

November 29, 2024

Russ Morrow

CEO

Real Estate Council of Alberta

Please see AMBA's recommendations and commentary on Phase 3 of the Consultation regarding the Real Estate Act Rule Changes.

Item 1: Aligning Mortgage Licence Classes with Consumer Expectations.

Question #15 Mortgage Associate Broker

What issues, challenges, or consequences do you see arising from creating an associate broker license class level in the mortgage sector?

Commentary: The general consensus amongst the focus group was that a secondary position registered with RECA would be beneficial for business continuity and that additional education, in line with what a Broker Owner is required to take, should be expected for the position holder. The group feels that the new license class level should be voluntary, not mandatory for the mortgage sector.

Question #16 Mortgage Sector Licence Class Name Changes

What issues, challenges or consequences do you see arising from changing license class naming conventions in the mortgage sector to either of the proposals above? Which do you feel is most appropriate?

Commentary: The focus group had very mixed responses to this question. Some individuals did not support the renaming of the mortgage licence classes. They felt this would create a significant amount of administrative work for Brokerages with minimal (if any) benefit to the consumer. In fact, it might create additional confusion for the consumer if there are too many classes. The members of the group that supported the naming convention changes felt Proposal B best aligns with how the industry is structured. However, their recommendation was to change "Associate Mortgage Broker" to "Managing Mortgage Broker". The consensus was that "Associate" sounds more junior, and "Managing" sounds like a high-level position.

Item 2: Mandatory Relationships and Private Lenders

Question #17 – Requirement for a Mandatory Relationship with Individual Private Lenders

What issues, challenges or consequences do you see arising from a requirement for mortgage brokers to represent the lender when they work with individual private lenders?

Commentary: The group agrees that change is needed in this space but disagrees that the proposed mandatory relationship with the individual private lender is the solution. They feel that the shift in representation does not address the key issues; in fact, having Brokers educate the lender is a bigger risk. The unanimous opinion is that additional regulation should be required for these deals and the recommendation from the focus group is that there should be a requirement for the individual private lender to provide proof of education on the transaction, a proper onboarding form, a risk analysis and some variation of a course completion (could be a brief video). Additionally, since transactions with individual private lenders often begin as alternative deals with a signed service agreement, the group expects to maintain their client relationship throughout the entire transaction. They feel their fiduciary duty should be to the consumer regardless of the type of lender involved. The proposed regulation and education will ensure individual private lenders are informed, while ongoing client relationships provide professional advice to consumers, effectively protecting both parties in complex transactions.

The request from the focus group is that as this is being developed/rolled out, RECA consults the industry for additional feedback. Overall, they feel this is a much bigger conversation that should be conducted directly with RECA.

Item 3: Requiring Steps to Verify Information

Question #18 – Disclosing Validation Steps Taken

What issues, challenges or consequences do you see arising from removing ‘if any’ from Rule 72, and removing the implication that mortgage brokerages do not have to take any steps to verify information they submit to lenders?

Commentary: The group supported this change. Their feedback was that it is already required under FINTRAC guidelines.

Item 4: Addressing Industry Changes in Mortgage/Consumer Client Relationships

Question #19 – Adding Definitions of Commonly-Used Words

What issues, challenges or consequences do you see arising from adding these definitions to the Rules?

Commentary: The group was in support of adding the definitions. However, they felt that “Individual Private Lender” is still too broad of a term. They recommend changing that definition to “Unlicensed Individual Private Lender”. The thought is that unlicensed needs to be added in order to provide clarity that this is an individual acting on their own versus an individual acting as part of a larger corporation.

Item 5: Duty to Carry Errors and Omissions Insurance

Question #20 – Registrar to Set Limits

What issues, challenges or consequences do you see arising from permitting the Registrar to set the aggregate and per occurrence errors and insurance limits?



Commentary: The focus group supports this change, provided the numbers are reasonable and appropriate for minimums. They feel the Registrar should not be prescriptive on maximums. Additionally, they think there should be more industry education around E&O policies and how spotty they can be regarding assistants and contractors. It was recommended that the association could assist with this.

Question #21 – Requiring Reporting Reasons for Insurance Cancellation

What issues, challenges or consequences do you see arising from requiring brokerages to report to the Registrar the reasons an insurer cancelled their errors and omissions insurance policy?

Commentary: The group did not find any reasons not to support required reporting for the cancellation of an E&O policy. They questioned what RECA would do with this information: Would it become public information, or would relicensing be denied?

Should you have any additional questions or require clarification on these items and commentary, please don't hesitate to reach out.

Sincerely,

Emily St Pierre

Emily St.Pierre
Chief Executive Officer
Alberta Mortgage Brokers Association

ATTN: Janice Harrington, COO
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November 30, 2024

RECA - Stakeholder Engagement, Rules Review - Phase III

Janice Harrington,

Thank you for including CCI Alberta South in the shareholder engagement request related to the Real Estate Act Rules Phase III. Through my position as a Director for CCI South Alberta, my team and I at Three By Three Inc. agreed to continue with the documentation review. I am pleased to present the following feedback and am open for a discussion in either my capacity as Director for CCI-SAB or as an Associate Broker for Three By Three Inc. I understand my broker Elaina Kutz actively worked alongside the Registrar to review competencies relating to RECA and we are all happy to be of assistance with this evolving process.

Please see our responses below for Phase II of the rules review.

1. Licensing Framework – One Licence, Seven Authorizations
2. Permitting Virtual Offices
3. Modernizing Electronic Record Keeping/ Depositing Funds Electronically
4. Eliminating the Need for Two Cheques When Paying Commission Funds to Co-Operating Brokerages
5. Amendments to Notifying the Registrar
6. Amending Incentives Rules
7. Require Written Service Agreements PRIOR to Providing Services
8. Commission Payments to Corporations
9. Prohibiting Representation of Any Kind for Personal Trades and Deals
10. Prescribing Bank Reconciliation and Discrepancy Requirements
11. Requiring Sequentially Coded Records
12. Prohibit Loans from Pooled Trust Accounts
13. Administrative Penalty Ranges and Amounts
14. Duty to Carry Errors and Omissions Insurance

On behalf of CCI South Alberta and Three by Three Inc.,

Licensing Framework – One Licence, Seven Authorizations

Abbie Thurgood
CCI Alberta South, Director
Three **By** Three Inc, Associate Broker

Cc: Elaina Kutz, Three **By** Three Inc, Founder & Broker

1. What issues, challenges or consequences do you see arising from the adoption of the proposed licensing framework?

There has been a significant history of confusion concerning Property and Condominium management duties. We continue to emphasize that condominium management is far different from property management. Labelling the council "Residential Property Manager Industry Council" will continue this misinterpretation trend as it does not delegate a separation between the two licensees. A difference needs to be distinguished.

There are fundamental differences between commercial condominium management and residential condominium management. A greater level of knowledge is required for commercial condominiums, including understanding complex bylaws, permitting requirements, and additional inspection processes. There is a big enough difference that it needs to be addressed appropriately.

Licensees working under multiple brokerages must ensure no confusion for the public. For instance, when it comes to marketing and email signatures, the licensee should be required to clearly announce their affiliations to prevent any misunderstanding related to the brokerages they represent. All emails should state who wrote the email and the license type. For example, in the legal or medical field, there is a clear statement of what the industry professional's capabilities are (ie: Doctor, Nurse, LP or Lawyer, Paralegal). Currently, we have brokerages not signing off emails, making it difficult to hold the licensee accountable for their work.

If you are operating as a realtor and not a condominium manager, it should be clear what capacity the licensee is operating in.

Permitting Virtual Offices

2. What issues, challenges or consequences do you see arising from permitting virtual brokerage offices?

We are in the 21st century and must adapt accordingly. If members of the public prefer to meet in person or want a physical office associated with a brokerage, they can arrange this during the initial phase of tendering the management contract. It's important to note that condominium management firms are not directly comparable. While Brokerage A may prefer the traditional ways of business, Brokerage B may be entirely online with effectiveness and efficiency. Each brokerage would attract the clientele based on their business models.

It should also be noted that there is no need to prohibit brokerages from having a brick-and-mortar location. This decision should be left to the discretion of the brokerage.

That being said, a virtual or brick-and-mortar space has different safety requirements for their space. It should be noted in the rules that each space should be ensuring that the space is safe. Whether this is cyber security awareness or a door lock and alarm system would depend on the business model. It is not up to RECA to mandate specific safekeeping standards but to note that the business should include reasonable safekeeping practices in its business model.

Modernizing Electronic Record Keeping/ Depositing Funds Electronically

3. What issues, challenges or consequences do you see arising from modernizing Rules dealing with electronic record keeping and online banking?

Modernizing is an evolutionary requirement. In this situation, awareness should be placed on the cyber security of the online world and on ensuring safeguards are in place. What those safeguards are should be at the discretion of the business, with examples provided by RECA. Items such as cyber insurance, two-factor authentication, or perhaps vaulting items. Electronic record keeping and if backups are required should be considered, perhaps a rule ensuring the brokerage has reasonable forethought into cyber security practices and adjusting as needed.

Eliminating the Need for Two Cheques When Paying Commission Fund to Co-Operating Brokerages

4. What issues, challenges or consequences do you see arising from allowing brokerages to pay commissions from their trust account to their general or other account BEFORE paying cooperating brokerages?

We don't see any challenges with this proposal as long as adequate accounting measures are in place. The only downfall might be that some brokerages who do not operate correctly and have a deficit in the general account may not be able to pay out the full amount of the commission due to the agents. You may find that this change results in some commissions being unable to be paid out due to insufficient funds in the brokerages' general account.

Amendments to Notifying the Registrar

5. What issues, challenges or consequences do you see arising from allowing brokers to approve individual incentives at their brokerage.

We agree with this wholeheartedly. Ten business days is a reasonable time frame for licensees to meet. Allowing for extensions at the Registrar's discretion is necessary.

Amending Incentives Rules

6. What issues, challenges or consequences do you see arising from allowing brokers to approve individual incentives at their brokerage.

This should be kept the same. All incentives must be offered by the brokerage. Brokers run the risk of their licensees offering nonsensical inducements without the broker's knowledge, which the broker, under law, would be responsible for.

Brokers in larger brokerages with 100+ agents could not keep up with the incentives offered by individual licensees.

Require Written Service Agreements PRIOR to Providing Services

7. What issues, challenges or consequences do you see arising from requiring residential, property management, condominium management, and mortgage brokerage licensees to obtain signed written service agreements PRIOR to providing any services?

A written service agreement must be entered into before any services are provided. This is a protective measure for all parties involved.

Commission Payments to Corporations

8. What issues, challenges or consequences do you see arising from removing the requirement for a licensee to own at least 50% of a corporation in order for that corporation to receive the commission?

Inherently, there may be issues relating to ownership of the corporation further down the line with optics ownership or division of assets, such as if an unlicensed spouse is the majority owner of the company. Perhaps verbiage around the dissolution of the corporation or division of the corporation should be considered if the majority shareholder is not the licensee.

Prohibiting Representation of Any Kind for Personal Trades and Deals

9. What issues, challenges or consequences do you see arising from prohibiting all relationships with the other party during personal trades and deals?

We recommend having the licensees and the other party sign a formal document of disclosure and consent detailing the conflict of interest before or at the time of the service agreement being signed.

Prescribing Bank Reconciliation and Discrepancy Requirements

10. What issues, challenges or consequences do you see arising from making the requirements around bank reconciliations and discrepancies more prescriptive?

To see this as a consumer, this makes sense. However, the red tape and administrative burden on a brokerage would be substantial and would not be a worthwhile endeavour.

Requiring Sequentially Coded Records

11. What issues, challenges or consequences do you see arising from removing the requirement to sequentially code records in favour of a unique identifier?

This would not apply to condominium management brokerages and relates to real estate transactions. Condominium Corporations all have an identification number as determined at registration.

Prohibit Loans from Pooled Trust Accounts

12. What issues, challenges or consequences do you see arising from prohibiting loans from pooled trust accounts?

We wholeheartedly agree that a trust account should not be available as collateral for a loan.

Administrative Penalty Ranges and Amounts

13. What issues, challenges or consequences do you see arising from allowing for Administrative Penalty ranges and increasing maximum fine amounts?

A range is acceptable, but there needs to be reasonability to it as well. We see no consequences or issues with this suggestion.

Questions 14, 15, 16, 17, 18, 19 - not related to Condominium Management.

Duty to Carry Errors and Omissions Insurance

20. What issues, challenges or consequences do you see arising from allowing for Administrative penalty ranges and increasing maximum fine amounts?

A range is acceptable, but there needs to be reasonability to it as well. We see no consequences or issues with this suggestion.

20. What issues, challenges or consequences do you see arising from permitting the Registrar to set the aggregate and per occurrence errors and insurance limits?

There is a cost associated with the insurance coverage. Reasonable, good faith and thoughtfulness need to be added into a process that cause an increase in operating costs for the brokerage.

21. Requiring Reporting Reasons for Insurance

1. Cancellation What issues, challenges or consequences do you see arising from requiring brokerages to report to the Registrar the reasons an insurer cancelled their errors and omissions insurance policy?

We agree that the brokerage must report a termination of policy. We recommend the reporting be within ten business days and in writing.

Alberta Real Estate Association
Industry Submission:
Phase 3: *Real Estate Act Rules Review*
Response to Discussion Paper
November 2024



The Alberta Real Estate Association (AREA) and its 10 member Boards/Associations are pleased to provide the following input into Phase 3 of RECA's Rules review process.

For the purposes of this response, we reconvened the working group that participated in Phase 1. This working group is comprised of an appointed representative from each local Board/Association, tasked with refining and communicating our joint recommendations to RECA. Each Board/Association was updated throughout the process to ensure alignment and consensus. This submission can and should be seen as the collective work of our organizations on behalf of the 15,000+ licensees we represent.

It is our hope that these recommendations can lead to amendments that reduce the regulatory burden on licensees without increasing the public safety risks surrounding trade in real estate.

Thank you,

Part 1 Standards Working Group

Licensing Framework – One Licence, Seven Authorizations

Question #1

What issues, challenges or consequences do you see arising from the adoption of the proposed licensing framework?

There is a reason other jurisdictions do not separate into “sectors” and instead have one real estate licence: the fiduciary duties to the clients remain the same regardless of what real estate service is administered.

We previously submitted thoughts on returning to one licence, no sectors because RECA has not demonstrated, nor is there any evidence we could find, that consumers in Alberta are any safer than consumers elsewhere. Our earlier submission had not been reviewed by the committee when we met with them. We trust it has been now and consider that submission to represent our collective thoughts.

Instead of realigning with the rest of the country, this proposal would take Alberta further apart, adding additional red tape through an additional “sector” and further division.

