

SRB REPORT



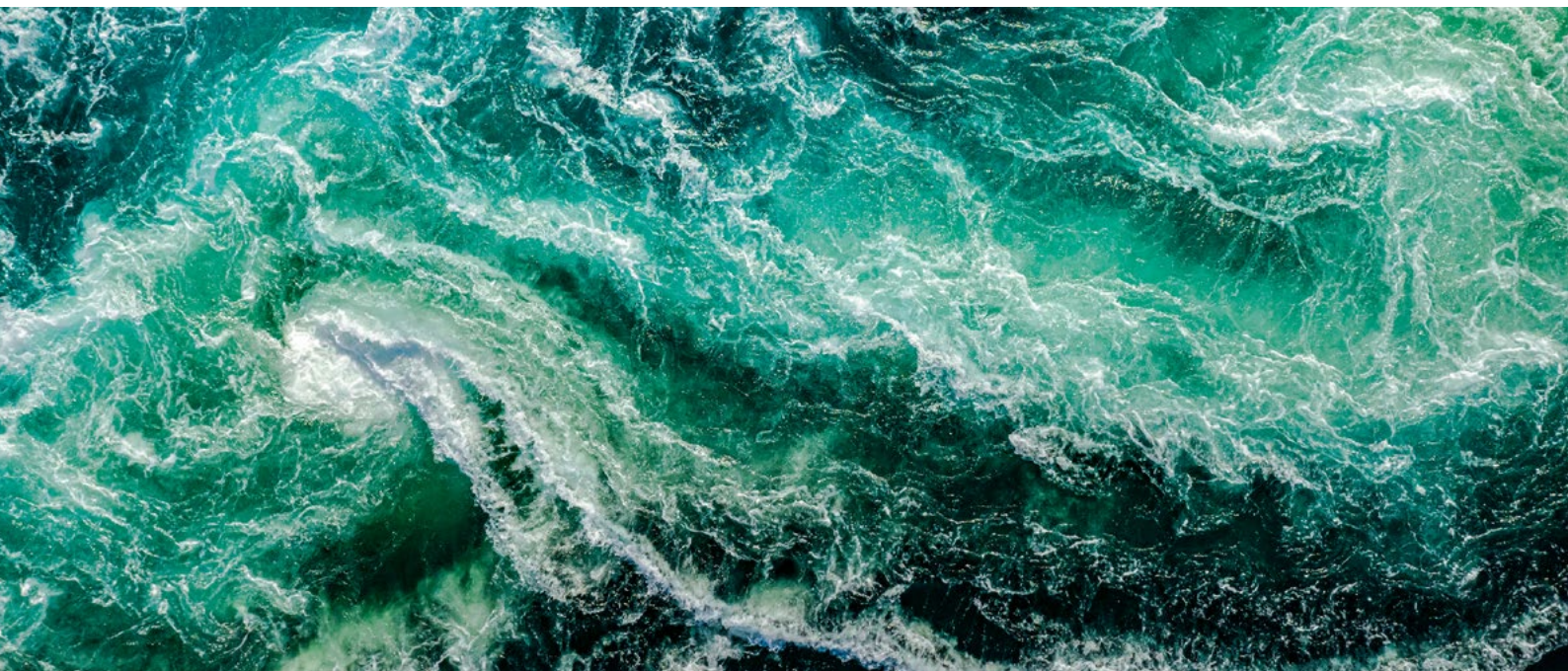
# Standards and Regulation Board

## Risk outlook 2024

July 2024

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# Foreword

As Chair of the RICS Standards and Regulation Board (SRB) it has been important for me and newly appointed members of the SRB to build an understanding of the risks facing RICS as the regulator of our members and firms. We thought it useful to share this report with members, regulated firms and the public, to support an understanding of the work we are focused on, and our current priorities as a Board. These risks also form the basis of much of the work of RICS in supporting members' professional practice and delivering thought leadership.

Sharing information with stakeholders on our view of the economic and structural forces affecting an evolving profession, and the associated risks that must be considered in the context of the regulatory landscape, is essential. It is also one of the ways that we as a regulator can assist and provide insight to members to support their compliance with professional responsibilities, mitigate risk to their practices, and protect clients and the public. RICS already provides valuable insight into the markets in which our members and firms operate through a range of publications, such as the Global Construction and Commercial Property Monitors and the UK Economy and Property Market Update.

