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All Licensees



WHAT'S HAPPENING AT RECA

RECA's modernized governance model consists of a Board of Directors and four Industry Councils representing each industry RECA regulates.

This general summary includes the key activities of the Board and all Industry Councils over the last quarter.

2025 BUSINESS AND FINANCIAL PLAN

RECA's Business and Financial Plan for 2024 has been reviewed and approved by RECA's Board of Directors and sent to the Minister of Service Alberta and Red Tape Reduction. **It is now available for download.**

RENEWAL LICENCE FEE CREDIT DUE TO UNPRECEDENTED INDUSTRY NUMBERS

Since 2019, the number of RECA licensees has increased by over 35%.

RECA currently has approximately 20,000 total licensees, the largest in history. The renewal period for the 2024/2025 licensing year opens on August 19, and from early reports, we expect the period of higher-than-average total licensees to continue.

This unforeseen and unprecedented level of individuals entering RECA's regulated industries over the last few years, along with an unprecedented level of sustained active licences, is anticipated to continue to contribute to a surplus in revenue.

RECA's Board of Directors approved the 2024-25 budget focused on ensuring RECA has the resources needed to fulfill its mandate during this period of unexpected industry growth, balanced with ensuring there are no undue financial pressures on licensees. To that end, and due to our unexpected revenue surplus for 2023/2024, RECA's Board has [approved a \\$250 fee credit](#) for renewing individual licensees. In order to qualify for the credit, licensees must renew their licence for the 2024/2025 year by the September 30, 2024 deadline.

At the time of renewal licensees will pay for their RECA licence renewal fee, and their annual Real Estate Insurance Exchange (REIX) premium. The REIX premium goes to REIX for the licensee's errors and omissions insurance, and not to RECA. RECA collects the premium on behalf of REIX.

RECA is a self-funded, not-for-profit organization that operates on a cost-recovery basis. RECA does not aim to generate a profit from its licensing fees. If the revenue surplus continues, RECA may continue to issue a licensing fee credit in future years. Eligibility and timing of future credits will be

RULES REVIEW

Part 3 of Phase 2 focus of the Rules Review completed in May 2024. This Part focused on proposed changes to records, reporting, and the remaining Rules (Rule 82-118.3 plus Schedules 1-5).

Phase 3 will begin in the fall and will include a final stakeholder consultation on any potential issues that could arise should the final proposed Rule changes come into force.

Each Industry Council will continue to review the feedback from licensees and stakeholders on all the proposed changes, along with the recommendations of the Rules Review Steering Committee, before making any decisions. All stakeholders are strongly encouraged to provide any additional feedback to consultation@reca.ca.

The Rules Review is expected to conclude in 2024.

BROKER FORUMS

Broker forums for all industries were held in Edmonton and Calgary in May and June, with important topics discussed. Among the discussion topics was the possibility of introducing graduated licensing programs across all industries, based on the success seen in the condominium management industry. Also discussed was the need to have a commercial licence to sell commercial property, and the importance of English language proficiency in contract discussions. Next spring, forums will again be held in multiple major cities.

CONDOMINIUM MANAGEMENT EDUCATION COMPETENCIES REVISED

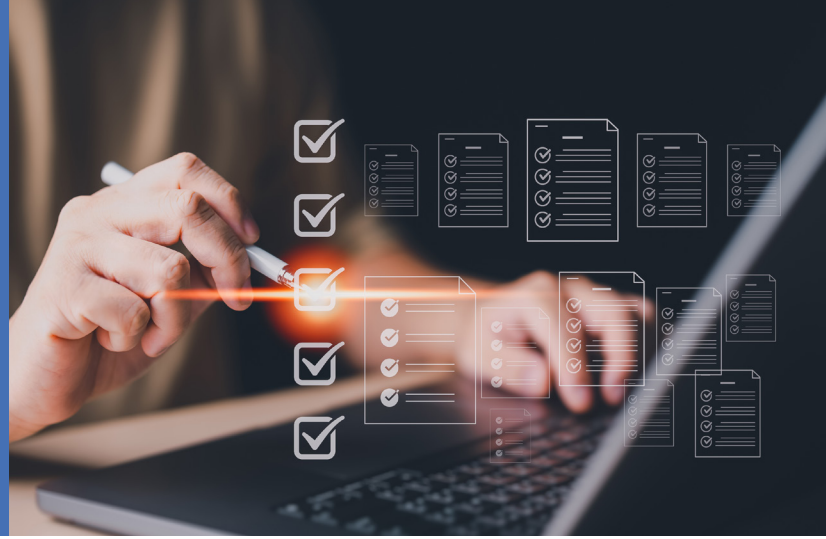
The Board of Directors has approved condominium manager competencies recommended by the Residential Property Manager Industry Council, based on the review and many of the recommendations of the Condominium Property Management Education Competencies Ad-Hoc Committee. These competencies are provided to course providers to design pre-licensing education programs for the condominium management industry, and are used to develop licensing exams.