RECA has not sufficiently demonstrated that there is a problem with status quo outside of a handful of brokers seeking to limit competition. As it is, brokerages currently comply with the Rules that have been set for the practices they practice within. Some limit the services they provide, but all must stay up to date in the four “sectors.”

In the two main cities, where there are many brokerages, running a selective brokerage that concentrates on one type of real estate is not generally an issue. Outside of the two main cities, brokerages need to offer all four current authorizations in order to fully serve their communities. There are already underserved communities that cannot get condominium managers because there are no brokers willing to take on the burden. This would become worse under the proposed new licensing scheme, for example, if no brokers wanted to maintain the burden of property management. The



potential for seriously reducing needed services to the public in communities already underserved would be high.

The burden to maintaining full sector licensing is set to grow when each Industry Council starts prescribing re-licensing education without coordination and with the addition of another “sector.”

Allowing someone to practice real estate for one brokerage and property management for another brokerage will also cause consumer confusion. Consumers are unlikely to distinguish between the brokerages and will likely pull in both brokerages should a conflict or lawsuit arise. Conflicting policies and educational requirements with different brokerages will increase licensee confusion and costs, leading to less informed licensees and higher costs to industry and public.

There is only one small segment of brokers advocating for this change: institutional commercial brokerages. They are looking for a competitive advantage and an easier road to brokering (not having to stay informed on other sectors). But they are a small voice among many brokerages who service other types of commercial clients.

Permitting Virtual Offices

Question #2 – Virtual Office

What issues, challenges or consequences do you see arising from permitting virtual brokerage offices?

There are a couple potential challenges with a virtual office. The main one being public perception of professionalism. For example, a consumer having to drop a cheque off at a home address may affect their perception of the profession, although the use of cheques is increasingly rare. We also question whether RECA will have any issues with serving documents to an associate or associate broker’s address, rather than to the broker themselves.

That said, we recognize that some other jurisdictions have moved to virtual offices successfully.

But the current phrasing of the Rules also suggests that RECA must be allowed to conduct audits in person. This is a waste of time and money, when the records are all digitized, regardless of whether offices are virtual. For RECA auditors to travel across the province seems outdated, when they can be given access to the records from their desk and follow up questions via phone, videoconference, email, or some other form of communication. The public protection measure is in the audit of the trust accounts themselves. Increasing the efficiency and number of audits would contribute to increasing public safety.



Modernizing Electronic Record Keeping/ Depositing Funds Electronically

QUESTION #3 – Modern Rules for Electronic Records/Banking

What issues, challenges or consequences do you see arising from modernizing Rules dealing with electronic record keeping and online banking?

There is no downside in modernizing the rules around electronic records and banking. We encourage the regulator to consider how to keep the language neutral enough to be relevant for the technologies of tomorrow. This is most achievable through using a permissive definition of “record” in Rule 1, and not further qualifying “record” in the text of the Rules.

Eliminating the Need for Two Cheques When Paying Commission Funds to Co-operating Brokerages

QUESTION #4 – Allow Commissions to General Account Before Paying Cooperating Brokerage

What issues, challenges or consequences do you see arising from allowing brokerages to pay commissions from their trust account to their general or other account BEFORE paying cooperating brokerages?

The challenge is that these monies are not protected once they leave the trust account. If a brokerage were to be in trouble, moving money owed to the cooperating brokerage into a general or other account would not be advisable.

Amendments to Notifying the Registrar

QUESTION #5 - Notification Period Amendments

What issues, challenges or consequences do you see arising from defining ‘immediately notify’ as 10-business days, and allowing for an extension at the Registrar’s discretion?

We appreciate that the regulator is looking to define “immediately notify,” as this was one of our requests. While 10 business days is an improvement to practice today, we question whether it is enough time for the simple notifications, such as an address change.

Commonly, the events that trigger “immediately notify” are significant life-changing events, meaning the regulator is not top of mind. But the nature of their business means that licensees are easy to find.



There is little risk of the regulator not being able to reach them with the smallest amount of effort.

We still recommend 30 days be the standard.

We also do not favour Rules that leave decisions to the discretion of the Registrar.

Amending Incentive Rules

Question #6 – Individual Incentives with Broker Approval

What issues, challenges or consequences do you see arising from allowing brokers to approve individual incentives at their brokerage.

We support this change as being a good way for licensees to be creative with fewer restrictions. The only challenge we see is solvable by broker policy around what incentives will be approved and what assurances the broker has that the licensee will fulfill the terms of the incentive. At the end of the day, the broker is still responsible.

Require Written Service Agreements PRIOR to Providing Services

Question #7 – Written Service Agreement Timing

What issues, challenges or consequences do you see arising from requiring residential, property management, condominium management, and mortgage brokerage licensees to obtain signed written service agreements PRIOR to providing any services?

While we agree that service agreements should not be signed after work is completed, we see this approach being problematic for several reasons:

- Defining “service.” Many discussions begin in public at the grocery store, or a kids’ sport tournament, or a religious gathering. Consumers are not ready to sign paperwork at this stage, but licensees are providing service by sharing their insights. Even a market evaluation is typically completed before a consumer agrees to forming an agency relationship.
- Consumer choice. While not all consumers, there are consumers who refuse to sign any documentation until they must, or consumers who move quickly at an open house or a first showing. This is particularly true on the buyer side of the transaction. The regulator should not be imposing its timelines on the consumer.

We would be supportive of language that suggests it must be signed before a licensee enters into negotiations on behalf of the consumer or before undertaking contractual obligations.



Commission Payments to Corporations

Question #8 – Payment of Commission to Corporations

What issues, challenges or consequences do you see arising from removing the requirement for a licensee to own at least 50% of a corporation in order for that corporation to receive the commission?

We applaud this approach as better accommodating licensee business models.

Prohibiting Representation of Any Kind for Personal Trades and Deals

Question #9 – Prohibiting Any Relationship with the Other Party During Personal Trades and Deals

What issues, challenges or consequences do you see arising from prohibiting all relationships with the other party during personal trades and deals?

It is worth noting that in real estate, these kinds of trades are not covered by REIX, so licensees already approach them with extra care.

The discussion guide mentions the need to disclose the conflict of interest, which is necessary. But it does not demonstrate a need for this change. There is no evidence that licensees are misusing their rights currently. Disciplinary records also do not provide evidence that this has been a widespread problem. We do not think Rules should be amended just to solve hypothetical issues, when there are many of these transactions each year where all parties are informed and pleased with the results.

There is middle ground in this instance. There is a way to improve consumer protection, while still allowing licensees to engage in personal trades: requiring broker involvement. Requiring broker involvement provides an additional layer of protection for consumers, while preserving the consumer's right to choose how they are represented in a transaction.

Prescribing Bank Reconciliation and Discrepancy Requirements

Question #10 – Prescriptive Bank Reconciliation Requirements

What issues, challenges or consequences do you see arising from making the requirements around bank reconciliations and discrepancies more prescriptive?

This creates red tape for licensees, without any clarity on what benefit or protection it is providing the public. The extra layer of effort is demonstrated in instances where, for example, you would need to



calculate the interest on various security deposits monthly. This is a lot more work than using the Service Alberta interest chart, creating a large administrative burden, the costs of which would be borne by consumers.

It would appear that the interest here is in making it easier for RECA auditors, which is not the goal of this Rules review.

Requiring Sequentially Coded Records

Question #11 – Requiring Sequentially Coded Records

What issues, challenges or consequences do you see arising from removing the requirement to sequentially code records in favour of a unique identifier?

Giving brokerages the opportunity to use their own unique identifiers, which many already use in addition to sequential coding, is another way to allow for industry to keep up with current technological practices.

Prohibit Loans from Pooled Trust Accounts

Question #12 – Prohibiting Pooled Trust Account Loans

What issues, challenges or consequences do you see arising from prohibiting loans from pooled trust accounts?

We consider this to be a positive move.

Administrative Penalty Ranges and Amounts

Question #13 – Amending Administrative Penalty Amounts

What issues, challenges or consequences do you see arising from allowing for Administrative Penalty ranges and increasing maximum fine amounts?

We agree that the fines for every contravention should be set as maximums to allow for the Registrar to use their discretion in administrative penalties and feel these amounts are reasonable.



Amend 'Rural Real Estate' to 'Agribusiness Real Estate'

Question #14

What issues, challenges or consequences do you see arising from the amending Rural real estate to Agribusiness real estate?

Agribusiness is a better descriptor of transaction type currently captured under "rural."

Prohibiting Pooled Trust Accounts in Property Management

QUESTION #22 – Prohibiting Pooled Trust Accounts

What issues, challenges or consequences do you see arising from prohibiting property managers from using pooled trust accounts?

Pooled trust accounts are allowed under the *Residential Tenancies Act* and its regulations. It is not under RECA's authority to allow or disallow the practice. Even if it were under RECA's authority, changing the current practice would be a disservice to both licensees and consumers.

First, moving away from pooled accounts would significantly increase banking and auditing fees. Property managers would need to set up individual trust accounts for each property or tenant, leading to higher monthly banking fees and transaction costs and astronomical yearly audit fees.

Second, this change would create substantial administrative burdens. Managing multiple individual accounts means substantially more time spent on record keeping and compliance checks, which could necessitate hiring additional staff or reallocating resources ultimately increasing operational costs.

Additionally, setting up Pre-Authorized Debit (PAD) and Pre-Authorized Payment (PAP) arrangements would become more complicated. Each trust account would need separate authorization for automated payments, adding to the administrative workload and costs to administer.

Finally, reconciling individual accounts would be a logistical challenge. Property managers often handle hundreds, if not thousands, of units. This would lead to time-consuming reconciliation processes, increasing the risk of errors and mismanagement of funds.

In summary, prohibiting pooled trust accounts would impose significant financial and administrative challenges on property managers, the costs of which would need to be passed on to the consumer.



Property Management Financial Statements

QUESTION #23 – Allowing for Different Timelines for Preparing Client Statements

What issues, challenges or consequences do you see arising from allowing property managers and their clients to agree on statement timelines that differ from the monthly statement requirement in the Rules?

This is a positive move for property managers and their clients.



The consultation part of the proposed reca changes to the rules.

From [REDACTED]

Date Wed 10/30/2024 1:14 PM

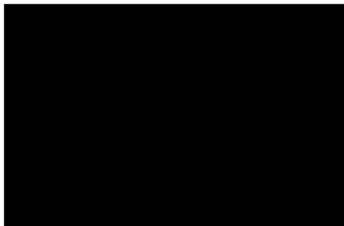
To Consultation <consultation@reca.ca>

[REDACTED]

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Yes it is up to the broker for individual realtor incentives and does not have to be offered as a brokerage, is totally logical and should be approved as a rule change.

Signing a buyer service agreement prior to any service provided by a Realtor is totally logical. I cannot show you anything until we sign a document together so our responsibility to each other is fully understood and agreed to in writing. As per NAR change in August.



Sent from my iPhone

RECA Rules Review Phase 3

From [REDACTED]

Date Tue 11/19/2024 5:10 PM

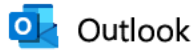
To Consultation <consultation@reca.ca>

[REDACTED]

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

- Q1: we support the proposed changes
- Q2: we suggest being specific that the registered address must be a location where either the broker or another registered associate lives or works on a regular basis. Mailboxes or business centres should be excluded.
- Q3: we support the proposed changes
- Q4: we do not support this change as it raises the potential for fraud.
- Q5: we suggest 5 Business Days is sufficient for notice.
- Q6: we support this change PROVIDED THAT there is express written approval by the Broker in each case.
- Q7: we support the proposed changes
- Q8: the rules should require the licensee to own some minimum amount of shares in the corporation
- Q9: we support the proposed changes
- Q10: we support the proposed changes
- Q11: we support the proposed changes
- Q12: we support the proposed changes
- Q13: we support the proposed changes

[REDACTED]



Outlook

Property management concerns

[REDACTED]
Date Wed 11/27/2024 10:36 AM

To Consultation <consultation@reca.ca>

[REDACTED]

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

I have grave concerns over your plan to not allow pooled trust accounts. Your rationale for doing so does not hold up to scrutiny. Each and every one of those trust accounts is itemized as to whose funds are in there, and also as to what interest they are earning. To say that an auditor is unable to track it is a joke. Do you realize that large property management firms like our own have hundreds of clients? Do you expect us to open up 4 to 500 separate accounts? I'd like to talk to someone in person to make sure this message gets through. Thank you and we will be responding to the survey in a formal fashion before the deadline.

[REDACTED]

Re: Feedback Requested! RECA Rules Review - Phase 3

[REDACTED]

Date Sat 9/28/2024 6:52 PM

To Consultation <consultation@reca.ca>

[REDACTED]

Hello,

I wanted to express my support for the proposed changes regarding E&O insurance.

[REDACTED]

[REDACTED]

----- Forwarded message -----

From: Real Estate Council of Alberta <communications@reca.ca>

Date: Tue, Sep 24, 2024, 4:00 PM

Subject: Feedback Requested! RECA Rules Review - Phase 3

[REDACTED]

RECA Rules Review - Phase 3

On behalf of our Industry Councils, we are pleased to provide you an update on the next phase of consultation for the current Rules Review. Consumers and many stakeholders have provided us with valuable feedback that will help us continue to evolve the high professional standards and practices for our industries. We appreciate the input that has already been provided by numerous professional associations, brokers like yourselves, individual licensees, and consumer focus groups.

All feedback provided in Phases 1 and 2 has been carefully considered. The Committee and the Industry Councils have determined the final proposed amendments to the *Real Estate Act* Rules as part of Phase 3.

Phase 3

RECA is reaching out to stakeholders for feedback on any potential issues or unforeseen consequences that could arise from adopting these final recommended changes.

All brokerages are encouraged to review the Phase 3 Discussion Paper. We welcome your thoughtful feedback on how these Rule changes might impact your brokerage and practice, and any potential issues you see arising.

[Phase 3 Discussion Paper](#)

Brokerages can provide their feedback, in writing, to consultation@reca.ca until November 29, 2024.

The Industry Councils are committed to considering all feedback received, and will deliberate at their December meetings before making any final decisions to move forward with changes.

Thank you in advance for your continued feedback, and for your support in strengthening the industry's evolving consumer protection and licensing regulations.

[Keep up to date with the latest on the Rules Review on RECA's website.](#)

Real Estate Council of Alberta

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Licensing Framework:

- **Page 5. Licensees are required to register *related* sectors at the same brokerage (Exception: registration of related services at multiple brokerages allowed upon application and approval by the Registrar, in exceptional circumstances).**

Need to know examples of what “exceptional circumstances” might be, and can a decision by the Registrar overrule a decision by the original brokerage with which the licensee has a license. That seems to contradict the statement later on the page: Brokerages can set their own employment policy to prohibit their licensees from being dually licensed if desired.

Question #1: Seems to be straight forward, with clarification of exceptions noted above.