In this report we outline how major regulatory trends will affect the surveying industry across the globe and the UK in the year ahead, and how members and regulated firms can anticipate and respond to them effectively.



**Nigel Clarke**  
Chair, RICS Standards and Regulation Board

This report sets out our perspective on the most important strategic and operational risks that we consider can be influenced through our own actions as a professional body and regulator, and where we can influence the actions of our members and regulated firms. As such, this report does not set out a comprehensive list of all global risk factors applicable to the profession.

We will continue to seek insights from members, regulated firms, the public and all RICS stakeholders about the regulatory risks faced by the profession. This, alongside our regulatory data and thematic reviews, will inform our future work and contribute to the future strategy of the SRB. Gathering these insights allows us to use our position as an independent regulator operating within RICS to strengthen trust in the profession.

We welcome dialogue with all RICS stakeholders about how to improve the usefulness of future reporting and whether there are risks that you consider we have not identified, or perhaps given sufficient prominence to. Please send any thoughts to [riskoutlook@rics.org](mailto:riskoutlook@rics.org)

# Executive summary

The RICS Standards and Regulation Board (SRB) is responsible for setting and upholding RICS professional standards, maintaining robust entry requirements for those aspiring to enter the profession, and regulating RICS' dispute resolution activities. The SRB has exclusive responsibility for exercising RICS' regulatory functions, including strategy, governance, structure, policy and operational oversight in the public interest.

It is important that we understand the continued development of risks and pressures facing members and the changing public expectations of the profession, in order for our self-regulatory model to deliver the public advantage and remain relevant by responding to those challenges and opportunities.

In this report we highlight 14 priority topics driven by a mix of events and long-standing regulatory interests. Regulatory-focused priorities have become heightened due to the built and natural environments facing large-scale challenges ranging from climate change to cost of living, financial crime and technological advancements.

Endemic skills shortages of qualified professionals undermine development in the industry while the workplace has become more fluid post-pandemic, with the built and natural environment needing to reflect the change in workforce behaviour.

This report:

- summarises major areas of risk to the profession that the SRB is actively monitoring, and that relate to the work RICS members and regulated firms undertake
- provides an update on what RICS as a regulatory body is doing to support members and firms to mitigate these risks
- outlines links to helpful resources and content for firms, members and the public when considering these risks
- briefly highlights areas where we consider RICS members and firms should focus their attention and priorities over the coming year.



The report is structured in two parts, consisting of a global risk outlook and UK risk outlook. We consider it important to differentiate between risks applicable globally and the UK specifically to reflect differences due to history, size, and relationship with RICS members and stakeholders.

The SRB does however want to ensure consistency of professional conduct and ethical practice across all RICS members and regulated firms wherever they work.

There are global standards in place, but the Board will continue to carefully consider how it can best work with the new governance structures within RICS, to gather insight and assess risk across the globe and target the resources available to it to provide the most effective assurance and in order to safeguard the public interest.

Working on solutions to address the risks outlined in this report with all our partners and communities will ensure that our decisions about regulatory frameworks, policies and activities will be rigorously informed.

# Global risk outlook

Political and economic issues are creating a complex environment for regulators in 2024. The challenging and unprecedented operating conditions that the surveying profession has faced for the last few years, such as navigating economic uncertainty because of the covid pandemic, the cost of living crisis, inflation and continued geopolitical tensions around the globe look set to continue.

Although inflation is cooling in many parts of the world and increases in interest rates have slowed, the SRB is acutely aware of the interactions between its regulatory agenda, global uncertainty and an uncertain economic outlook. With continuing conflicts in Europe, Africa, and the Middle East, alongside elections taking place in several major jurisdictions over the coming year, this backdrop will be closely monitored by SRB going forward.

## Climate change and sustainability

With the built environment estimated to be responsible for 40% of global carbon emissions, the role of RICS members and regulated firms in advising clients will play a significant part in the reduction of emissions and the drive to net zero. Real estate development can also have significant environmental impacts, such as pollution and habitat destruction, and has social impacts on communities and individuals.

The politics of sustainability are increasingly complex. Government policy will play a key role in steering action. It is up to policymakers to provide clarity and set out a roadmap for the built and natural environment that establishes targeted regulatory interventions, short- and long-term targets focusing on decarbonisation, and building resilience to the negative effects of climate change.