RECA will discuss the revised competencies at a town hall in mid-August.



IS YOUR BROKERAGE PREPARED FOR A CYBER SECURITY ATTACK?

By James Porter, RECA Investigations Manager



Cyber fraud is a serious and growing threat, and the real estate industry is not immune. Cyber criminals use sophisticated techniques to hack into email accounts, impersonate parties involved in a transaction, and divert funds to their own accounts. The criminal schemes have become more sophisticated and are often very difficult to detect.

CURRENT SCHEMES

RECA has seen instances recently where this has happened in transactions involving our own licensees, with significant amounts of client funds being lost.

One current scheme is a diversion scam. This occurs when there is an accepted offer and the buyer is to e-transfer the deposit to the seller's brokerage. Before the buyer executes the transfer, they receive email instructions that change the destination email address. The payment is diverted and the brokerage never receives the deposit. The banks are not obligated to reimburse the buyer or the brokerage. Deposits in transactions these days are often tens of thousands of dollars, and can take your client's life savings. To do this, the fraudsters hack brokerage email addresses and can see when e-transfer instructions go out to clients.

As a best practice, brokerages should caution clients to question unexpected changes to payment instructions.

You have a professional obligation to protect your own and your clients' confidential information and funds from cyber fraud.

CYBER SECURITY AND PREVENTION

RECA licensees should take proactive steps to enhance their cyber security awareness and skills. [RECA's Brokerage Cybersecurity Checklist](#) is a good guide for evaluating your brokerage's level of preparedness for a cyber security attack. It's important to review it annually and ensure you have the proper procedures in place.

In addition, it is just as important to make your clients aware of your brokerage cyber security procedures and the ways that they can protect themselves personally. Proper protocols on typical contact procedures and the methods for legitimate fund transfers will help clients to be on the lookout for anything that seems out of place.

ERASE THE STIGMA – REPORT, REPORT, REPORT

At the end of the day, there is always the possibility of falling victim to fraud, even with the proper procedures in place. If it does happen to you or your clients, be sure to report the incident to the authorities and to RECA.

Reporting fraud is not only a duty but also a service to the industry and the public. By alerting the authorities and RECA, you help us to identify and stop the fraudsters, and prevent other innocent people from being scammed.

What are some things your brokerage is doing to decrease your cyber security risk? Please share. Together we can keep our industry safe!

KNOW THE DIFFERENCE BETWEEN YOUR CORPORATION VS YOUR RECA LICENCE

by Doug Dixon, Regulatory Compliance Advisor

Do you have a personal corporation that your commissions are paid into? If you do, you should be aware of Section 50(a) of the *Real Estate Act* Rules. This Rule tells you what you need to do to use a personal corporation to collect your commissions.

If you own a corporation, you need to understand that your RECA licence must be in your legal name. You cannot update your licence to the corporation's name and your insurance (such as REIX) cannot be in a corporate name.

You can be paid by your brokerage to the corporation but may not operate in your corporate name.

CORPORATIONS ARE SEPARATE ENTITIES

If you are incorporated, it doesn't change anything about your licence. You can't use your corporation to take any responsibility for your work as a licensee. Licensed individuals must still follow the standards of practice; your corporation is not a licensee and has no rights or duties as a licensee.

If you are a licensee who chooses to be paid to their corporation, ensure you are following the Rules and know what they mean for your specific circumstances.

