

April 27, 2016

INDUSTRY UPDATE

MORTGAGE BROKER CONFLICT OF INTEREST DISCLOSURE IN BRITISH COLUMBIA

The Registrar of Mortgage Brokers at the Financial Institutions Commission received over 70 submissions from industry and the public in response to our open letter on improved mortgage broker conflict of interest disclosure. Those submissions have been carefully reviewed and we have had a number of follow up conversations with individuals on key issues. Thank you to all participants in our consultations to date for sharing their perspectives and ideas on this important topic.

Your input has helped shape our implementation plans, and we wanted to share some information on key aspects of those plans.

We continue to welcome feedback and ideas from industry and the public as we proceed to implementation, and invite you to contact us at brokerconsultation@ficombc.ca.

KEY ASPECTS OF THE IMPLEMENTATION PLAN

Mortgage brokerages responsible for disclosure

The *Mortgage Brokers Act* (Act) places responsibility for providing conflict of interest disclosure on the brokerage, and that disclosure includes conflicts that the brokerage or individual mortgage broker may have.

Improved disclosure requirements will reinforce that mortgage brokerages are responsible for conflict of interest disclosure to consumers.

Simple and easy to understand disclosure

The Act Regulations provide a one-page form for conflict of interest disclosure (prescribed Form 10).

To better enable brokers and brokerages to meet their disclosure obligations under the Act, the Registrar will introduce guidelines to assist completion of the prescribed Form 10. These guidelines will replace the current “enhanced Form 10”.

This approach will address industry confusion about the existence of two Forms 10s and simplify the disclosure that consumers receive.

We are also contemplating the development of information for consumers, to ensure consumers understand why they’re receiving conflict of interest disclosure and how to use the information they receive.

Guidelines to assist disclosure

The Registrar will publish guidelines, developed with industry input, that describe how we expect brokerages to review and disclose conflicts to consumers. Those guidelines will include our expectations regarding compensation disclosure.

Our objective is to encourage brokerages to review and disclose conflicts in accordance with the principles of full transparency to consumers. There are a wide variety of potential conflicts (and a variety of compensation arrangements) that a brokerage may need to disclose to consumers on any particular file. Guidelines equip brokerages and industry to focus on development of best practices that meet legislative requirements and the needs of consumers.

Industry has identified that consumers may require additional information to place compensation disclosure in context, for example, information about the compensation provided by different lenders. A better informed consumer is a shared goal of both industry and the regulator, and we encourage industry to continue to explore how industry can contribute to that shared goal.

We anticipate the release of improvements to conflict of interest disclosure by no later than September 1, 2016. To ensure industry has sufficient time to adjust business processes and practices, we anticipate enforcement of the improved disclosure requirements to commence by no later than January 1, 2017.

Consumer protection, transparency, and choice are values that industry and the regulator share. We have confidence in industry’s ability to contribute to the ongoing development and implementation of improved conflict of interest requirements in British Columbia, and to respond when those requirements are in place.

We invite you to contact us at brokerconsultation@ficombc.ca with any questions and feedback as we proceed with this important initiative.

A handwritten signature in black ink, appearing to read "Carolyn Rogers". The signature is fluid and cursive, with a large initial "C" and "R".

Carolyn Rogers
Registrar of Mortgage Brokers