Risks include the lack of governmental regulation around carbon emissions in areas including:

- planning, building regulations and to a lesser extent, building operational performance
- concerns about the availability of skills needed in the profession and
- the effect that financial and political uncertainty has on the ability of the industry to appropriately invest to help deliver the changes required.

Environmental, social and governance (ESG) factors should be seen as a platform for sustainable development in the surveying profession and aligned with long-term value creation in the context of behaving in an ethical and sustainable manner. The SRB acknowledges the value in ESG targets, management and reporting and will be monitoring its role in this area over the coming year, alongside other regulators.

RICS already supports practice to achieve net zero carbon and resilience in the built and natural environment.

- [RICS' Rules of Conduct](#) set an expectation that members and regulated firms encourage solutions that minimise harm and deliver balanced economic, social and environmental benefits.
- The [Whole life carbon assessment in the built environment](#) professional standard specifies the measurement methodology of whole life carbon for buildings and infrastructure in a clear and consistent way.
- Global valuation guidance relating to [Sustainability and ESG in commercial property](#) provides a practical framework for investigating and reporting requirements in professional valuation.
- The [International Building Operation Standard](#) (IBOS) supports the measurement and management of buildings for strategic decision-making including sustainability.
- [Consumer guidance on flooding](#) helps homeowners to identify flood risks to their property.
- [Valuation of woodlands and forests](#) professional standard empowers members and regulated firms to consider the evolving array of complex factors that can impact value.
- Collaboration with other organisations to create carbon definitions for the built environment, buildings, and infrastructure, includes input into the Carbon Risk Real Estate Monitor (CRREM), influencing the EU taxonomy, and working on initiatives such as the [Net Zero Carbon Buildings Standard](#) and definitions document.

Examples of further work already underway or being planned include:

- creating guidance on the appropriate use of carbon offset to ensure it is meaningful and not 'greenwashing'
- helping the profession to advise consistently on retrofitting existing property stock, to meet minimum energy efficiency requirements
- providing further guidance to valuers and other surveying professionals on emerging energy efficiency standards to help them assess economic impact.

### Where RICS members should focus their attention

RICS regulated members should plan their Continuing Professional Development (CPD) activities to ensure they have the necessary skills and knowledge to provide advice to clients about sustainable solutions that consider the balance of environmental, social and economic benefits and harms for the options open to them.

This will include ensuring that they read the RICS standards relevant to their areas of practice and stay up to date with relevant legislation, legislative proposals and client requirements and expectations.

Regulated firms can also, through their actions, set the expectation for their organisation that climate risk is integrated into aspects of their decision making. In doing so, they should take steps to test and challenge the validity and effectiveness of the information they are being given.

## Valuation reliability and governance

The Review of Real Estate Investment Valuations completed in 2022 made recommendations to improve the governance of valuations that are relied upon by third parties (for example pension schemes) to make investment decisions. The review identified a risk that longstanding relationships between valuers and clients, and incentive schemes that could reward those commissioning valuations for achieving particular values, could affect the objectivity of the valuations provided. Particularly in the context of current market uncertainty this could damage public confidence in valuations for property investment.

Following the valuation review, the SRB commissioned the implementation of the review's recommendations. Changes to the valuation standards have been made.

The SRB is strengthening the oversight of the Valuer Registration Scheme through a new Valuation Assurance Committee, made up of expert RICS valuer members and non-valuer members and is consulting on the introduction of a new compliance role within regulated firms that carry out valuations.

There are further risks to valuers arising from the economic uncertainties inflicted by sharp interest rate rises and potential economic instability, which makes reading the market more complex and challenging.

The development of new financial vehicles, often packaging illiquid assets into liquid funds, also has the potential to introduce big shocks into the market as financial conditions change due to the financial instruments not being structured to accommodate rapid change.

In parts of the world there are a lack of qualified valuation professionals, risking undermining the credibility of the valuation profession where work is undertaken by underqualified individuals who are not appropriately regulated. A lack of access to transactional data in some areas can also lead to an over-reliance on the cost method.

RICS sector specialists engage with regulatory authorities, assisting them in valuation-related issues. We will continue discussions with international colleagues about valuation assurance globally.

### Where RICS members and firms should focus their attention

RICS members and regulated firms should ensure they remain up to date with changes to the [RICS Valuation – Global Standards](#), which is amended in line with changes to the International Valuation Standards (IVS), and are aware of other relevant RICS valuation professional standards.