WHAT THE RULES SAY:

- a maximum of two licensees may have their commissions paid to the same corporation
- any licensee who has their commissions paid to a corporation must own at least 50 percent of that corporation
- brokers must ensure any corporation which a licensee is paid commissions to is currently registered

If you have any questions about being paid commissions into a corporation or what the *Real Estate Act* Rules say regarding owning a corporation as a licensee, please reach out to info@reca.ca.



LICENSEES MUST REPORT MISCONDUCT. DO YOU KNOW YOUR OBLIGATIONS?

by Andrew Brainard,
RECA Investigator



RECA investigates conduct which allegedly violates the [Real Estate Act](#) (the Act), and its [Rules](#).

Our licensees' co-operation is critical to conducting effective investigations and disciplinary processes. We rely on your willingness to report and provide information concerning possible breaches.

To successfully regulate our industries, we need to be made aware of possible misconduct. Section 38(1) of the Act provides the authority for RECA to investigate in two specific situations:

- where a complaint has been made (these can be submitted by anyone on [reca.ca](#)), or
- where information indicates a licensee's conduct could be in breach of the Act or the Rules.

In either situation, RECA is heavily reliant on the cooperation and collaboration of our licensees to report any suspected misconduct in a timely manner. Reporting misconduct is not only a professional obligation, but acts to uphold the industry's integrity and reputation through the proactive protection of consumers. In short, a trusted, well-regulated industry is good for everyone, and it takes the work of all of us to protect our reputation.

ASSOCIATE BROKERS AND ASSOCIATES CAN UNIQUELY HELP

It's common practice for licensees to work with individuals across various industries as you guide your clients' transactions and deals. Your intimate knowledge and access to documents and information may allow you to identify possible fraud red flags or other suspected breaches of the Act or the Rules. Please remember, if you uncover anything suspicious in your course of business, this information **MUST** be reported your broker, as per the Rules. Your broker may inform RECA, or guide you to inform RECA directly.

Associate brokers and associates must avoid facilitating misconduct, including fraudulent or illegal activities. They should not ignore warning signs or fail to ask questions when it looks as though possible breaches may have occurred. If you are not reporting, you could unknowingly become a part of the misconduct and subject to disciplinary action yourself.

The Rules impose specific obligations upon licensees to inform your broker when learning of any violation of the Act, Regulations, Rules, or Bylaws by anyone associated with a brokerage. These Rules empower licensees to work with RECA to protect consumers and the integrity of our industry.

BROKERS: ENHANCED NOTIFICATION OBLIGATIONS

A primary focus of brokerage management is to ensure everyone associated with the brokerage follows all applicable laws, policies, and procedures. A broker manages the brokerage's operations and, therefore, are not only accountable for their own conduct, but also the conduct of those working for the brokerage. If you are a broker, you have a professional and legal obligation to identify misconduct and notify authorities, including RECA.

If a broker is aware of misconduct, they must take reasonable steps to mitigate any harm caused and prevent the misconduct from happening in the future. If a broker fails to follow their notification requirements, they could be held accountable for the unreported behavior.

“Reporting misconduct is a licensee’s duty and an opportunity to show professionalism and accountability”

IT TAKES A VILLAGE

We must work together to report suspected misconduct, including fraud. A well-regulated industry is one that consumers can trust. Whether you are an associate, associate broker or broker, and no matter your industry, by following your notification obligations you are working to enhance consumer protection and maintain high ethical and professional standards throughout your industry.

Your contributions are meaningful!

MAKING A COMPLAINT:

If you need to submit a complaint to RECA, please do so using the following form:

[Online Complaint Form](#)

If you have any questions regarding the professional obligations or behavior of RECA licensees, please reach out to conductreview@reca.ca.



WHAT WE'RE HEARING LATELY

A resource for brokers regarding practice issues RECA is seeing in today's real estate market



RECA's Regulatory Compliance Advisors (RCAs) are here to answer questions to ensure you are practicing within the Rules. Here's what we're hearing lately.

TRADING OUTSIDE NORMAL AREAS OF EXPERTISE

A concerning trend has emerged where we have heard that some licensees are making offers on properties in areas outside their typical markets and without viewing the properties. This practice not only compromises the quality of service but also exposes both the licensee and their clients to potential risks and liabilities. It is imperative for licensees to trade within their geographical areas of expertise and familiarity to ensure they can fulfill their fiduciary duties and provide competent service to their clients.