Virtual Offices:

- **I believe there should be an actual business office required. The home residence of a broker or licensee, is often very insecure for dropping off documentation and deposit funds.**

Question#2: I believe a true business office should be a requirement, due to security issues mentioned above, and public protection for knowing where and how to find a brokerage or brokerage representative.

Electronic Record Keeping:

- **This is a necessity for today's business practices, and should be reviewed and updated regularly.**

Two Cheque Commission Payments:

- **Question #4: I agree that the two-cheque system is cumbersome. However, Trust Accounts have rules and regulations and are protected by laws and rules against fraud and misuse. As soon as the funds are transferred out of trust, they simply become general funds belonging to the brokerage. They are not protected against misuse any longer, and in the case of a business failure and/or bankruptcy, trust funds would be treated much differently than general account funds, and general funds would probably be subject to take over by a trustee.**

I would much rather see, even if it took a change of wording on a contract form, commission funds be able to be placed into, and paid out of, a trust account, for the protection of cooperating brokerages, and licensees.

Notifying the Registrar:

- **Question #5 – makes sense.**

Incentives:

- **Question #6: I like this change as long as it remains clear that the Broker has total control over the policy within the Brokerage.**

Written Service Agreements

- **Question #7: In the future, I see these agreements being mandatory within the residential component for the negotiation of buyer's agent commissions.**

However, there are many, many instances of exclusive Buyer Representation Agreement causing confusion and controversy with consumers. If they get signed too early in the process, the parties have not yet even decided if they are compatible with one another, and really do want to work together. If they don't, there are penalty clauses and potential commission lawsuits, if the client decides to move on prematurely.

I understand the intent, but in practice I believe in the non-exclusive version, that explains our services fully and properly, but does not tie the consumer to one associate or face penalties.

Sales associates might have opposing views to that one. But as a broker, without exaggerating, I'm involved in a client/licensee conflict over the exclusive form once a week.

Commission payments to Corporations:

- **Question #8: I have no problem with the concept, but as a broker, I, or RECA, should require a form to be designed with specific instructions directing the commission to any corporation. And in today's world of personal relationships and litigation, that direction should also have provision for written instructions to modify the directive on commission payments when necessary.**

Representation on personal trades:

- **Totally understand the conflict-of-interest issue. And for me, the fact that I'm not covered by REIX on personal trades means I'd get assistance anyway. I guess the only exception might be if someone was working as a listing agent on a multi-unit project, and wanted to buy one, you might want to word it so that could still be possible. And the conflict-of-interest potential is probably reduced significantly.**

Bank reconciliations:

- **Question #10: This doesn't sound unlike what we're doing now.**

Sequentially coded records.

- **Question #11: I don't understand the difference.**

Loans from Pooled Trust accounts:

- **Question #12: I would never lend money from a trust account under any circumstances, so I'm not sure where this would apply.**

Administrative Penalty Ranges:

- **Question #13: I don't know why the Rules need to determine penalties in terms of dollars. No question ranges are better than specific amounts. But the offenses range in severity, from insignificant to extreme, and RECA's stated objective is to move from a totally penalty-based system to one involving education and knowledge. Monetary penalties might be better left to the discretion of RECA investigations. As long as the department is on board with that philosophy, and that would have to be clarified and determined, it may not be necessary to prescribe dollar amounts in Rules.**

As well, by putting it in the Rules, it will take a change of Rules to change the amounts if they are determined to not be appropriate in the future. And we know what that process takes through this current exercise.

Recommend considering making penalties an administrative issue rather than a rule.

Rural real estate change to Agribusiness.

- **Question #14: I agree with the intent of the change, where what we now think of as “rural” being rural residential property, that will simply be residential, and agribusiness will refer to income producing rural properties.**

However, in your earlier discussion on licensing, you state: “Licensees will retain the sectors they currently have on their license within this new framework.”

That’s not the case with “rural”. The “rural” designation will disappear and be included in residential. Will Agribusiness be a separate designation, or require a commercial designation since it is income producing?

We need to clarify that.

Two additional requests, not dealt with:

- **Section 53 of the current Rules says: “A real estate associate broker and associate must: (c) provide to the broker in a timely manner all original documentation and copies of original documents provided to the parties or maintained by other brokerages: (i) related to a trade in real estate; and (ii) required under the Act and these Rules.**

In this day and age of electronic signatures and emailed transmission of documents, the word “original” has to be defined, or replaced.

And “a timely manner” isn’t sufficient from a brokerage point of view. It needs to be far more specific. Again, in this electronic day and age, 3 to 4 business days would not be unreasonable.

Inducements:

- **Incentives were covered earlier, but Inducements have not been addressed.**
- **Rule 54.2 says in part: a licensee “ . . . must not directly or indirectly, provide and inducement unless that inducement is provided by and on behalf of the brokerage . . . details of the inducement are provided in writing and the broker has provided written approval.**

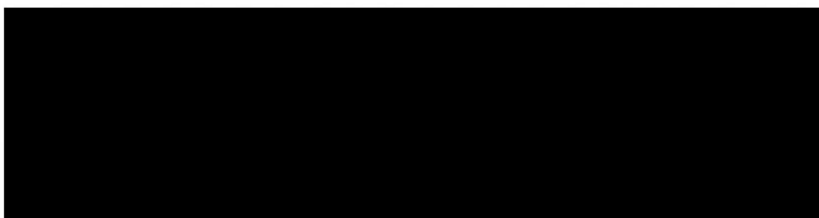
The way this is written, and RECA investigations interpretation, is impractical in real life. Inducements happen all the time. “my smoke detector doesn’t work”, “my dishwasher leaks”, “look at the garbage on the deck” etc. etc. etc. It is the nature of sales associates to say “here – let me help you with that”, or say “I’ll pay for your legal fees, or Real Property Report” and write a cheque on site, or buy something required to make clients happy. In 38 years in this business, mostly in management, I have never been asked, nor provided written permission for an incentive. And in fairness, I would rarely even become aware of them.

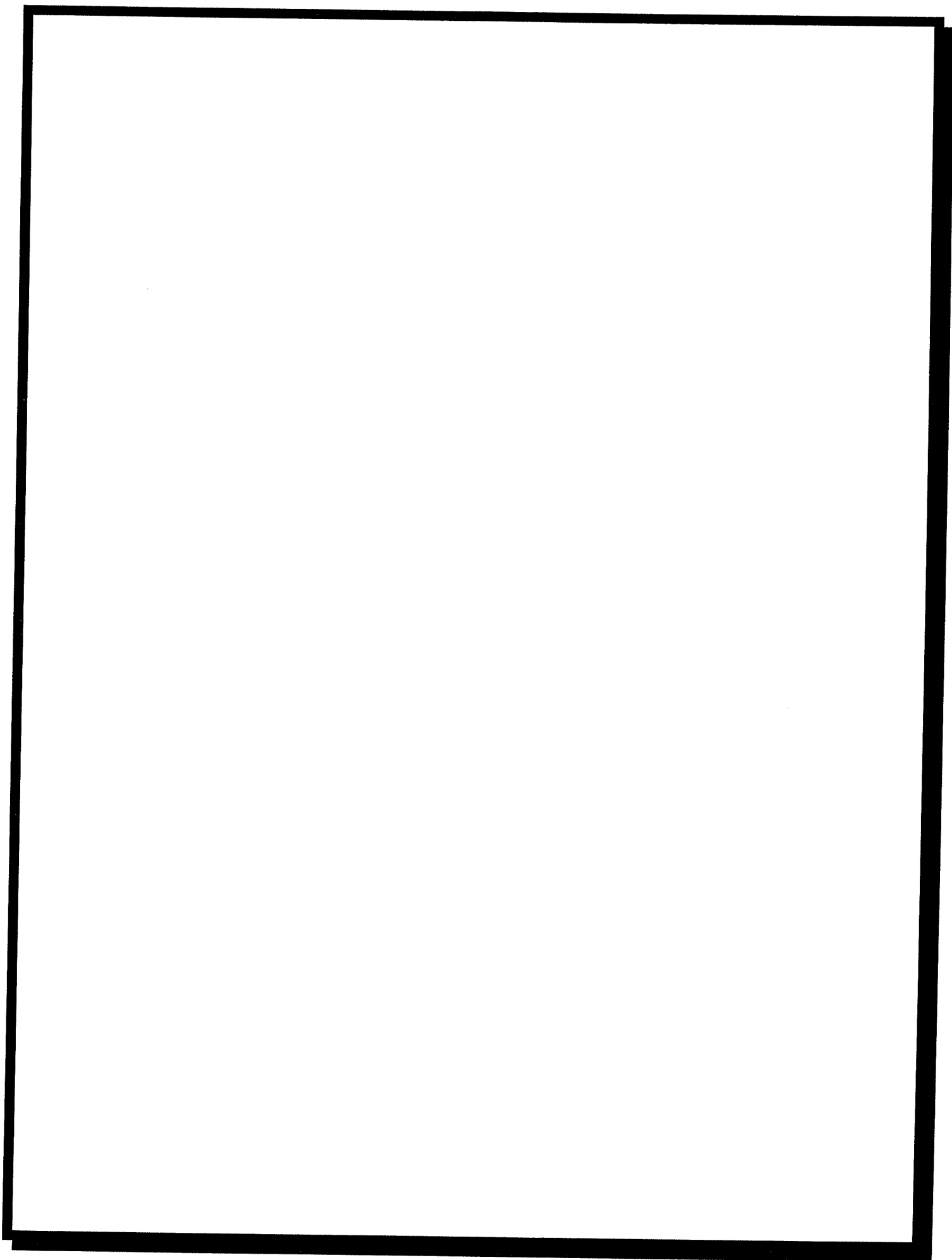
In a way, there is a very fine line between providing and incentive and giving the client a closing gift. Arguments could be made for both. But to anticipate written approval, and especially to think that it has to appear to be coming from the brokerage, seems redundant and pointless.

In the past RECA administration, I had a licensee who was having an argument with a client over the return of some original documents that were used for Land Titles purposes. There were admittedly other issues as well, and the client filed a RECA complaint. My licensee gave him a personal cheque for \$500 to replace the documents. He was assessed a \$1,500 administrative penalty for doing so, for a number of reasons that aren't important to this discussion, but that I thought at the time was over zealous to be polite.

I believe inducements should be recognized as a legitimate business expense. Possibly they could be reported to the Brokerage, but not require written broker approval, nor provision of details in writing. We must be somewhat realistic to what actually goes on in the field.

Respectfully submitted:





Consultation on Phase 3

From [REDACTED]
Date Thu 11/14/2024 10:24 AM
To Consultation <consultation@reca.ca>

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Feedback as follows:

Question #1

Leave the framework as-is. Belonging to two brokerages is just as ridiculous as teams of 80 people. RECA is NOT dealing with the public, they only answer complaints made by the public and I can tell you that the public is already confused with huge teams acting as brokerages. The huge teams needs to stop, the new framework needs to NOT GO AHEAD. If the broker doesn't offer a specific sector such as commercial, then the agent needs to find a brokerage that does.

Question #2

Virtual offices are up and running – for years now – so its time RECA catches up.

Question #4

And the pendulum swings back! Issuing a cheque from TRUST and COMMISSION TRUST only severely confuses the conveyancing department when two EFT's come in. Let's go back to depositing lawyer top ups to TRUST or moving TRUST to another account and then paying the other brokerage from that account.

Question #6

You asked this already and my answer stands the same – TOTAL CONFUSION.

20,000 realtors all doing something different. Chaos.

This UNDERMINES THE ENTIRE AGENCY PRINCIPLE WHERE AGENTS TRADE ON BEHALF OF BROKERS. You might as well just train everyone on TRUST accounts and have them be their own broker.

Question #9

My brokerage does not allow for agents to 'double end' their own properties and I'm often surprised to be reminded that this is still allowed.

Question #12

I'm aghast this is actually allowed in the first place. If RECA doesn't abolish it, I will bring it up when I meet with the Minister Dale Nally. THIS IS NOT OUR MONEY TO DO WITH WHAT WE WANT. ABSOLUTELY RIDICULOUS!!! If the public found out this is allowed they would absolutely freak out. THE PUBLIC'S MONEY SHOULD BE AVAILABLE TO THEM AT ANY TIME. WE NEED BLOCK CHAIN SOFTWARE TO MANAGE DEPOSITS. Using the funds for anything other than what the Buyer intended the money for is unbelievable. I can't believe this goes on. This practice must cease immediately.

[REDACTED]



Rules Review Phase 3 Feedback

From [REDACTED]

Date Tue 9/24/2024 5:43 PM

To Consultation <consultation@reca.ca>

[REDACTED]

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Good afternoon.

Some of this feedback was provided in a focus group.

Question 1

- I feel that allowing licensees to hold licenses at multiple brokerages will be confusing to the public and does not serve the public's interest.
- I hope RECA considers changing the industry councils so that the word **residential** is no longer in the Property Manager I.C. and moving commercial property management to be under this I.C. This change would align the picture on page two with the bullets given on page three as **related sectors**.

Question 2

- I have no problem with virtual offices provided all records are readily accessible from a physical location within Alberta that people (including RECA) could attend when needed.

Question 3

- Ensuring compliance with privacy legislation becomes near impossible with backups. For example, when an owner sells their information is physically removed from the files however digital backups by their nature will continue to have that information.
- As digital banking becomes more prevalent the amount of phishing and theft will also increase. RECA needs to adopt standards that take this into consideration but allow for modernization.
- To protect the public RECA needs to consider when it is acceptable to utilize AI and to what extent.

Question 4

- This does not apply to my sector.

Question 5

- The term needs to be defined. 10 business days seems reasonable.

Question 6

- I'm not sure how the public will perceive this when one person can offer an incentive but another cannot. I do not support this change.

Question 7

- On the surface I support this change but it creates a new set of problems. Potential clients often approach brokerages asking for solutions either during the interview stage or before they have decided to go to market. This also happens with self-managed corporations where they just need a few minutes of someone's time. My concern is that a change of this nature would cause brokerages to no longer be willing to provide **any level** of service without a written service agreement.

Question 8

- This does not apply to my sector, but I question the motive behind this change.

Question 9

- While this does not impact my sector, I feel this is an **overly** strong reaction. An explicit disclosure seems more appropriate.

Question 10

- I support tightening the requirements for trust accounts **and non-trust accounts that are performing actions normally associated with trust accounts**. This change is in the public's interest.

Question 11

- I support this change if it is done in a way that takes the concerns from question 3 into consideration.

Question 12

- I support the prohibition.

Question 13

- My concern is that this will cause a creep of the amount where fines are put to the maximum allowable for most offenses. I would rather see an escalation on repeat offenses.

Question 14

- If I read this correctly it would put all acreages under agribusiness. If that is the case then I do not support this change as a rural property with trees and a yard is not subject to agricultural rules.