They should also use the support that RICS provides globally, through webinars, conferences and training opportunities, to keep informed of changes to valuation standards and market issues.



## Maintaining availability of professional advice

Ensuring a diverse and sustainable supply of professional services for prospective clients, attracting and retaining talent, and providing support for professionals to maintain levels of skills and knowledge to keep up with rapid changes across the sectors are a challenge for all regulators.

An example in the surveying profession is that the global construction sector is expected to double in size in the ten-year period from 2020 to 2030. In many cases, jobs created will not be in the same location, industry or skills bracket as available or displaced workers and will rely on labour mobility to fill them. The World Economic Forum estimate that three in five workers will require training before 2027. However, barriers of socioeconomic class and age hinder economic mobility, embedding existing inequalities.

A shortage of skilled workers in the built and natural environment industry has led to a growing gap between the demand for infrastructure development and the available workforce. Consequences include delays and increased costs for construction projects and limits to the sector's capability to meet the demand for new infrastructure and housing in many parts of the world.

The SRB will monitor the potential under-supply of surveyors in different areas of the market and consider the steps it can take, if necessary, to avoid risks such as rushed work and pressure to drop standards.

### Where RICS firms should focus their attention

Surveyors are in high demand as more than half of companies in the sector struggle to fill vacancies. RICS-regulated firms should focus on developing forward thinking and inclusive recruitment strategies.

Further advice on attracting and retaining talent is provided below.

## Attracting and retaining talent

All professions continue to compete to attract and retain talent so that consumer access to qualified professional advice at a reasonable cost is maintained. RICS is focused on attracting diverse applicants to the profession and working with our regulated firms and members to ensure an inclusive environment.

These efforts include support on diversity, equity and inclusion (DEI) for regulated firms and members, improved early engagement activities with schools and colleges, and a review of pathways into the profession. This is to build on the success of [alternative gateways like apprenticeships](#), where around 5,500 individuals are currently on a property or construction pathway. The profession needs to attract and retain the best talent, regardless of age, sex or gender identity, pregnancy and maternity, ethnicity, religion or belief, sexual orientation, social class, or disability.

RICS' Rules of Conduct require RICS-regulated firms and members to encourage diversity and inclusion. In 2024 we [published advice](#), written with the help of RICS members and diversity, equity, and inclusion experts, to share good practice in encouraging diversity and inclusion. Firms need staff who reflect the communities they serve if they are to be credible and understand the issues faced by those communities.

With Gen Y and Gen Z now occupying over 60% of the workforce, failing to adapt to their needs will mean missing out on new talent and losing talent already in the profession. Challenges faced by organisations and individuals differ between countries, or even regions within countries, depending on historical, social and cultural norms and values.

The SRB has also set up a CPD Steering Group to review the current CPD requirements and recommend changes that will better assure and support the efforts of members to maintain their professional competence. The key objective of the Steering Group is to make recommendations for any revisions to RICS' current CPD framework and potentially create a post qualification recertification or reassessment programme (subject to consultation with the membership).

[A consultation on the updated CPD framework](#) began in April and runs until July 2024 with members and stakeholders. This feedback will help shape the Steering Group's final recommendations for any changes which, if approved, would take effect no earlier than January 2026.

### Where RICS members and firms should focus their attention

As people and businesses, we can work together to build more inclusive workplaces, taking into account local norms, values and legal frameworks. RICS-regulated firms should have policies in place that encourage diversity and inclusion and consider the ways in which they recruit and qualify new professional staff to attract talent from underrepresented areas of the population. RICS members and regulated firms of all sizes can use the [DEI guidance](#) published February 2024 to support an inclusive culture.

RICS-regulated firms should also look for CPD Framework Steering Group updates and take the opportunity to engage in RICS' consultations and ongoing training offerings.

## Supporting increased use of Alternative Dispute Resolution

Alternative Dispute Resolution (ADR) is already widely used across the surveying sector, particularly in construction, rating and rent disputes. In many countries, the judiciary has indicated a desire to see more disputes using alternative methods to avoid the costs of litigation and improve access to justice, and RICS has been involved in setting up low-cost dispute resolution schemes in various sectors.

However increased use of ADR may lead to surveyors undertaking additional advocacy and representation work that in the past was the preserve of lawyers. While this is a benefit for the profession and the consumer in providing low-cost determination options, there are risks that members may not appreciate their obligations and new areas of competence required.