CHALLENGES WITH SALES ABOVE ASKING PRICE

The Alberta market has seen properties selling well above the asking price, only to later fail to appraise at the agreed value. This discrepancy can significantly impact the financing and closing of the deal as most lenders will not loan more than a property's appraised value. Licensees must inform their clients of the benefits of including a financing condition, especially if they believe their offer price may be above a property's appraised value. Licensees should inform their buyer clients about the potential need for additional cash to cover any differences between the property's appraised value and the higher purchase price.

UNDERSTANDING RESIDENTIAL VS. COMMERCIAL LICENCE REQUIREMENTS

Confusion often arises regarding the type of licence required for different real estate transactions. Please remember that the nature and characteristics of both the property and the transaction dictate whether a residential or commercial licence is necessary. Licensees are advised to consult the [Real Estate Act Rules](#) (section 1(1)(g.01), to determine the appropriate license for each transaction they engage in. Please refer to [RECA's Information Bulletin](#) for clarification on what is considered a trade in residential real estate. A commercial real estate licence is required for transactions that involve property that is primarily used for a business, and residential properties that contain more than four units on a single property. This [Information Bulletin](#) outlines when a commercial licence would be required. If there is any confusion about what licence is required, please discuss your specific circumstances with RECA's RCAs to be sure you are properly licensed to trade.

DEPOSIT DROP-OFF LOCATIONS AND PROCEDURES

The absence of physical locations for deposit cheque drop-offs at some brokerages has created confusion and inconvenience. To avoid breaching contract terms, brokerages should establish a designated place for deposit deliveries, unless otherwise specified in writing. Clear communication regarding the deposit delivery method and deadline is crucial.

HANDLING DEPOSIT AMOUNTS AND TIMELINES

Issues have arisen where buyers have sent deposit amounts in multiple smaller transfers due to e-transfer limitations, leading to delays and discrepancies in deposit receipt and verification. Licensees should advise their buyer clients that, even if several small transactions are made, they need to adhere to the purchase contract terms by sending full deposit amounts on time. It's a good idea to remind your clients that some financial institutions have daily transaction limits, and that they should start the process with enough time to spare prior to the deadline. Brokerages are responsible for confirming receipt and promptly notifying the seller's licensee. RECA's RCAs are available to answer any specific questions that may arise regarding a specific transaction.

LATE DEPOSITS AND CONTRACT VALIDITY

Late deposits can jeopardize the validity of a purchase contract. If a deposit is expected to be sent late, the brokerage must immediately inform the seller's licensee and advise them of their rights and options. Sellers can choose to void the contract or accept the late deposit. It is essential to document any changes agreed to by both parties.



WE'RE HERE TO HELP

RECA's RCAs are here to offer advice to real estate, mortgage, property and condominium management brokers and broker delegates. If there is a question or situation regarding the Real Estate Act or the Rules which you are unsure of, please contact us to discuss your specific situation.

Real estate & condominium management advice for brokers and delegates:

Doug Dixon ddixon@reca.ca, 403-685-7920

Mortgage brokerage advice for brokers and delegates:

Gary Siegle gsiegle@reca.ca, 403-685-7925

A photograph of a row of colorful houses, including yellow, blue, and red ones, with a white picket fence in front. A semi-transparent blue rectangle is overlaid on the center of the image, containing the text "Real Estate" in white. The houses have gabled roofs and multiple windows. A tree is visible in the foreground on the left side.

Real Estate

RAISING YOUR CLIENT'S RADON AWARENESS



As most licensees should be aware, radon is a colourless, odourless, and tasteless radioactive gas that naturally occurs from the decay of uranium in soil and rock. Uranium occurs naturally in soil and rock formations, and places with higher-than-normal uranium deposits, such as Alberta and Saskatchewan.

Knowledge of radon is particularly important in the real estate industry as it can accumulate to high levels in homes, posing a significant health risk. A lot of people are still not familiar with radon. As a real estate professional, it is your responsibility to ensure your buyer clients are made aware that it exists, the risks associated, and the importance of testing and mitigation.