Question 15

- I would like to see RECA bring this sector in line with the other sectors and no longer allow the misleading titles. I see no reason why the associate cannot be called a **mortgage associate**.

Question 16

- If you continue to use the word broker in a non-standard way you will continue to confuse the public. Either fix the issue completely or leave it as in.

Question 17

- This does not apply to my sector.

Question 18

- RECA needs to look ahead to keep rules compliant with coming legislation. If this satisfies a FINTRAC item then I support the change.

Question 19

- This does not apply to my sector.

Question 20

- I don't have a problem with this but having the amount in the rules makes it clear that it is a requirement.

Question 21

- I support this.

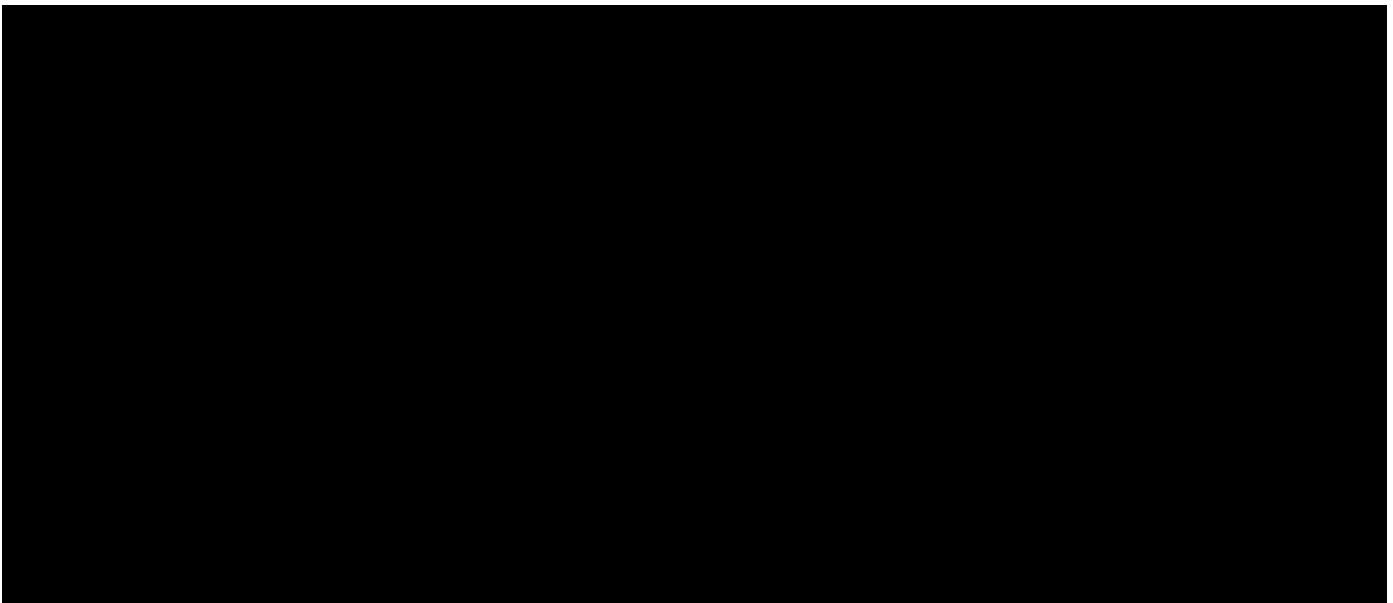
Question 22

- While I don't use a pooled trust account I can see this increasing cost to consumers. Increasing the reporting and record keeping on pooled trust accounts seems more reasonable.

Question 23

- The client should be able to dictate the frequency of statements. This would allow the statement periods to coincide with the client's needs and remove the needless interim statements.

Yours truly,



Rules Review Phase 3 Feedback

From [REDACTED]
Date Tue 9/24/2024 6:15 PM
To Consultation <consultation@reca.ca>

[REDACTED]

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One fundamental change I'd suggested previously has not been addressed as it has been for the residential and commercial real estate broker/brokerage sector. The commercial mortgage broker/brokerage sector is fundamentally different to the residential sector and should mirror the real estate broker/brokerage sector.

I don't understand why that has not been considered. Please advise.

Regards
[REDACTED]



Attention RECA

November 25, 2024

Re: RECA Rules Review – Phase 3

Please find here [REDACTED] feedback on the Phase 3 RECA Rules review. Should you have any questions or require clarity on any points, please do not hesitate to reach out. Thank you for your efforts to consult with the industry before implementing these rule changes. Some rule changes will certainly serve to improve the industry while others will serve to harm both the industry and the public. We hope that there is a fulsome discussion about the detrimental effects of rule changes 1, 6, 7, 10 and 22, with emphasis on Rule changes 10 and 22.

Responses to the rules review questions:

Q1: At [REDACTED] we believe Alberta’s current real estate licensing system effectively balances client protection and industry standards. Adding another licensing sector would increase complexity, burden licensees with additional costs, and risk leaving many communities underserved. While specialization works in major cities, most brokerages outside urban centers must provide a full range of services to meet local needs. We believe this restructure will create confusion for consumers and added challenges for the majority of the industry.

Q2: [REDACTED] supports this rule change

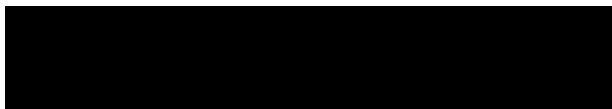
Q3: [REDACTED] y supports this rule change

Q4: [REDACTED] supports this rule change. We believe allowing brokerages to pay commissions through their general account before paying the cooperating brokerage would significantly streamline the process. This change would eliminate the unnecessary task of issuing two separate commission checks, making payments more efficient for brokerages.

Q5: [REDACTED] supports this rule change

Q6: [REDACTED] has concerns about this rule change. This proposal has the potential to create significant disparities between agents with substantial marketing budgets and those without. We are also concerned about the liability this places on brokerages if an agent offers an incentive they cannot fulfill. For example, if an agent promises a trip to Mexico for anyone who lists a property but fails to generate enough listings to fund the trip, who would be held accountable?

Q7: [REDACTED] concurs that service agreements shouldn’t be signed after the work is done, but the proposed approach creates unnecessary challenges. Many real estate conversations begin informally, where consumers aren’t ready to commit to signing paperwork. Even market evaluations often happen before a formal agency relationship is established. Additionally, some clients simply prefer not to sign anything until it’s absolutely necessary, especially buyers in fast-moving situations. Imposing strict timelines doesn’t respect the way consumers naturally interact with the industry. A more practical solution would be to require agreements to be signed before entering negotiations or taking on contractual obligations.



Q8: [REDACTED] supports this rule change

Q9: [REDACTED] agrees with prohibiting licensees from providing services to the other party when selling or purchasing their own property. This avoids sizable conflicts of interest and ensures transparency.

Q10: [REDACTED] strongly opposes this rule change as it would impose unnecessary complications for licensees, especially in property management, without any clear benefit to the public. For instance, requiring monthly calculations of interest on security deposits adds a significant workload compared to the straightforward use of the Service Alberta interest chart. This added complexity increases administrative effort, with the resulting costs ultimately passed on to consumers.

Q11: [REDACTED] supports this rule change

Q12: [REDACTED] ty supports this rule change

Q13: [REDACTED] supports this rule change

Q14: [REDACTED] supports this rule change

Q15-21: NA

Q22: [REDACTED] strongly opposes this rule change. Pooled trust accounts are allowed under the *Residential Tenancies Act* and its regulations. It is not under RECA's authority to allow or disallow the practice. Even if it were under RECA's authority, changing the current practice would be a disservice to both licensees and consumers.

First, moving away from pooled accounts would significantly increase banking and auditing fees. Property managers would need to set up individual trust accounts for each property or tenant, leading to higher monthly banking fees and transaction costs and astronomical yearly audit fees.

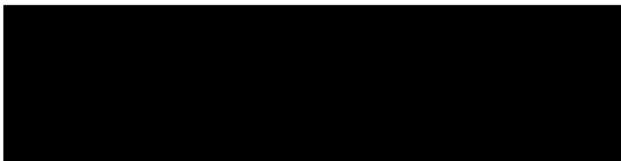
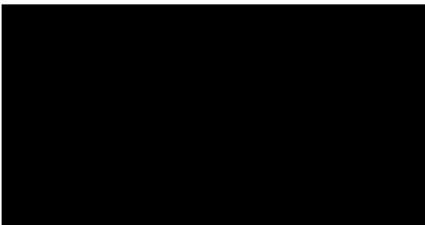
Second, this change would create substantial administrative burdens. Managing multiple individual accounts means substantially more time spent on record keeping and compliance checks, which could necessitate hiring additional staff or reallocating resources ultimately increasing operational costs.

Additionally, setting up Pre-Authorized Debit (PAD) and Pre-Authorized Payment (PAP) arrangements would become more complicated. Each trust account would need separate authorization for automated payments, adding to the administrative workload and costs to administer.

Finally, reconciling individual accounts would be a logistical challenge. Property managers often handle hundreds, if not thousands, of units. This would lead to time-consuming reconciliation processes, increasing the risk of errors and mismanagement of funds.

In summary, prohibiting pooled trust accounts would impose significant financial and administrative challenges on property managers, the costs of which would need to be passed on to the consumer.

Q23: [REDACTED] Supports this rule change.



Real Estate Act Rules Review

From [REDACTED]
Date Tue 10/8/2024 9:53 AM
To Consultation <consultation@reca.ca>
Cc [REDACTED]

[REDACTED]

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Good Morning,

Upon review of the Real Estate Act Rules Review I have some confusion about the below. Would you kindly clarify with examples. The below is very confusing to me.

RURAL REAL ESTATE ONLY Amend 'Rural Real Estate' to 'Agribusiness Real Estate' Stakeholders have noted that some licensees and the public are confused as to what types of properties require a rural licence, particularly for large acreage properties. The Rules define rural real estate as "[...] real estate that has as its primary purpose farming, [...]" and does not include large acreages that some may describe as a 'rural' property primarily used as residential property. Agribusiness properties may also have residential property as part of the overall property, but if its primary use is farming, then it requires a rural licence. To end this confusion, RECA proposes referring to rural real estate as agribusiness for all mentions within the Rules. Question #14 What issues, challenges or consequences do you see arising from the amending Rural real estate to Agribusiness real estate?

Best regards,

[REDACTED]


[REDACTED]



November 1st, 2024

ATTN: Janice Harrington, COO
Real Estate Council of Alberta
202, 1506 11 Avenue SW
Calgary, AB, T3C 0M9
vía email: consultation@reca.ca

Dear Janice Harrington,

Re; Phase 1 Real Estate Rules consultation feedback response on behalf 

Thank you for the opportunity to provide feedback. After inhouse collaboration, we provide the following in response to your Real Estate Act Phase 3 Rules review Questions for Consideration:

QUESTION #1 What issues, challenges or consequences do you see arising from the adoption of the proposed licensing framework?

ANSWER:

- Your notes mention one practice review audit and one reporting for year end, (same as now) however currently Condominium's are separate.
- We would be concerned about the loss of an individual's license in a specific sector if the Brokerage employed with is not licensed in one of their licensed sectors and you are unable to find a brokerage to hold it for you. It would be nice to see this addressed
- Would like to see an example of "exceptional circumstances" for registering with multiple brokerages in related sectors.
- Currently, Property Management licenses follow Residential or Commercial licenses. So, you would not be able to hold a Residential Real Estate license at one brokerage and a property management at another, we would like to see these split outs to provide for those opportunities missing from the current model.

QUESTION #2 – Virtual Office What issues, challenges or consequences do you see arising from permitting virtual brokerage offices?

ANSWER: No Comment.

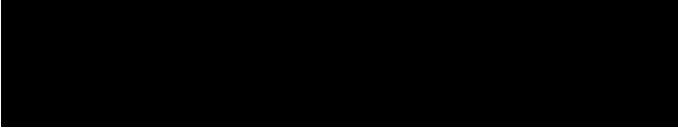
QUESTION #3 – Modern Rules for Electronic Records/Banking What issues, challenges or consequences do you see arising from modernizing Rules dealing with electronic record keeping and online banking?

ANSWER: Potential to identify the need for and implement Cyber Insurance limit requirements and Best Practices.

QUESTION #4 – Allow Commissions to General Account Before Paying Cooperating Brokerage What issues, challenges or consequences do you see arising from allowing brokerages to pay commissions from their trust account to their general or other account BEFORE paying cooperating brokerages?

ANSWER: No Comment.

QUESTION #5 - Notification Period Amendments What issues, challenges or consequences do you see arising from defining 'immediately notify' as 10-business days, and allowing for an extension at the Registrar's discretion?



ANSWER: Clarity is good in most cases however 10 days could leave a long gap in the event of reporting crimes fraudulent in nature.

Question #6 – Individual Incentives with Broker Approval What issues, challenges or consequences do you see arising from allowing brokers to approve individual incentives at their brokerage.

ANSWER: Unfair advantages could be seen by the top tier Associates who can afford to offer bigger incentives.

Question #7 – Written Service Agreement Timing What issues, challenges or consequences do you see arising from requiring residential, property management, condominium management, and mortgage brokerage licensees to obtain signed written service agreements PRIOR to providing any services?

ANSWER: This is a best practice.

Question #8 – Payment of Commission to Corporations What issues, challenges or consequences do you see arising from removing the requirement for a licensee to own at least 50% of a corporation in order for that corporation to receive the commission?

ANSWER: No Comment.

Question #9 – Prohibiting Any Relationship with the Other Party During Personal Trades and Deals What issues, challenges or consequences do you see arising from prohibiting all relationships with the other party during personal trades and deals?

ANSWER: No comment.

Question #10 – Prescriptive Bank Reconciliation Requirements What issues, challenges or consequences do you see arising from making the requirements around bank reconciliations and discrepancies more prescriptive?

ANSWER: This is a best practice.

Question #11 – Requiring Sequentially Coded Records What issues, challenges or consequences do you see arising from removing the requirement to sequentially code records in favour of a unique identifier?

ANSWER: Consideration for RECA Audit personnel in auditing poorly identified records. Perhaps elaborate on examples of unique identifiers and records on the methodology used.

Question #12 – Prohibiting Pooled Trust Account Loans What issues, challenges or consequences do you see arising from prohibiting loans from pooled trust accounts?

ANSWER: No comment.

Question #13 – Amending Administrative Penalty Amounts What issues, challenges or consequences do you see arising from allowing for Administrative Penalty ranges and increasing maximum fine amounts?


ANSWER: No comment.

Question #14 What issues, challenges or consequences do you see arising from the amending Rural real estate to Agribusiness real estate?

ANSWER: No comment.

MORTGAGE BROKERAGE

QUESTION #15 – Mortgage Associate Broker What issues, challenges or consequences do you see arising



from creating an associate broker licence class level in the mortgage sector?

ANSWER: Not our sector, but as a consumer, this still appears confusing.