### Where RICS members should focus their attention

RICS members should ensure that they are taking on new areas of work where they have the knowledge and support to allow them to do work competently.

RICS is developing new training and guidance to support members moving into these new or expanded areas of practice.



## Entry and assessment into the profession

Entry and assessment standards and processes for all grades of RICS membership are critical to maintaining confidence in the profession.

The SRB established an Entry and Assessment Steering Group (EASG) in 2023 to research, design and implement any new assessment processes identified for the profession. Our responsibility to future surveyors, and the society that will benefit from their work, means that we must ensure the standard of entry to RICS membership assesses the right skills, knowledge and behaviours, in the right way.

The project is making recommendations where appropriate and subject to consultation, will make changes to the following areas.

- Eligibility requirements, including the role of the accredited degree, experience requirements, direct entry routes and their impact on diversity.
- Grades and classes of membership, and Chartered designations.
- Pathways and competencies.
- Methods of assessment, including the role of computer-based assessments, and consideration of accessibility and DEI.
- Quality assurance of assessments.
- Other RICS schemes and certifications.
- Relationship to post-entry learning and CPD.

After extensive engagement with RICS members and stakeholders, in June 2024 EASG produced the final report of the review incorporating feedback from 900+ survey respondents and 1000+ roundtable participants.

### Where RICS members and firms should focus their attention

The report recommendations are open for feedback until 28 August 2024 and the SRB are eager to hear from members and stakeholders.

Regulated firms and members can participate in the online survey or our summer roundtables, which can be found [on the RICS website](#).

## Money laundering and corruption

Research carried out by the Financial Action Task Force found that a significant portion of countries rate property as having a high money laundering risk. Money laundering controls help to prevent organised crime, corruption and terrorist financing and ensure that professionals are not enabling criminals dealing in illegal drugs, human trafficking and other crimes. However, legal frameworks and requirements for these controls are not consistent globally.

The construction sector is also [particularly vulnerable to corruption](#). Corruption includes, but is not limited to, bribery, extortion, fraud, cartels, abuse of power, modern slavery, embezzlement and money-laundering. The sector in some instances lacks transparency and effective anti-corruption measures that can create an environment where corruption is difficult to prevent and uncover. Ethics and addressing corruption are areas that the SRB is focused on.

All RICS-regulated firms globally are required under our professional standards to assess the risk of money laundering in their areas of operation and put proportionate measures in place to mitigate that risk. Some firms are also required to register for anti-money laundering (AML) compliance with national regulatory bodies.

RICS is reviewing our professional standards in this area and exploring ways to support and build the skills, culture and professionalism needed to drive the fight against corruption in the real estate industry globally.

We are also working to develop improved training to combat fraud and corruption in the construction sector.

### Where RICS members and firms should focus their attention

RICS sets mandatory requirements for members and regulated firms globally through [Countering bribery and corruption, money laundering and terrorist financing](#) professional standard. This standard helps the profession identify and manage financial crime risks. Firms should take steps to acknowledge the extent of the opportunities for corruption and that no project, stakeholder or organisation can be immune to it. In addition to the work that RICS is undertaking, firms can consider developing and implementing their own anti-corruption frameworks, which could include specific measures and training to establish how people can avoid corruption as well as detect and act. Depending on their size, it may be appropriate for RICS-regulated firms to develop their own [whistleblowing policies](#) that include reporting to the relevant authorities.

Members and firms must be aware of, and comply with, the requirements relating to financial crime in their own jurisdiction. If the standard contradicts legislation, then the legislation takes precedence.

## Data and cybersecurity

Regulated firms, particularly those holding client money, are at risk of attacks by cybercriminals. The increased use of technology and collection of data in buildings also increases the risk of cybercrime, with potential for data to be stolen or building systems being hacked.

Firms should also be aware of the growing risk posed by misinformation and disinformation, spread through the manipulation and misuse of Artificial Intelligence as highlighted by the [World Economic Forum](#).

RICS has provided advice to firms and continues to highlight sources of authoritative risk identification and management advice, such as:

- the UK National Cybersecurity Centre's [Cyber Essentials](#)
- the European Union Agency's [Cybersecurity guide for SMEs](#) and
- the Australian Cyber Security Centre's [Small Business Cyber Security Guide](#).