KNOW THE FACTS

- radon seeps through the earth and into basements, where it can become trapped because of the efficient way homes are sealed from the outside elements
- prolonged exposure to radon can lead to health problems, including lung cancer
- after smoking, radon gas is the leading cause of lung cancer

TESTING AND MITIGATION

Buyers should be advised that they may ask the seller if they've had their home radon tested, and if so, request to see the test results. If the radon test showed high levels of radon (higher than 200 Becquerel), that's considered a material latent defect that must be disclosed, unless a radon mitigation device is installed prior to listing.

There is not much that can be done to evaluate radon levels if a radon test has not been done previously on the property. Currently, typical offer to purchase timelines happen quicker than the 90 days that a proper radon test takes to complete.

If your buyers still wish to proceed with an offer on a home that hasn't had a radon test or a property where the results are high, they should be advised that a radon mitigation device can be installed to vent radon gas outside the home from the basement. Mitigation costs vary but are often several thousand dollars. The [Alberta Building Code 2014](#) included new requirements to protect homes from radon. The requirements came into effect in late 2015, and include, among other things, that new homes require a properly located radon rough-in or passive pipe in the basement, which can make it easier (and cheaper) to install a radon mitigation device. Buyers should be advised to hire a Certified Radon Technician to install any radon device to ensure it's done properly and within 90 days of possession.

Although it is their decision how to proceed, buyer clients need to be made aware that radon exposure is a significant health issue, and radon testing, and mitigation is available.

For more information about radon, please visit [Health Canada's website](#).

A woman in a striped shirt is holding a large yellow pillow in a room. The room contains various items including a roll of fabric, a wooden chair, a table with a laptop, and several cardboard boxes. The scene is overlaid with a semi-transparent orange rectangle. The word "Mortgage" is written in white text across the center of the orange rectangle.

Mortgage



REMINDER: FINTRAC ACT WILL APPLY TO MORTGAGE SECTOR THIS FALL

*by Gary Siegle, Regulatory Compliance
Advisor, Mortgage Brokers*

In November 2023, [this summary](#) was published to give RECA mortgage licensees a heads up that new federal legislation would soon apply to the mortgage sector.

Come this October, FINTRAC has announced that the mortgage sector will now be subject to the same obligations as financial institutions and other businesses (including real estate brokers) under the Proceeds of Crime (Money Laundering) and *Terrorist Financing Act* (the Act). What this means is that RECA mortgage licensees will also now be obligated to report certain financial transactions, such as large cash deposits, international electronic funds transfers, and suspicious activity.

The Act is designed to combat money laundering and the financing of terrorism in Canada.

As of October, 2024, all mortgage licensees will be responsible for:

- establishing and [implement a compliance program](#)
- reporting transactions, including the submission of the following reports to FINTRAC:
 - [Suspicious Transaction Report](#)
 - [Terrorist Property Report](#)
 - [Large Cash Transaction Report](#)
- keeping records, including the transactions above, mortgage loan records, information records, receipt of funds record, large virtual currency records and others
- knowing your client by verifying their identity using the methods listed in the Act
- applying any additional [ministerial directives](#) when/if informed by FINTRAC

Avoid penalties for non-compliance and ensure you are up to date by [learning more](#) about this important legislation.

If you have any questions on how the obligations under the Act will apply to mortgage licensees, please reach out to gsiegle@reca.ca.

RECA MANAGEMENT

RUSS MORROW
Chief Executive Officer

JANICE HARRINGTON
Chief Operating Officer

WARREN MARTINSON
Registrar

STACY PAQUIN
General Counsel & Corporate
Secretary

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GENERAL QUESTIONS

Call or email an Information Officer
at: info@reca.ca

BROKER ADVICE

Call or email one of our Compliance Advisors:

Mortgage: gzielgle@reca.ca

Real Estate: ktzenov@reca.ca

Condo: ddixon@reca.ca

CONTACT RECA'S BOARD OF DIRECTORS OR INDUSTRY COUNCIL MEMBERS DIRECTLY

Board of Directors: board@reca.ab.ca

Mortgage Broker Industry Council:
mortgageic@reca.ab.ca

Residential Real Estate Broker Industry Council:
resic@reca.ab.ca

Residential Property Manager Industry Council:
respmic@reca.ab.ca

Commercial Real Estate Broker and Commercial
Property Manager Industry Council:
commic@reca.ab.ca

WATCH RECA.CA FOR CURRENT ENGAGEMENT EVENTS, BROKER FORUMS, AND MORE.