clients' sale/rental transaction as they
  - are familiar with the government policies, legalities and processes involved in the transaction / rental of a property. Thus, they can help clients navigate through the complexity of the property market, ensure the process is seamless, efficient and that things are done properly. As property transactions may involve huge sums of money, lifetime savings will be affected if not handled properly
  - have a wealth of knowledge and experience and are up to date on market developments and latest regulatory policies, like taxes (SSD, ABSD, SD) and can even offer financial planning tips. Thus, they can give sound advice that help clients make informed decisions, which save them time, money, hassle and avoid any potential pitfalls or costly mistakes
  - have a vast network in the industry and can reach out to a bigger pool of potential buyers/sellers/landlords/tenants in a shorter period of time

- Help clients negotiate and clinch a better deal as they know the market value of the property
- It eliminates any potential conflict of interest

However, in the event if the buyer/tenant is not willing to pay a commission to the agent representing them in the property transaction, the representing agent may put up a request to collect a co-brokerage fee from the agent representing the other party subject to their agreement at a co-brokerage fee to be agreed upon during co-brokering request.

**3) Can the seller's/landlord's agent reject co-brokering with buyer's/tenant's agent if buyer/tenant is not paying his/her agent?**

No. Under CEA's Practice Guidelines on Conduct of Estate Agents (EAs) and Real Estate Salespersons (RESs) towards one another (PGC), **EAs and RESs are required to comply with the duties prescribed in relation to co-brokering**, as set out in:

**Section III of the PGC: Conduct to be observed in relation to co-brokering (For both exclusive and non-exclusive listings):**

A. Co-broke with other EAs and RESs in a timely and co-operative manner

19. The duty to co-broke refers to the obligation to share information on the listed property, and to make the property available to all co-brokers to conduct viewings for prospective purchasers or tenants.

20. The EA and RES must cooperate and agree to co-broke with all other EAs and RESs, unless the EA and RES have been specifically instructed against it by their client in writing.

21. The EA and RES must respond to all requests for co-brokering and work with their co-brokers to facilitate the property transaction in a timely and co-operative manner

The duty to co-broke applies regardless of whether any agreement on co-brokerage fees is reached between EAs and RESs representing different parties in a property transaction.

**4) Does the Best Practice Guide discourage co-brokering?**

No. As explained earlier, co-brokering is compulsory. The guide only encourages the agents to be paid by the client they represent.

**5) Can there be co-broking without a sharing of commission?**

Yes, as co-broking is compulsory while sharing of commission between Estate agencies and agents representing different parties in a property transaction is a contractual matter to be negotiated and agreed upfront between the parties involved.

**6) If the buyer I serve does not want to pay me, can the seller's agent choose not to share the commission with me if my buyer buys the unit?**

Agents should reach an agreement with their clients regarding the commission amount before beginning their services. It is recommended that agents use the CEA prescribed forms to formalize this agreement before proceeding with property marketing or searches.

If a buyer's agent is unable to convince the buyer to pay the commission, the agent must decide whether to continue representing the buyer. If the agent continues to represent the buyer, he/she may put up a request to share commission fee from the seller agent subject to their agreement at a co-brokerage fee to be agreed upon during co-brokering request but at the same time, face the risk of not getting paid in the event the seller's agent does not want to share the co-brokering fees.

Under CEA's Practice Guidelines on Conduct of Estate Agents (EAs) and Real Estate Salespersons (RESs) towards one another (PGC), it is stated that the duty to co-broke applies regardless of whether any agreement on co-brokerage fees is reached between EAs and RESs representing different parties in a property transaction.

**7) HDB buyers are willing to pay commission as the quantum is lower. However, the quantum for private properties is a lot higher. Are the buyers for these private properties willing to pay for the commission even if we give value-added services?**

Many other countries and territories practice buyers paying commission to buyer agents for their service. It takes time for the public to understand this move. It is for the greater good to better protect the interest of the consumers. SEAA will work in hand with agencies that signed the MOU to inform the public on the Best Practice Guide. Currently, more public awareness programs are work in progress and will be roll out soon.

**8) Seller agent in wanting to close the deal, will do the same analysis for the direct buyer. So why should the buyer want to engage a buyer agent?**

Seller's agent is obliged to protect and promote the interest of the seller and not acting on the interest of the buyer. Buyers who understand and wants their interest to be protected will see the need to engage and pay an agent to protect their interest.

**9) How about new property launches? Will seller agents pay ecb?**

For project launches, agent representing buyer can collect External Co-broke commission from project joint marketing agent. Please refer to Guide.

**10) Is the Best Practice Guide legalised? Any implication if I don't follow it?**

The Best Practice Guide is not a regulation and you will not be penalised if you do not follow it. However, the Guide is being rolled out for the betterment of the industry. Just like any other service industry, the agents deserved to be paid by their clients, for the services they rendered to them in their best interests. This arrangement also removes any potential conflict of interest. Although this is not the current practice for the entire industry right now, change has to start somewhere and this is the starting point. We recognise that this will take time, but we hope the industry will see the benefits it brings and work together towards that.

**11) Will SEAA help to promote the Best Practice Guide to the public? This will help to inform the public and makes it easier for the agents to bring it up to their clients.**

SEAA will work in hand with agencies that signed the MOU to inform the public on the Best Practice Guide. Currently, more public awareness programs are work in progress and will be roll out soon.

**12) What happens when my co-broker and I have co-broking disputes?**

SEAA together with Law Society, have put together a dispute resolution scheme. Members can approach SEAA if they wish to adopt the mediation and arbitration schemes by Law Society of Singapore as first port of call for all disputes arising from Co-broking arrangements between property agencies and agents. This is with effect from 1st January 2024. Please visit <https://www.seaa.org.sg/dispute-resolution/> to find out more.