New tools and capabilities will open new markets for criminal networks, with cybercrime offering an increasingly low-risk and low-cost revenue stream for organised crime. Over the coming years, more sophisticated cyber defences will shift targets towards less secure infrastructure and systems.

In its [2024 Global Risks Report](#), the World Economic Forum predicts that although already prevalent in Latin America, cybercrime will continue to spread to parts of Asia and West and Southern Africa, as prosperity increases, and increased internet connectivity brings a larger number of the global population online.

Increasingly technology is being used in the collection of data. Advances in AI could support better decision making and advice to clients at lower cost. Innovation can also provide opportunities for more choice and flexibility for consumers, but also presents risks that data could be used unethically, or that inaccuracy, bias and misinformation could be introduced through a lack of oversight of AI solutions.

RICS has a Tech Partner Programme that provides thought leadership and information to firms and members about the use of technology. AI regulation and best practices are improving rapidly around the world but still lag behind the pace of the technology's development. However, many countries have already published their own national AI strategies, and several legislations and regulations are being developed to provide protections.

Globally, organisations like the OECD and United Nations are actively developing guidelines to support coordinated approaches to the responsible use of AI. Firms are only just starting to consider what AI means for them.

Careful oversight of emerging technology and associated regulatory developments will be a key challenge for the future and is an area of focus for the SRB. A working group has been set up to produce a professional standard on the responsible use of data, technology and AI, which is expected to go to consultation later in 2024.

### Where RICS members and firms should focus their attention

RICS members and regulated firms should understand and be able to explain the data sources and outputs of technology solutions used by their businesses and have protections in place in their systems and processes against cybercrime, including appropriate insurance.

As with many emerging themes, such as cybersecurity, effective oversight of AI will require RICS and its members and firms to get knowledgeable about AI. A working understanding of AI, together with implementing monitoring processes to ensure accountability will be crucial.

AI governance is still in its infancy, however going forward internal frameworks that incorporate good practice principles should be better placed to mitigate AI-related risks and respond to future regulatory pressure.

# UK risk outlook

## Housing and building safety

The SRB continues to focus on the role of RICS members and firms in ensuring safe housing and buildings. In the UK, legislation to improve building safety regulation is still being implemented, the effects of the remediation of buildings with flammable cladding are continuing to be felt, and there are ongoing concerns over the delivery of suitable housing to vulnerable groups with issues such as planned maintenance and safety inspections being compromised leading to risks to health caused by issues like damp and mould.

RICS sector specialists and public affairs teams continue to work to ensure that RICS members are kept aware of changes to building regulations and statutory guidance across the nations of the UK.

Work is also ongoing with the Health and Safety Executive Building Safety Regulator regarding competence validation to support the mandatory registration of Building Control professionals in England, given the now short timescale for any changes or new processes required.

The [RICS fire safety hub](#) and [building safety information centre](#) continue to be highly popular, along with a recent RICS podcast on the Building Safety Act being one of the most downloaded episodes.

RICS continues to provide specialist training to equip members to carry out external wall assessments, and work with government, lenders, and valuation firms to provide standards that support the market to ensure proper advice about the value of buildings that may need remediation. Consideration is also being given to adding a new building safety competency into relevant membership pathways.

RICS sector specialists are developing plans to raise consumer awareness on a range of subjects such as damp and mould. This follows the recent publication of a consumer guide to spray foam insulation to help consumers make informed decisions following National Trading Standards reports of vulnerable, elderly people being targeted by some spray-foam roof insulation installers.

### Where RICS firms should focus their attention

RICS members and firms should ensure they understand the changing landscape of building safety regulation in the UK and only undertake work that they are competent to do in a way that respects the occupants of the properties affected.

Members should call out bad practice to relevant authorities.



## Professional indemnity insurance and fire safety exclusions

Costs of professional indemnity insurance (PII) remain high although the market-tightening experienced over the last few years seems to have stabilised and premiums are steady. Our Assigned Risks Pool (ARP) has been working well to offer the small number of firms who cannot obtain insurance on the open market a route to continue trading. However, we are aware that the continued high cost of insurance is a risk to the sustainability of small firms and affects choice and costs for consumers in the market.

We continue to work with insurers, brokers, and other stakeholders, including the UK government, to explain surveying risk and improve understanding of the sector.