QUESTION #16 - Mortgage Sector Licence Class Name Changes What issues, challenges or consequences do you see arising from changing licence class naming conventions in the mortgage sector to either of the proposals above? Which do you feel is most appropriate?

ANSWER: As a consumer, A is less confusing.

QUESTION #17 – Requirement for a Mandatory Relationship with Individual Private Lenders What issues, challenges or consequences do you see arising from a requirement for mortgage brokers to represent the lender when they work with individual private lenders?

ANSWER: No comment.

QUESTION #18 – Disclosing Validation Steps Taken What issues, challenges or consequences do you see arising from removing 'if any' from Rule 72, and removing the implication that mortgage brokerages do not have to take any steps to verify information they submit to lenders?

ANSWER: Provides clarity on expectations.

QUESTION #19 – Adding Definitions of Commonly-Used Words What issues, challenges or consequences do you see arising from adding these definitions to the Rules?

ANSWER: Provides clarity.

MORTGAGE AND CONDOMINIUM MANAGEMENT

QUESTION #20 – Registrar to Set Limits What issues, challenges or consequences do you see arising from permitting the Registrar to set the aggregate and per occurrence errors and insurance limits?

ANSWER: Some restrictive wording seems to be deemed appropriate rather than a blanket permission.

QUESTION #21 – Requiring Reporting Reasons for Insurance Cancellation What issues, challenges or consequences do you see arising from requiring brokerages to report to the Registrar the reasons an insurer cancelled their errors and omissions insurance policy?

ANSWER: No comment.


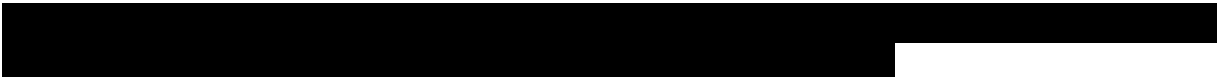
PROPERTY MANGEMENT

QUESTION #22 – Prohibiting Pooled Trust Accounts What issues, challenges or consequences do you see arising from prohibiting property managers from using pooled trust accounts?

ANSWER: Provides more consumer protection.

QUESTION #23 – Allowing for Different Timelines for Preparing Client Statements What issues, challenges or consequences do you see arising from allowing property managers and their clients to agree on statement timelines that differ from the monthly statement requirement in the Rules?

ANSWER: Leaves it at the discretion of the client and property needs especially for single family home management.







RECA feedback Phase 3 comments

From [REDACTED]

Date Fri 11/8/2024 1:37 PM

To Consultation <consultation@reca.ca>

[REDACTED]

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Dear Sir or Mdm.,

Please find feedback for the phase 3

1. This seems to be a very complicated way of doing licensing. I think the general public will be very confused if one associate has a license with two different brokerages. The general public is not very well informed how the licensing structure works presently. To allow one associate to be registered with brokerage A providing residential and commercial real estate services in addition to being registered with brokerage B to provide residential property management and/or condominium management services one has to ask where the agent's loyalty will lie? From what I have seen over the years, brokers do not provide adequate direction to their licensees and having licensees with multiple brokerages I think will make it very hard for brokers to provide direction and will be very confusing for members of the public.
2. The greatest challenge to permitting virtual offices is that the general public has nowhere to physically go to interact with industry professionals. I think this is a very poor idea and not very well thought through. Although the barriers to entry of our industry have traditionally been high i.e. you have to maintain a physical presence in the province of Alberta, removing this is not a good idea. Allowing virtual offices with no bricks and mortar backup will lead to many people being defrauded by bogus brokerages pretending to be ABC Realty when in reality they are some Russian hacker posing as a legitimate brokerage. Sure, you can say that the public can search on RECA's website to see who is legitimate and who isn't, but which member of the public will have time or the knowledge to do this? To remove the need for a physical office will only increase the public's complaints against the industry and its members.

3. This is a good idea run very overdue. As a broker, I have to sign every single e-transfer we receive in our office. This is burdensome.
4. This should have been done years ago. The current system frankly does not make any sense. The only downfall might be that some brokerages who do not operate properly and with a deficit in the general account, may not be able to pay out the full amount of the commission due to the agents. You may well find that this change results in some commissions not being able to be paid out due to an insufficient amount of funds in the brokerages' general account.
5. I never understood while the why the word immediately was not already defined by RECA. It is good to allow the registrar some discretion when it comes to extensions.
6. Approved being licensee incentives will create more paperwork for the brokers and for the licensees. This should be kept the same as it is i.e. all incentives must be offered by the brokerage. Brokers run the risk of their licensees offering stupid or nonsensical inducements without the brokers knowledge which the broker, under law, would be responsible for. This is a bad idea. Brokers in larger brokerages with 100+ agents would not be able to keep up with the incentives offered by individual licensees.
7. Anybody currently providing services prior to having a written service agreement signed needs his or her or their head examined. This should be a no-brainer. How can I provide services to someone without a written agreement detailing what my services will be and the written authority from the condominium Corporation/member of the public owning residential real estate granting me the right to represent them? A written service agreement must be entered into before any services are provided.
8. I do not really have any comment on question eight aside from if the licensee owns multiple corporations which receive commissions then the broker would be required to have the Corporation information on file for each Corporation which the brokerage pays a commission to. This creates an awful lot of paperwork for the brokerage
9. this seems like a very good idea. How can a licensee properly represent themselves and another party to a transaction fairly? The answer is that they cannot.
10. To make a rule 86 more prescriptive will end up giving the brokerage and the broker a lot more work to do. Will the words "reasonable measures " be defined?

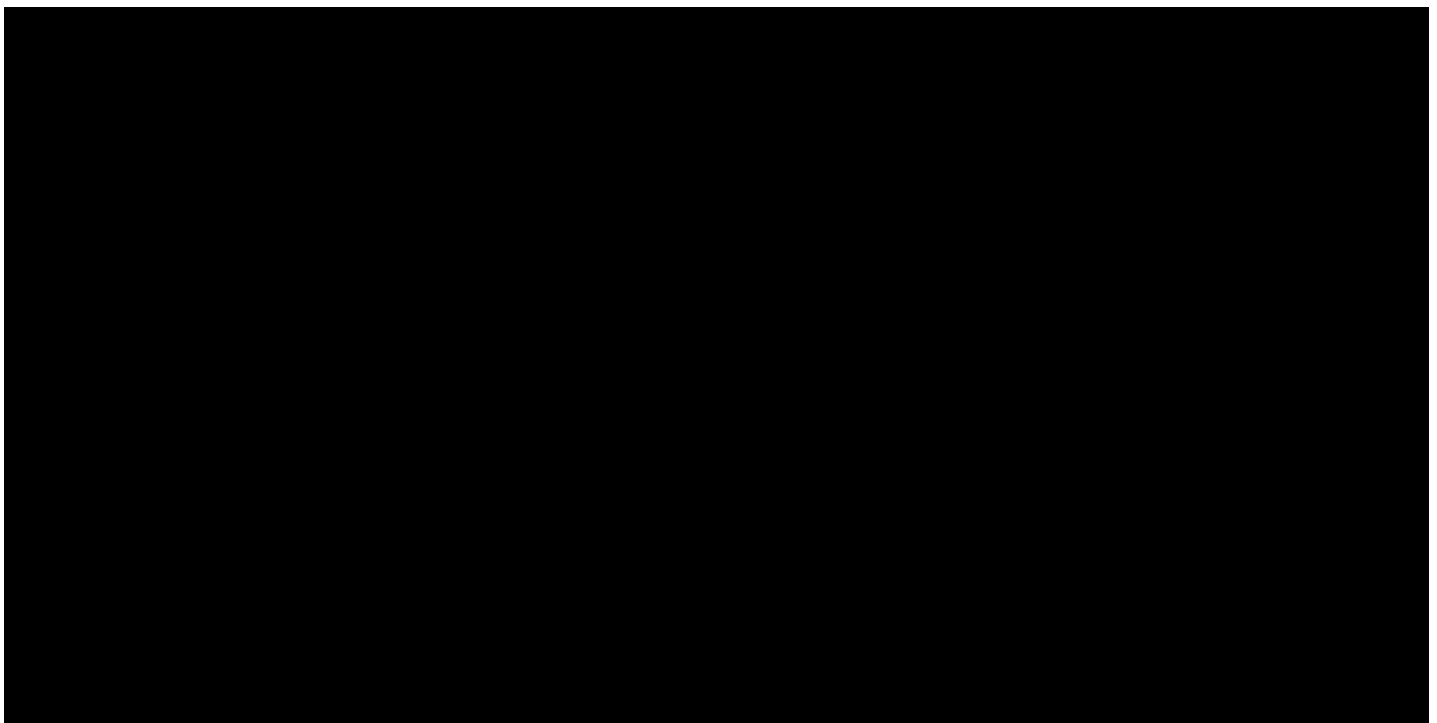
11. The only downfall to this is that each brokerage will now have its own way of doing business which may be very difficult for outside observers to understand. People easily understand sequential numbering, why change this?
12. A very good idea
13. it is probably time to upgrade these amounts to provide as a deterrent against misconduct. I do think that offering a range will allow investigators to take into account mitigating factors which may come up during the course of an investigation.
14. Agribusiness real estate to the general public will not equate to farming. Agribusiness seems to suggest the operation of a business on an agricultural facility i.e. a large tomato farm or a greenhouse project. I would suggest leaving the rubric rural real estate alone and not changing this.
15. And 16 and 17 and 18 no comment I am not a mortgage broker.
19. It is always a good idea to define words which are used to avoid misunderstanding.
20. This is a very good idea and keeps the insurance needed relevance to market conditions. There is no downside to this.
21. The only downside to this would be it creates an obligation on behalf of the brokerage to submit information to the real estate Council thereby increasing the red tape and time spent administration costs.
22. I am flabbergasted at question 22. Are you seriously suggesting that property management companies such as mine needs to do away with pooled disbursement trust accounts? This seems to me to be tantamount to insanity. What are you suggesting we put replace this with? An individual account in the owner's name? No management brokerage could possibly manage such a business model. While I do realize that pooled disbursement trust accounts do have their challenges, with sequential numbering of management properties it is not a difficult matter to understand how much money is in each sub ledger. This is the way that business has been done forever in property management. Current legislation puts the onus on the brokerage to ensure accurate accounting records are kept for each owner and tenant, each individual property is sequentially numbered and able to be referenced allowing the manager to see how much rent has been collected from a tenant and how much is to be paid out to the landlord. Please do not do away with this. Prohibiting pooled trust accounts will decimate our industry and make it impossible for property management companies to effectively manage money remitted to them. The

alternative to a pooled account of money does not bear thinking about. If management companies are not currently doing a good job of running their pooled trust accounts then we need increased legislation and increased policing of the legislation to make those brokerages comply with the current law. It is not enough to say that the current system is complex and difficult to police and therefore needs to be changed. The current system is the system that is work forever and, provided the management companies are doing a good job of in system, it should be easy to access and understand whose money is where.

Using similar logic, why not do away with pooled trust accounts for real estate commissions as it might be difficult to tell which commission cheque goes with which trade in real estate. Also on this matter, removing the current rule that trades in real estate are sequentially numbered and allowing brokerages to use their own numbering system will only exacerbate and increase the difficulty in policing trust accounts.

23. I can see how this might be a matter of negotiation between a client and its principal management company, however, in my opinion, having to do a monthly statement rather than doing a quarterly statement enables us to catch any errors within 30 days of them occurring. Some management companies may want to go to a six month statement or even an annual statement. It will be very difficult if there were in error, to go back through an annual statement to find it. It is much easier to deal with the stuff on a 30 day time frame.

Please let me know you have received this submission and thank you very much for seeking opinions.





RECA Rules Review - Phase 3

From [REDACTED]

Date Wed 9/25/2024 10:30 AM

To Consultation <consultation@reca.ca>

Cc [REDACTED]

[REDACTED]

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Hi

Thank you for the opportunity to express our view points on the upcoming changes.

We are a Mortgage Brokerage.

As for the names of agents/associates to be called for clarity, I see a few challenges.

Principal Mortgage Broker is fine

For Associate Broker's – if we call them Associate Mortgage Broker – then it looks like they are less then the Associate's who are called Mortgage Broker.

I think Proposal A is more inline with how to differentiate agents.

Unless we change associates to Mortgage Associate or Agent – get rid of the broker all together.

Relationships & Private Lenders

Why can we not represent both the lender and the client? If not, who represents the client if we represent the lender?

Thank you

[REDACTED]

RECA RULES REVIEW - PHASE 3

From [REDACTED]

Date Tue 11/12/2024 8:25 PM

To Consultation <consultation@reca.ca>

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RURAL REAL ESTATE

As a real estate broker that has been licensed over 20 years and owning a brokerage in a small town in East Central Alberta, we have the opportunity to sell rural real estate on an ongoing basis. I personally also own and live on an acreage.

I have been witness to many Realtors from bigger centers, mostly Edmonton, that come out to our area with a 'Residential only' license, and attempt to represent buyers that are interested in purchasing an acreage in a rural setting. More often than not, these realtors know little of private services such as water wells, types of water well pumps, septic tanks, pumpouts, septic fields and all the items that are absolutely necessary for the buyer to be aware of and know what they're buying. When I research their license, they are only able to sell Residential, yet here they are trying to represent buyers in a rural setting. Whether the rural real estate is a small acreage or a larger tract of agricultural land with a home and services, it is imperative that these Realtors know about private services. This has caused many issues with clients and with other Realtors representing the sellers. What one realtor does or does not do, affects the other realtor and their client in a major way. The reason for this is that if both Realtors don't represent their clients with professionalism and knowledge, it affects all parties in the deal.

My suggestion is that if the acreage has municipal services, a 'Residential Only' Realtor can represent the client, but if the services are private, then the Realtor needs to be licensed in Rural. It's not just the land or the AgriBusiness that is important, but what affects the everyday life of the client living on the acreage that is important as well. And that boils down to the services and knowledge of rural real estate. Often these Realtors only show up to have their client view the property and they don't show up again. However, if they were trained in Rural Real Estate, they might realize there's more to an acreage than a house on a piece of land, no matter how small or large the acreage is.

Now RECA is proposing that's ok no matter what the size of acreage, as long as it's not AgriBusiness. AgriBusiness means Commercial Agriculture and those Realtors should have the Rural AND Commercial designation, not just the Rural. We're 'under qualified' as Realtors! To prove my point, an Edmonton Realtor told me the other day..."I don't know how Land Titles work in your area, but in Edmonton they're quite slow'. Should those Realtors even have a license? Thank you for the opportunity to chime in on Rural Real Estate Licences.