Since the Grenfell Tower tragedy, obtaining indemnity cover for fire safety-related claims has become prohibitively expensive for many surveying firms. This presents a risk to the provision and affordability of surveying services and a risk to the consumer that claims may not be covered by insurance. In 2021, RICS succeeded in re-introducing fire safety cover for services to buildings up to four storeys into our minimum policy wording which listed insurers agree to provide to firms.

As a result of changing market conditions and an increased capacity within the market to write professional indemnity insurance, RICS is encouraged by the feedback it has received from firms and brokers who have confirmed that availability of coverage is now increasing.

In November 2023 as part of our policy development process, RICS issued a consultation proposing to further amend the position on fire safety to require insurers to provide coverage for fire safety claims on building above four storeys, among other changes. [These changes](#), along with others, were implemented on 1 July 2024.

### Where RICS firms should focus their attention

RICS-regulated firms should speak to an insurance broker experienced in handling surveying businesses in good time before PII renewal to ensure they are presenting their risks to insurers in a way that maximises their chance of obtaining the cover they need at the best price available.

## Home surveys

We have seen increased consumer interest in home survey standards in the UK and have been receiving more concerns about the quality of home surveys offered by companies. Concerns reported to RICS reference the use of unqualified and unsupervised staff, covering an inappropriately wide geographical area, poor treatment of staff and/or suggesting that a buyer seeks specialist advice where this is not warranted by the inspection of the property with the intention of inappropriately limiting any professional liability. These market concerns place greater onus on the professionalism of RICS members.

RICS has issued a [Practice Alert](#) reminding regulated members of their professional and regulatory obligations relating to undertaking home surveys for consumers. RICS members and regulated firms should also be aware of the need to ensure that fees they are quoting for their professional services allow them to use individuals with appropriate knowledge, skills, and experience to carry out high quality work in a timely way and add value for clients.

Where complaints are made in relation to RICS members, they are handled in accordance with our investigative and disciplinary proceedings. Some members and complainants have expressed concern that we cannot always act on anonymised reports. We act on all information we receive where we can do so fairly and within legal requirements, but we are also exploring ways that we can collate enquiries and feedback about practice in a particular area without a formal concern having to be raised. Members play an important role in reporting concerns to us.

Where concerns are raised, we can help someone back into compliance or take disciplinary action where necessary.

Some members have expressed that we should have schemes in place for other areas of work, like that in place for valuers, or we should audit the performance of specific cohorts of members or firms.

A regulatory scheme can impose a significant regulatory and cost burden on members and firms practising in that area and can have the unintended consequence of decreasing choice and increasing costs for consumers. We are reviewing our regulatory schemes and will consult if we believe a new scheme is merited based on careful risk analysis. However, schemes are not the only regulatory tool for ensuring compliance or for enforcing standards.

In relation to home survey, we are working with our pilot consumer group to contribute to the review of the existing professional standard and to identify whether any further changes or improvements to training or tools are required.

### Where RICS firms should focus their attention

Firms should ensure clients understand the service they are purchasing and have appropriate professional indemnity insurance in place. Firms and members need to ensure that they have appropriate qualifications and experience to undertake home surveys and have the necessary knowledge to conduct the survey competently. Using RICS templates appropriately and adhering to the Rules of Conduct is imperative.

## Anti-money laundering and financial sanctions compliance

Financial crime remains a priority and new technology complicates the regulatory picture. While it creates new types of threats, it also offers new tools in the fight against financial crime. Adoption of data and AI solutions for financial crime will grow.

In the UK, firms carrying out estate agency have been required to register for national AML supervision for some time and some lettings agency firms were included in the money laundering regulations from 2020. We continue to work with HM Revenue & Customs, the national AML supervisor for these sectors in the UK, to share information and insight. See [Money laundering: understanding risks and taking action for estate agency and letting agency businesses](#) for more information.

During the last year, enquiries have shown that some of our firms, particularly those carrying out property management, may also need to register for AML supervision in the UK because they provide company services, or accounting services ancillary to their work but which do not fall fully within the relevant exemptions.

We have published updated information on our website and communications to firms advising them to consider whether they have fully met the legal requirements and those within our professional standards relating to AML and considered the risks that these areas of work pose. We also intend to refresh our AML training for firms and members in the coming year.

Increased prevalence of financial sanctions since the Russian invasion of Ukraine in February 2022 also presents a risk that our firms and members may inadvertently facilitate financial crime. We have provided free training through an online webinar for our firms and additional guidance on our website.