Rules Review Phase 3 Feedback

From [REDACTED]
Date Wed 10/16/2024 10:02 AM
To Consultation <consultation@reca.ca>

[REDACTED]

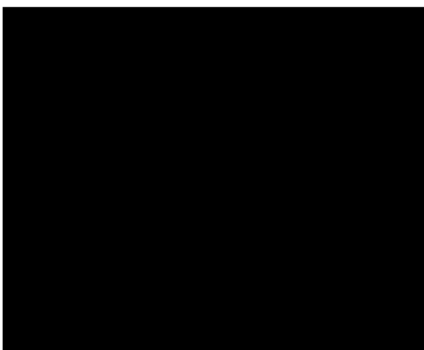
CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Good morning,

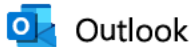
We have reviewed the discussion paper and would like to forward feedback on two questions.

#22 – Prohibiting Pooled Trust Accounts. Our brokerage has been in operation for 43 years and have always, successfully, operated with pooled trust accounts and have not to date had a significant issue with the auditors having trouble navigating it. If issues with pooled trust accounts emerge then it should be handled as a training are an issue within the specific brokerage, they should be held accountable to train properly – no different than issues in other areas of the industry. Brokerages should be required to have checks and balances in place to ensure their record keeping and reconciliations are effective and accurate. To ask all Third-Party Property Managers to have individual trust accounts would be asking them to add hundreds (over 400 in our case) accounts. This would require a significant effort and staff time manage. This may seem like a small change to the bigger industry, but I assure you this would be a major impact on our business and many others just like it. *I would request a meeting be called specifically with third party property managers to discuss the impact of such a change prior to further consideration is given in this matter.*

#2- Virtual Offices Without getting into the weeds to far on this – I believe it is important for our industry to remain appearing professional and accountable in the eyes of consumers and having a bricks and mortar office that they can attend assists in this effort. We are already plagued with Rental and Buying “SCAMS” that results in distrust by consumers – we see this when we ask prospective tenants for rental deposits, many hesitate and worry that we could be a fly by night operation looking to steal their money. When we ask them to come to the office to discuss their concerns and they see a legitimate business often concerns are instantly alleviated. In addition, having a physical office where deposits with an offer to purchase can be delivered to, while this may still seem old school, is helpful. Recently we ran across a brokerage asking for all deposits to be made electronically and in the process out client was charged a service fee from her bank to do so, this does not seem right as this was the only option the brokerage offered for deposits. I can appreciate the effort to downsize and save money, last year we moved from a 3000 sq foot office to a 1500 square foot office as much of our operation is also online and remote, but maintaining a physical space remains a priority.







Phase 3 Feedback

Date Tue 11/26/2024 3:35 PM

To Consultation <consultation@reca.ca>

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Good afternoon, thank you for sending the feedback reminder. I do have a couple of comments for consideration

Question 1: challenges or consequences from the adoption of the proposed licensing framework?

- For those of us who are already licensed in separate brokerages for property management and condo management we would not be allowed to continue as these would be considered related sectors. What is the proposed solution for this conflict?
- For brokerages choosing to limit the license to specific sectors what would be the requirement to add additional sectors? Education and experience or just education? The experience portion was very challenging for those of us entering the condo management sector

Question 22: prohibiting pooled trust accounts - **strongly opposed to this idea**

- brokerages need to have the flexibility to choose where it is appropriate to have a pooled trust and when it is appropriate to have separate trust accounts.
- limits can be put in place, for example, one building with 25 or more doors should be in it's own trust account and not pooled. However, a single family dwelling should NOT be required to be in it's own trust account
- this rule would make it financially prohibitive to operate a property management brokerage
- g should be enough to monitor these accounts

se do not hesitate to contact me directly. Thank you.

Rules Review Phase 3 Feedback

From [REDACTED]
Date Wed 9/25/2024 6:47 AM
To Consultation <consultation@reca.ca>

[REDACTED]

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I'm writing to show our support for the change to the Mortgage changes and Support Proposal A for the status change.



Phase 3 Discussion Feedback

From [REDACTED]

Date Fri 10/11/2024 9:19 AM

To Consultation <consultation@reca.ca>

[REDACTED]

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I just have concerns with the first two questions, here is my feedback let me know if you need me to expand at all. Thanks!

Question 1 - How will signage and advertising rules change? This may confuse consumers

Question 2 - This one concerns me and seems like too big of a change too quick. I discussed it with our agents and the biggest concerns we have are #1 - safety, agents won't be able to edify and do a risk assessment at an office during business hours with people around. #2 - Could this erode the public image of our industry? More agents will do initial meetings at a Tim Hortons or at the first home viewing. How will agents get better at introducing service agreements earlier and how will a lot of consumers view of our industry change without a professional environment to do an initial meeting. I'm really concerned about this change more than any others.

[REDACTED]

[REDACTED]

Broker Feedback

Date Tue 11/26/2024 2:09 PM

To Consultation <consultation@reca.ca>

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hi There,

I would like to take this opportunity to share my thoughts on some of the proposed changes to the rules.

Question #2- Virtual Offices:

I am writing to express my thoughts on the potential of allowing virtual offices within our real estate brokerage community and I do not believe that virtual offices should be permitted. While I understand the appeal of virtual offices due to the flexibility and reduced overhead costs they offer, I have significant concerns regarding their potential impact on our industry's reputation, specifically on how they may contribute to the negative views some consumers already hold.

In my experience, many clients value professionalism and a strong local presence when choosing a brokerage. A virtual office with a residential address does not project the same level of professionalism as a dedicated commercial space. It may also convey an impression of instability or lack of commitment to the community. In an industry where trust is vital, I fear this perception could exacerbate the negative connotation some consumers have about realtors and brokerages. This is especially amplified when a deposit cheque needs to be dropped off.

I believe that maintaining traditional brick-and-mortar offices, in conjunction with robust online presence, strikes the right balance between accessibility and professionalism. A physical office space provides clients with a tangible location to visit, while digital offerings serve as a supplement for increased convenience and efficiency.

Question #6- Incentives:

I believe that incentives should continue to only be offered on a brokerage level. I believe that consumers have little awareness of how agents are independent contractors (mostly) and it will become extremely confusing to a consumer if they

are expecting to receive an incentive from agent A at the office they called, but when in reality, agent B is the only one offering it.

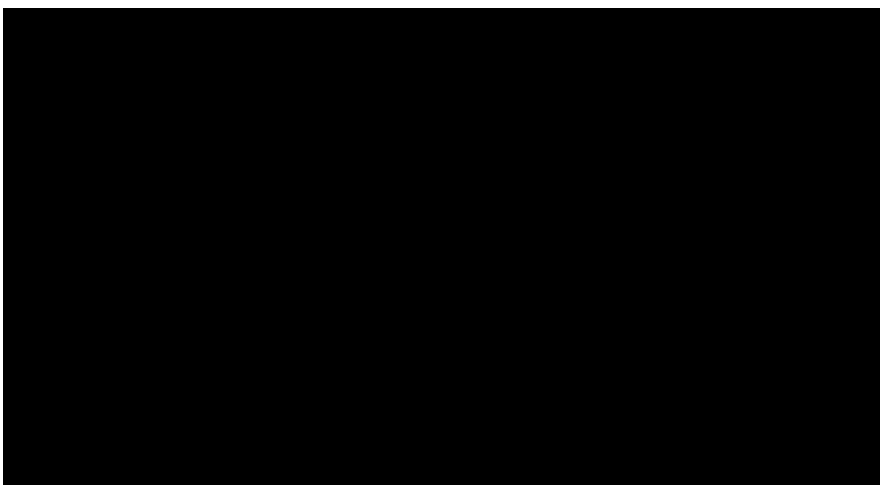
This seems like a logistical nightmare for brokers to keep track of and manage. It will also likely inspire a frenzy within the brokerage to undercut one another with incentives and a movement towards greater competitiveness will begin and a much greater chance of straying away from a cohesive and cooperative brokerage culture.

Question #13- Administrative Penalty Amounts:

I have long believed that these penalties need to be larger and come with a much heavier hand. Agents don't care about letter of reprimands or \$1500 fines. If they earned \$8000+ on that sale, a small fine is barely a lesson learned. I also adamantly believe that the expense to get licensed needs to be MUCH higher and should also come with a mandatory post secondary education requirement. It is far too inexpensive and easy to get into this industry and to stay in it.

If there is one thing I could add it would be that we are seeing an alarming increase in the number of Calgary agents coming up to the Edmonton region trying to sell property. They often have little to no understanding of the market place here and are often instructing their buyer clients to ask the listing agents to show them the property because they do not want to make the drive up here. It is very concerning and I strongly believe that agents should be forced to refer clients outside of their geographic market place (I suggest that their market place would be within a 90 minute drive of their brokerage location).

Those are the only items I feel the need to share my opinion on. Thank you for issues. I appreciate the d to future discussions about the



Rules Review Phase 3 Feedback

From [REDACTED]
Date Tue 11/19/2024 9:08 AM
To Consultation <consultation@reca.ca>

[REDACTED] [Learn why this is important](#)

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

I hope this message finds you well. As a broker for a Residential Property Management company, I would like to provide some feedback on the proposed changes to the rules.

1. **4 New Councils/7 New Sectors**

I have a question regarding the categorization of Commercial Property Management under the Commercial Real Estate Council rather than the Property Manager Council. How would this affect our small market brokerage in Northeastern Alberta, which currently focuses on Residential Property Management and is looking to expand into Commercial Property Management?

2. **Licensing Across Multiple Sectors**

We are excited about the proposal to allow individuals to be licensed with multiple brokerages in unrelated sectors. In a smaller market, it can be difficult to find licensed individuals who want to work in Property Management, as their income potential is generally higher in sales. Allowing licensees to do both Property Management and Sales would be a significant benefit.

3. **Virtual Office and Electronic Records/Banking**

We are supportive of the proposed changes to allow for virtual offices and electronic records/banking. In the post-COVID era, many of us continue to work remotely, and this change would bring the rules into alignment with current practices. Technology enables us to work from anywhere, and it's time for the rules to reflect this shift. We use minimal paper files and banking, making these changes especially relevant.

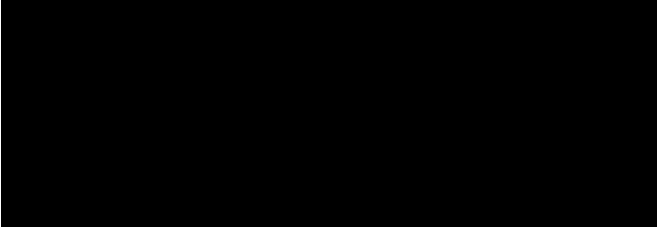
4. **Prohibiting Pool Trust Accounts**

I would like to understand why prohibiting pool trust accounts would be an issue. We operate pooled trust accounts for both rent and damage deposits, and with proper software and accounting practices, this has not been a problem. Many of our owners only have a single rental unit, and the banking fees for separate accounts would be prohibitive. Additionally, managing multiple bank reconciliations each month would be time-consuming.

5. **Frequency of Financial Statements**

I'm also curious about the suggestion to change the frequency of financial statements. With the right accounting software, generating these financials is not difficult, and I believe most owners would prefer to receive monthly statements to track the activity at their units.

Thank you for considering my feedback. If you have any questions or need further clarification, please don't hesitate to reach out.



Feedback - RECA Rules Review - Phase 3

From [REDACTED]
Date Wed 9/25/2024 11:51 AM
To Consultation <consultation@reca.ca>

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Question #1: What issues, challenges or consequences do you see arising from the adoption of the proposed licensing framework? The current licensing framework should stay as it is. Requiring an Associate to complete a course and complete continuing education in regard to specific sectors was the best decision that was made. It is important to ensure they are knowledgeable, confident and provide the public the best possible service in the sector they are practicing. Allowing an Associate to license with more than one Brokerage in different sectors will create confusion to the public.

Question #2: What issues, challenges or consequences do you see arising from permitting virtual brokerage offices? The current issue with virtual (cloudbase) Brokerages is that documents are not being sent to the lawyers in a timely manner, commissions are not being paid to cooperating Brokerages in a timely manner and trying to speak to anyone who knows what's going on is a struggle. In my opinion, allowing them to not have a physical office address will cause even more issues in our industry.

Question #4: What issues, challenges or consequences do you see arising from allowing brokerages to pay commissions from their trust account to their general or other account BEFORE paying cooperating brokerages? I was confused by this proposed change as we had a RECA Audit performed on July 27, 2023 at which time we were told to pay cooperating Brokerages from the general account. We have been since the date of our findings report dated August 8, 2023. I spoke to other Brokers in Medicine Hat and it's my understanding that other Brokerages have been doing the same as that's what they were told also. Therefore, I see no issues with this as it has simplified our processes.

Question #6: What issues, challenges or consequences do you see arising from allowing brokers to approve individual incentives at their brokerage. I see huge issues with this...it puts the Broker in a terrible position of deciding what they feel is worth approving, running the risk of upsetting an Associate if they don't approve something. OR the Broker will approve everything to avoid having to make those decisions and causing conflict. This will also cause conflict amongst Associates and an unfair playing field. A high producing Associate will have an unfair advantage regarding the value that is placed on an incentive. We push fair competition and I believe this goes against all of that. Incentives should ONLY be offered by Brokerages. Using wording like "buy from me and use my moving trailer for free" or "Buy from me to be entered to win..." or directing business to them by offering a giveaway is definitely an incentive. Notepads, pens, water bottles, etc are marketing materials NOT incentives directly soliciting for business.

Question #13 – Amending Administrative Penalty Amounts What issues, challenges or consequences do you see arising from allowing for Administrative Penalty ranges and increasing maximum fine amounts? The fines should be even larger in my opinion. When the average commission is \$6000 a fine anywhere under that amount is peanuts for the Associates that break the rules. It does not deter them from doing so in the future. We have seen repeat offenders and no one reports them anymore due to the lack of consequences.

Question #22 – Prohibiting Pooled Trust Accounts What issues, challenges or consequences do you see arising from prohibiting property managers from using pooled trust accounts? What is the solution if not pooled??? If it's what I think it is...I see this as a HUGE issue. We run a property management company and manage over 670 doors. We would then need over 400 separate trust accounts. Firstly, the bank will not allow this, secondly every year we pay to have each trust account audited which would cost us a fortune. We reconcile every month and have never had an issue in 9 years. We have a detailed account of what is held for each tenant and the bank reflects this amount each month. I'm not sure how having separate accounts will change this. Tenants are provided a copy of their tenancy agreement & a receipt that verifies the amount held in trust and they receive a statement of account (including any interest & deductions) when they move out. We have the ability to print off a statement for owner/landlords outlining the security deposits held for all their tenants if requested.

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Re: Feedback - RECA Rules Review - Phase 3

From [REDACTED]

Date Wed 9/25/2024 11:57 AM

To Consultation <consultation@reca.ca>

[REDACTED]

In addition to my previous email I would like to add that I think RECA should focus its effort on the unlicensed property management companies dealing in real estate in Medicine Hat. I have reported several over the past 6 years with no resolution and they continue to offer property management services. RECA is our governing body, we are held to a higher standard, pay yearly dues, perform expensive audits on our trust accounts yearly and abide by RECA law, rules & regulations daily while others are slipping through the cracks. My complaints and concerns fall on deaf ears. It's disappointing to say the least.

[REDACTED]

Question #1: What issues, challenges or consequences do you see arising from the adoption of the proposed licensing framework? The current licensing framework should stay as it is. Requiring an Associate to complete a course and complete continuing education in regard to specific sectors was the best decision that was made. It is important to ensure they are knowledgeable, confident and provide the public the best possible service in the sector they are practicing. Allowing an Associate to license with more than one Brokerage in different sectors will create confusion to the public.

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Rules Review Phase 3 Feedback

From [REDACTED]

Date Wed 10/2/2024 3:03 PM

To Consultation <consultation@reca.ca>

[REDACTED]

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Question 1:

If the rationale for the new system is that brokers wouldn't have to be governed by multiple industry councils, then the rationale is false. If a broker chooses to be authorized in multiple sectors they would still need to be governed by multiple councils... I see very little benefit or reduction of "red tape" by the proposed changes, particularly for brokerages that operate in multiple sectors.

Question 2:

I see no issue as long as the address of the virtual office is still required on the contracts.

Question 3:

This is long overdue... Most files are digital so the requirement to store them in Alberta creates IT challenges. I see no downside to the proposed changes, provide the files can be "accessed" in Alberta

Questions 4:

This used to be the way it was done, there didn't seem to be issues other than when a couple brokerages closed because they were using commission money to fund their operations... but overall the industry as a whole operated ethically.

Question 5:

10 days seems reasonable. I don't see any major issues having a prescribed deadline to notify the Register.

Question 6:

This is long overdue. The current rule stifles individual innovation. Allowing individual associates to provide their own (brokerage approved) incentives would be great for competition and ultimately consumers.

Question 7:

This is codifying what is already best practice, but if some associates are not following best practices and it is causing harm to the consumer then it makes sense to make this a rule. This will likely become even more important after the class action lawsuits regarding cooperating brokerage compensation (assuming the Canadian courts reach a similar conclusion as American courts). It could become crucial for industry members to outline the cost of their services prior to being engaged by a consumer.

Question 8:

I don't see any major implications of removing the 50% corporate ownership.

Question 9:

This effectively puts a legal constraint on industry members as to what they can do with their lawfully owned property. If an associate wants to sell their home they should not be able to represent the other party, so only a consumer relationship would be appropriate, but an outright ban on being able to list your property for sale personally, seems unwarranted; and remember, Realtors are not permitted to not list their listings on the MLS system because of CREA's Realtor cooperation rule, so it's not as though they can list it for sale privately.

Question 10:

Based on my last RECA practice audit, I was under the impression that the prescribed reconciliation requirements were already required... The changes are prudent particularly for pooled trust funds. The changes simply codify best practices, which is a good thing for the industry.

Question 11:

A sequentially numbered system makes it harder to hide non-compliant transactions. So I would suggest continuing to keep the sequential numbering systems for real estate trades.

Question 12:

As long as the brokerage can still lend the client the brokerage's money, I see no issue with the proposed changes. It makes perfect sense that you can't use client A's money to lend to client B... I didn't think this was allowed in the first place.

Question 13:

The proposal makes sense.

Question 14:

Changing the name to agribusiness would help clarify what is rural vs country residential, which is likely where most of the confusion arises.

Question 22:

Prohibiting pooled trust funds in property management is not feasible. We have over 600 properties that we manage, if we were required to have individual management and security deposit trust accounts for each one it would create an accounting nightmare that would be more prone to user/typo error. Not to mention, each bank account would have to be reconciled individually, creating an even greater administrative burden on the brokerage.

The bank fees would also be collectively exorbitant and would be difficult to charge back to clients as the cost of the time to bill each client for the bank fee would be greater than the bank fees... Additionally, property management software systems are not set up to handle hundreds of trust accounts.

With the proposed changes for question 10, a competent auditor should be able to identify trust shortages as the monthly reconciliations would show any negative balances in the individual listings of each client, not to mention the bank accounts would not reconcile each month.

If you maintain the requirement for monthly financial statements, which are typically automatically generated by the property management software, the client/tenant can see how much of their money the brokerage is holding.

I cannot fully express how much I am against this proposed change!

Question 23:

Forcing monthly financial statements is best practice as it prevents nefarious actors from mismanaging funds beyond one month. If this requirement was not present, it would be possible for funds to be misappropriated for up to one year before the client was made aware of an issue (although likely a lack of funds would create a red flag...). Additionally, this does not place much of a burden on brokerages since most property management software systems automatically generate and issue financial statements.

Should you require any further clarification of any of my answers above please not hesitate to reach out.

Kind regards,



Feedback

Date Wed 11/27/2024 7:16 PM

To Consultation <consultation@reca.ca>

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Hello

I have had a look at the proposed rule changes for RECA.

Specifically for Rule #22 where RECA is proposing prohibiting pooled trust accounts.

This would be devastating for our business! I cannot imagine the increased paperwork required and the increased fees that would need to be paid at the bank. Currently we very accurately manage pooled funds for approximately 300 owners. We also have a Pooled security deposit fund for about 600 tenants.

If we could not pool those funds, that would mean that we would need 900 trust bank accounts! We would do a bank reconciliation each month for over 800 accounts instead of 2 accounts for those pooled groups.

We also have a couple of smaller pooled groups. With the new rule, what one staff member does now just for bank reconciliations in a day would take days and days to do more than 800 bank reconciliations! The bank fees would be devastating for our clients as well as they would need to pay bank fees for two accounts per property (one for their funds and one tenant security deposits) instead of a shared cost where we pay the costs as the management company. We would no longer be able to include those fees in our service. Smaller security deposit balances (typically \$800-\$2000) would not earn the interest that is required to be paid out, so the owner is not able to earn what they are required to pay out to the tenant as per the RTA.

If real estate sale deposits can be pooled, there should be no reason why residential rents and security deposit funds cannot be pooled. I agree that it is important for record keeping to be done exceptionally well, however creating an incredible amount of paperwork is not going to improve the recordkeeping of people who don't do it well in a pooled account. Better training or stricter auditing of practices would be a better solution.

For the licencing Framework:

If I am understanding correctly, I do think these changes would be good for the industry. Currently our office pays for 2 "brokerages" because we need one for Real Estate and Property Management and another for Condominium Management. I am confused though by the statement in your document:

- o ONE required reporting of fiscal year end trust accounting (same as now)
- o ONE Practice Review audit for the brokerage (same as now)

Currently we do two reports for trust accounting and practice review audit, one per "brokerage" as I outlined above. I would see this not being "(same as now)" but new, requiring only one reporting and auditing instead of two. This would be good for us as the accountant fees that we pay under the two brokerages in one model is very high. I cannot imagine doing our Condo management business in a small community where we would perhaps manage for only one or two condo corporations and the added cost of 2 brokerages, double accountant review and reporting.

With respect to Modernizing Electronic Record Keeping and Electronic Funds Transfer, it is very difficult to give feedback without knowing what the proposed rules would be. For example, it would be very important that pooled trust accounts for property management be permitted because tenants would want the capability of etransferring funds and it would be impossible to have funds autodeposit (as the expectation would be) into hundreds of different bank accounts! These must be auto deposited into a pooled account.

With respect to Bank Reconciliation and Discrepancy Requirements

We already do this task monthly so we have no issue with the language here.

For the Financial Statements, we prepare statements monthly and believe that is appropriate. We would caution allowing agreements to be permitted to prepare those on any schedule, which could mean only once per year. I would recommend an minimum of Quarterly reporting be required.

Thank you for paying attention to our feedback.



Feedback phase 3 discussion paper

From [REDACTED]

Date Wed 10/16/2024 4:11 PM

To Consultation <consultation@reca.ca>

[REDACTED]

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As a Broker here are my thoughts on some of the changes that are relevant to me.

Proposed licensing framework: This is a big one for me as a property management company with a small real estate section it is hard to bring in people to help with property management licenses as they all want to be at bigger places for their real estate license. By separating these licenses so agents could do real estate one place and property management another I think you would take some burden of the property management companies to find licensed people. I truly believe you are going to get to a critical point in the property management industry without this change as you will have more and more burnt out property managers without some extra support. Trying to get new people in is difficult as well since they generally start out as an employee that wants to eventually train for their license but quickly become uninterested when they see the drama and issues that come with being a property manager. This needs to be implemented ASAP.

Permitting Virtual offices: This should 100% be implemented ASAP as well. We are behind in the times with so many people working remotely already why should small brokerages also be forced to spend money on office space they don't need just to give an address. I get RECA needing the brokers home address but otherwise they shouldn't need one to be advertised if they are properly licensed.

Modernizing electronic record keeping: RECA needs to catch up to the times as far as this is concerned as well. Most offices are probably already doing a lot of this.

Eliminating need for two cheques: This is just a lot of redundancy that should be eliminated. We are already getting audited to check for issues so making this simpler should not be an issue.

Amendments to notify the registrar: We dealt with this when our broker suddenly passed and the need to do things so quickly was extremely stressful on top of the grief some grace period should be allowed so I think the new rules help.

Amending incentive rules: I am against amending the incentive rules. My thoughts: I can understand the agents desire to provide unique incentives to draw in clients and set themselves apart. The worry for me is that in the course of these incentives there may be confusion to the general public and that we may have more "used car sales person" type experiences created where things seem one way and turn out another without clear explanation. I get that its up to the broker to ensure this

doesn't happen, however a brokerage with a large office, managing multiple agents and already a heavy workload now has to now create a program by which they can approve and monitor potentially multiple different incentive programs being offered by agents and then furthermore ensure those incentives are being offered correctly and clearly and that there is no blow back from frustrated consumers. Again we continue to put more pressure on the broker to keep up with all of the duties imposed by the rules, fintrac, OHS, etc, emails from RECA, AREA, REIX and many more and then have them try and effectively also do their other administrative daily duties, deal with audits and monitor all their agents. I worry that by adding another element of responsibility you are going to be reducing the overall ability to do it all effectively. I understand that some duties can be delegated but even then ultimately the broker is responsible for oversight.

I have a small brokerage so the impact for me would be minimal however the thought of having to come up with another new program, draft it, review it and then implement and monitor it is daunting when my to do list to keep up with my roles is extensive.

Require written service agreements: This is already awkward and changing this makes it even more awkward. Oftentimes new clients are from facebook or kijiji and you need to meet them and get a feel for them first too. Some people we may not want to work with as well.

Commission payments to corporations: This has always made no sense to me as RECA has no say what I do with my money. I am not paid as a corporation but I still think the rule should be amended as this just causes people that already have a corporation with a spouse or others to incur the cost of another corporation (which is significant).

Prohibiting personal trades: What is the point of advertising listing if not to find buyers for a property. The same can be said of our personal properties as long as proper disclosures are made and the buyers are given the opportunity to do something else if they choose then our rules would still require us to act honestly.

Prescribing Bank reconciliation requirements: We already make notes on all of our bank recs to advise of any weirdness or questions that might arise when someone reviews it. I think by changing this rule all you are doing is adding more paperwork for something we already do.

Sequentially coded properties: This is irrelevant to me I think most companies will keep doing what they are doing but I can see how new companies we like to do unique identifier instead which works just as well.

Prohibit loans from pooled trust: I don't think loans from the brokerage should be allowed unless the funds are being deposited directly into the pooled trust account for the amount of the loan.

Administrative penalty ranges and amounts: I agree a range would be good so that circumstances can be taken into consideration for fine amounts.

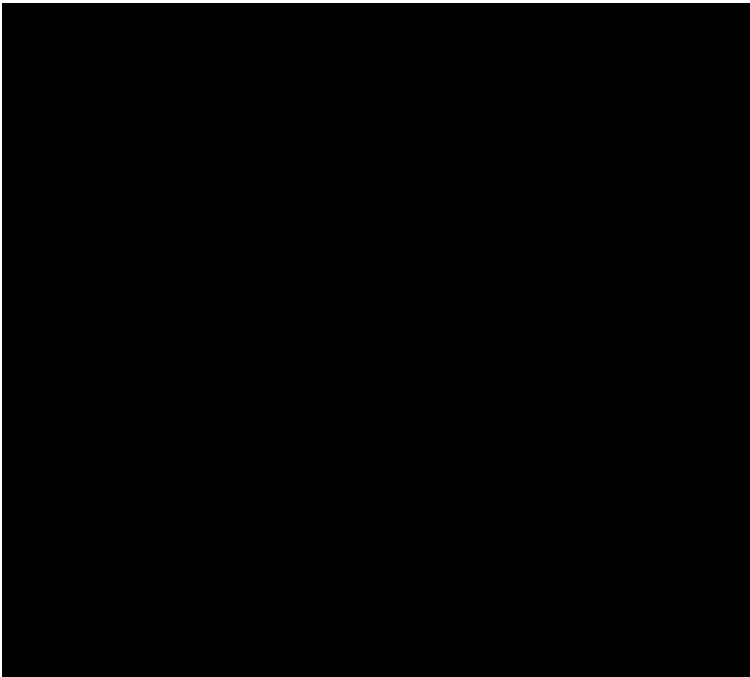
PROPERTY MANAGEMENT

Prohibiting pooled trust accounts: I don't know how RECA thinks property managers work but if you prohibit pooled trust accounts then you are requiring companies to have over 100 accounts and pay for said accounts and do bank recs on each account each month this is absolutely ridiculous. Our software allow an owner to log into their account 24/7 to see their balance and we have never had a single question about money we couldn't answer to the satisfaction of the owner. Property managers

are already overworked this would add a whole other level that would be ridiculous to do, monitor and make affordable to keep operating a company!

Property Management financial statements: I would suspect 90% of property managers are already using software that makes this irrelevant as owners can log into our system anytime and print any report for any length of time they want as its all updated in real time.

Please feel free to call me to discuss any of my answers or thoughts on issues.



Question #1

What issues, challenges or consequences do you see arising from the adoption of the proposed licensing framework?

I strongly oppose the proposed licensing framework.

A career in real estate is typically a lifelong journey. With all due respect, this proposal in short serves RECA and the Industry Council(s), not consumers, businesses, stakeholders nor industry members.

Under the proposed licensing framework, I would be required to choose a sector that would result in losing other classes of licensing that have been in good standing for nearly 20 years because of my current choice of employment, with an employment contract restricting outside employment. I am not able to register with multiple brokerages for each of my trade authorizations as it is a clear conflict of interest, nor will my current non-broker-owned brokerage have any incentive to seek authorization in every sector.