### Where RICS firms and members should focus their attention

Firms and members must be aware of, and comply with, the requirements relating to financial crime. When you have assessed the money laundering risks to your business, we recommend that you consider three lines of defence:

- your front-line staff
- your policies, systems and controls, and
- senior management and senior management and internal specialist audit functions.

Firms should also consider the use of more sophisticated technology to support fraud detection, such as AI, as it becomes available.

## Residential property management

Real estate transactions often involve large sums of money, which creates financial risks for consumers, investors, and the wider economy. They involve consumers making major financial decisions that can have significant long-term consequences. RICS must ensure that consumers are protected from unfair practices, such as predatory lending, discrimination, and improper fees and charges.

RICS sector specialists are currently reviewing agency and property management standards and changes to the RICS Service charges residential management code for England have been consulted on and are being discussed with the Ministry of Housing, Communities and Local Government for approval.

Following a review, the FCA has introduced rules and guidance to introduce new disclosure requirements aimed at providing key information to leaseholders to enhance consumer protections and competition. This is to ensure any commissions received by property managing agents and other parties involved in transactions receiving commissions for their part in arranging buildings insurance is transparent to affected consumers.

RICS is designated by the Treasury under the *Financial Services and Markets Act 2000*. This designation permits us to regulate firms who provide services relating to the administration of insurance. RICS supports greater transparency for leaseholders about the commissions paid to property managers when insurance is renewed and clear consideration of whether commissions are proportionate and provide value for leaseholders as required under the Service Charge Code.

However, commissions sometimes provide compensation for services relating to the handling of claims by property managers. Following the FCA amendments, RICS is making amendments to the Designated Professional Body (DPB) Scheme, including changes to both the DPB Rules and guidance document.

The amendments introduce requirements for firms undertaking insurance distribution for residential multi-occupancy buildings. Firms will be required to provide additional information about remuneration that they receive when carrying out insurance distribution activities to their clients and leaseholders.

### Where RICS firms and members should focus their attention

RICS members and regulated firms carrying out property management services must be able to show that any insurance commissions or other payments received are proportionate to the services provided and provide fair value to consumers and clients.

Firms should challenge themselves on whether they have sufficiently robust data to evidence good customer and consumer outcomes and consideration of foreseeable harm, and if not, what additional data they need. DPB Licenced Firms should familiarise themselves with the changes and ensure that their general insurance distribution activities are compliant with the new requirements.

## Government policy and legislation

There are a range of legislative and policy proposals across governments in the UK that are likely to have an impact on the practice of RICS members and firms. These include ongoing changes to building safety legislation and possible changes relating to security of tenure, service charges, social housing regulation, carbon, compulsory purchase, agricultural tenancies, and planning and development. RICS engages with all the UK governments to influence policy, understand the impact of proposed changes and plan for any necessary changes to standards or regulation.

In September 2023, RICS [launched its manifesto](#) for the built and natural environment in the lead up to the UK General Election in 2024, titled 'Empowering a Sustainable Future'. As a leading representative organisation of the built and natural environment sectors in the UK and globally, it is RICS' duty to advocate policies that provide solutions to some of the most important challenges of our time.

The manifesto sets out a ten-point roadmap, which includes points focused on creating safe, sustainable, and affordable homes for all, building safety, and future skills for a sustainable built and natural environment, among many other important factors.

Developed with our members, the manifesto offers a comprehensive strategy to tackle the myriad challenges facing the built and natural environment in the UK. It centres on the creation of safe, sustainable, and affordable communities while unlocking economic growth and sustainable innovation.

### Where RICS firms and members should focus their attention

RICS members and regulated firms should ensure they understand new legislation and policy proposals through registering for updates from relevant government departments and reading RICS newsletters, journals and practice alerts.

Those registered with the [myRICS community](#) also receive a weekly update of consultations that RICS has responded to.

## Delivering confidence

We are RICS. As a member-led chartered professional body working in the public interest, we uphold the highest technical and ethical standards.

We inspire professionalism, advance knowledge and support our members across global markets to make an effective contribution for the benefit of society. We independently regulate our members in the management of land, real estate, construction and infrastructure. Our work with others supports their professional practice and pioneers a natural and built environment that is sustainable, resilient and inclusive for all.

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