Thereby limiting my future employment and professional options that unfairly and offers no option to grandfather existing authorizations. There are hundreds of individuals like me, who have diligently earned and maintained their licenses. It's not merely a matter of fairness; it's about being unjustly restricted from rightful future employment, business, and educational opportunities and raises the question that this proposal restricts the free and fair competition in all sectors that I/we are currently authorized for.

Question #2 – Virtual Office

What issues, challenges or consequences do you see arising from permitting virtual brokerage offices?

I would oppose this proposal. The public, municipal, provincial and federal law agencies need a physical location to do their work given the nature of our industry, not just Alberta, but nationwide.

Also, business licenses with any municipality a brokerage does business in will have zoning that may not allow a brokerage to obtain a business license. I also view this as a security risk, since all business addresses, with a proper business license, are public information.

QUESTION #3 – Modern Rules for Electronic Records/Banking

What issues, challenges or consequences do you see arising from modernizing Rules dealing with electronic record keeping and online banking?

I would support this proposal. It just makes sense as it is important to keep in line with current technology and streamline workflows.

QUESTION #4 – Allow Commissions to General Account Before Paying Cooperating Brokerage

What issues, challenges or consequences do you see arising from allowing brokerages to pay commissions from their trust account to their general or other account BEFORE paying cooperating brokerages?

I would support this proposal provided that a proper accounting of trust commissions transferred to general operations is retained and supported with related documentation.

QUESTION #5 - Notification Period Amendments

What issues, challenges or consequences do you see arising from defining 'immediately notify' as 10-business days, and allowing for an extension at the Registrar's discretion?

I would support this proposal; however, I believe 30 days would be more appropriate.

Question #6 – Individual Incentives with Broker Approval

What issues, challenges or consequences do you see arising from allowing brokers to approve individual incentives at their brokerage.

I would oppose this proposal. This could potentially cause public confusion with advertising only under the brokerage brand and lead to confusion. Also, I could see this leading to the temptation of unauthorized incentives being offered because the public has no way to confirm if it is legit on a case-by-case basis.

Question #7 – Written Service Agreement Timing

What issues, challenges or consequences do you see arising from requiring residential, property management, condominium management, and mortgage brokerage licensees to obtain signed written service agreements PRIOR to providing any services?

I can't really support or oppose this proposal. I cannot relate to a contract signing after the fact, but I would have to ask a lawyer if contract law supersedes this proposal.

Question #8 – Payment of Commission to Corporations

What issues, challenges or consequences do you see arising from removing the requirement for a licensee to own at least 50% of a corporation in order for that corporation to receive the commission?

I would support this proposal.

Question #9 – Prohibiting Any Relationship with the Other Party During Personal Trades and Deals

What issues, challenges or consequences do you see arising from prohibiting all relationships with the other party during personal trades and deals?

I would strongly support this proposal.

Question #10 – Prescriptive Bank Reconciliation Requirements

What issues, challenges or consequences do you see arising from making the requirements around bank reconciliations and discrepancies more prescriptive?

I would oppose this proposal. I cannot relate to not taking immediate steps to resolve any discrepancies or not completing bank reconciliations within 30 days. However, if

an audit reveals a pattern of a lack of or no action being taken all the time, that brokerage should be penalized, not the whole industry who is in fact doing everything proposed under these questions.

Question #11 – Requiring Sequentially Coded Records

What issues, challenges or consequences do you see arising from removing the requirement to sequentially code records in favour of a unique identifier?

I would support this proposal.

Question #12 – Prohibiting Pooled Trust Account Loans

What issues, challenges or consequences do you see arising from prohibiting loans from pooled trust accounts?

I can't oppose or support this proposal. While there is risk as you mentioned, I believe that tight internal controls and risk management procedures would address this concern. By deleting Rule 102, it could cause other clerical issues for many brokerages that have a business model that has operated for years with no issues. Again, I would lean towards narrowing in on specific brokerages, rather than the whole industry.

Question #13 – Amending Administrative Penalty Amounts

What issues, challenges or consequences do you see arising from allowing for Administrative Penalty ranges and increasing maximum fine amounts?

I would oppose this proposal. If there are repeat offenders, no amount of money will be a deterrent for a person that is able to retain their license. Perhaps consider a 3 strikes system as to when an increase in sanctions is warranted for an individual rather than towards all industry members, who are most of the non-offenders.

Question #14

What issues, challenges or consequences do you see arising from the amending Rural real estate to Agribusiness real estate?

I would support this proposal, as written.

QUESTION #22 – Prohibiting Pooled Trust Accounts

What issues, challenges or consequences do you see arising from prohibiting property managers from using pooled trust accounts?

I would oppose this proposal. While I do not currently handle pooled trust accounts, I know of a great number of brokerages that have built their entire operations on having the ability to use pooled trust accounts. While I understand these statements are not a typical workload for auditors and investigators, perhaps more oversight or targeted reviews are required by RECA instead? It would be devastating for brokerages who have diligently upheld their fiduciary duties to now change their entire model, workflow, efficiency and workforce; it would be grueling to say the least. It seems counterproductive to use modernization as a reason to change some rules but then establish real estate rules that do not align with international accounting standards and commonly accepted financial reporting practices under GAAP.

QUESTION #23 – Allowing for Different Timelines for Preparing Client Statements
What issues, challenges or consequences do you see arising from allowing property managers and their clients to agree on statement timelines that differ from the monthly statement requirement in the Rules?

I would oppose this proposal. The industry should be consistent and monthly. This proposal is akin to having different colored stop signs at intersections. Whether a brokerage is assuming management of, or wrapping up services, under audit, etc. All financials industry should be uniform and be prepared and disclosed consistently industry wide.

RECA's Phase 3 Consultation Response

Key changes to the Licensing Structure:

Licensing Framework – One License, Seven Authorizations

1. **Attracting and Retaining Agents:** One of our primary concerns is that agents may prefer to work for brokerages that hold all licenses. Even residential agents may seek out companies with comprehensive licensing to refer clients with diverse needs, including commercial, property management or rural real estate. This could make it more challenging to attract and retain talent at our brokerage.
2. **Potential Loss of Business Opportunities:** If our brokerage cannot offer certain authorizations, agents looking to expand their capabilities may feel compelled to leave for firms that do provide those options. This could result in lost revenue.
3. **Competitive Dynamics:** The proposed framework allows agents to register for unrelated sectors at different brokerages under an additional license. However, this creates a competitive environment where agents may gravitate toward firms that offer a full suite of licenses, believing it will better serve their clients. In a business where recruitment is a top priority, the cost and convenience of having all licenses at one brokerage can lure agents away from our firm. As I am fully aware, if an agent holds a license at another brokerage, that brokerage's full intent is to get that agent to fully transition to their brokerage for the full suite of licensing they offer.
4. **Market Perception:** The perception of our brokerage in the market could be affected. If agents and clients see us as limited in our offerings due to the proposed structure, it may hinder our competitive edge against more diversified firms.

Permitting Virtual Offices

I fully support the proposal to permit virtual offices for brokerages. Since 2005, I have been operating as a virtual brokerage while working around the restrictions set by RECA. This change aligns perfectly with my experience and the evolving needs of our industry. The flexibility and cost savings associated with virtual operations can enhance our ability to attract and retain talent, adapt to market changes, and ultimately better serve our clients.

Modernizing Electronic Record Keeping/Depositing Funds Electronically

I am fully supportive of the proposed modernization of rules related to electronic record keeping and online banking. We have already implemented payment processing for deposits to trust, and I believe this shift is crucial for keeping pace with the advancements in technology and the way business is conducted today.

I do feel the main challenge is:

1. **Data Security:** With increased reliance on electronic records and online banking, ensuring the security and confidentiality of sensitive client information is paramount. There will need to be detailed protocols in place to protect against data breaches and cyber threats.

Eliminating the Need for Two Cheques When Paying Commission Funds to Co-Operating Brokerages

We believe that eliminating the requirement for two cheques when paying commission funds to cooperating brokerages is not a burden; rather, it serves to protect agents and their commissions.

Currently, we receive the lawyer's cheque and deposit it into our trust account. From there, we issue a cheque to the cooperating brokerage through the trust account, and then we transfer the remaining balance into our general account. This system provides a clear, structured process for managing funds, ensuring that commissions are handled appropriately.

By allowing brokerages to move commission funds from the trust account to their general account prior to paying commissions, we are introducing efficiencies that can streamline the transaction process. However, it's essential to address potential issues and challenges associated with this change:

1. **Responsibility for Payments:** When commission funds are transferred to a general account, there must be clear accountability to ensure that payments to the cooperating brokerage are made promptly and accurately. If the funds are not in trust, it raises the question of who is responsible for the payment if disputes arise.
2. **Risk of Misallocation:** With the ability to access commission funds more freely, there is a risk that brokers could inadvertently or intentionally spend those funds, leading to disputes over payments owed to cooperating brokerages. The trust account has specific rules and protections that help mitigate this risk, and it's crucial to ensure that similar safeguards are maintained.

Amendments to Notifying the Registrar

Clarification of wording: Extenuating circumstances?

10 Business Days in place of immediate notification seems to be too long.

Amending Incentives Rules

Allowing brokers to approve individual incentives at their brokerage could lead to several significant issues, challenges, and consequences:

1. **Increased Competition Among Agents:** If individual agents are allowed to offer unique incentives, it could create a competitive environment where agents feel pressured to continually enhance their offerings to attract clients. This might lead to a "race to the bottom," where agents provide unsustainable or overly aggressive incentives, potentially compromising their professionalism and the integrity of the brokerage.
2. **Inconsistency in Offerings:** Allowing for individual incentives could result in a lack of uniformity in the services and offers provided by agents within the same brokerage. This inconsistency may confuse clients and dilute the brand identity of the brokerage, making it harder to maintain a cohesive business strategy.
3. **Broker Management Burden:** Granting brokers the responsibility to approve individual incentives could increase their workload and complicate management. Brokers will need to ensure

that all incentives comply with legal and ethical standards, which could be challenging, especially with numerous agents and varying incentive structures.

4. Discontent Among Agents: Agents might feel resentment or favoritism if they perceive that certain agents receive approval for more attractive incentives while others do not. This could lead to a toxic work environment, affecting morale and collaboration within the brokerage.

5. Potential for Ethical Issues: Individual incentives could open the door to ethical concerns, such as pressure on clients to accept offers that may not be in their best interest. This could lead to conflicts of interest and damage the reputation of individual agents and the brokerage as a whole.

6. Regulatory Compliance Risks: With individual incentives, there may be a higher risk of violating regulatory requirements. Agents may inadvertently create incentives that conflict with existing rules, leading to compliance issues that could attract penalties or legal challenges for the brokerage.

7. Erosion of Client Trust: If clients perceive that agents are offering incentives that may compromise their interests, it could erode trust in the brokerage and the industry as a whole. Clients might question the motivations behind agents' actions, potentially leading to skepticism about the value of services provided.

8. Impact on Recruitment and Retention: While some agents might be attracted to the flexibility of offering individual incentives, others may leave brokerages that do not permit such arrangements. This could lead to instability in brokerages and impact their ability to retain top talent.

9. Market Saturation of Incentives: As agents begin to differentiate themselves through various incentives, the market could become saturated with similar offers, diminishing their effectiveness. Clients may start to view incentives as a standard practice, reducing their perceived value.

Require Written Service Agreements PRIOR to Providing Services

Impact on Client Relationship Development: The need for a signed agreement upfront might deter potential clients who are not yet ready to commit. This could lead to lost opportunities, particularly in a competitive market where building rapport and trust is crucial before formalizing a business relationship.

Client Confusion and Hesitance: Consumers might be hesitant or confused about the need to sign an agreement before discussing their needs or receiving initial advice. This could create an impression of a transactional relationship rather than a consultative one, making clients feel uncomfortable or pressured.

Potential for Missed Opportunities: Some clients may be reluctant to sign an agreement without first understanding the full scope of services and benefits. This could hinder licensees from engaging with potential clients effectively, especially during initial consultations.

Defining Services: We need a clear definition. Define at what point an activity qualifies as a service. Is the service a one time service or on-going? What type of interaction qualifies as a service? ie. Video meeting? Phone calls (you see where I am going with this).

Commission Payments to Corporations: Personally, I feel this is going in the opposite direction. I already have an issue paying a realtors commission to a corporation with other non-licensed shareholders.

Potential for Abuse or Misuse: Allowing commission payments to corporations that a licensee does not control could open the door to unethical practices. Licensees could collaborate with non-licensee shareholders to funnel commissions in ways that might circumvent regulations or create conflicts of interest.

Licensing Requirements: Commissions are typically tied to the performance of licensed activities. If a shareholder of a corporation is not a licensed realtor, it raises questions about their qualifications to receive commissions tied to real estate transactions. Maintaining a clear connection between licensing and compensation can help uphold professional standards in the industry.

Risk of Fraud: Paying commissions to corporations raises concerns about the potential for fraudulent activities. If a broker cannot verify the legitimacy of the corporation or the individuals involved, they may inadvertently facilitate unethical practices, including money laundering.

Prohibiting Representation of Any Kind for Personal Trades and Deals

Ethical Considerations

1. Conflict of Interest: When an agent has a personal stake in a transaction, their ability to act in the best interest of their client is compromised. The dual role can lead to conflicting priorities, where the agent may prioritize their own financial gain over the needs and interests of their client.

2. Transparency and Trust: Clients expect their agents to provide unbiased advice and representation. When an agent is involved in a personal transaction, it can create a perception of mistrust, as clients may feel that the agent's advice is influenced by their personal interests.

3. Professional Standards: Upholding high ethical standards is crucial for the reputation of the real estate industry. By prohibiting agents from representing clients in transactions where they have a personal interest, the industry reinforces the expectation that agents will always prioritize their clients' best interests.

Practical Solutions

1. Referral to Another Agent: Encouraging agents to refer clients to another agent within the same brokerage or to an external agent is a practical solution. This approach ensures that clients receive professional representation free from any conflicts of interest, allowing for unbiased negotiation and advocacy.

2. Client Autonomy: Allowing clients to find their own representative empowers them and respects their autonomy in the decision-making process. This can foster a sense of trust and confidence in the client-agent relationship, knowing that their agent is committed to their best interests.

3. Clear Communication: Agents should clearly communicate their conflict of interest to clients and outline the steps they will take to ensure the client receives proper representation. This transparency is vital for maintaining a professional relationship and upholding ethical standards.

4. Documentation: Implementing formal procedures for documenting the referral process and the rationale for not representing the client can further protect both the agent and the client. This creates a clear record that can be beneficial in case of any disputes or misunderstandings.

Prescribing Bank Reconciliation and Discrepancy Requirements

I agree with this proposal.

Requiring Sequentially Coded Records

I agree with this proposal.

Prohibit Loans from Pooled Trust Accounts

I agree with this proposal

Administrative Penalty Ranges and Amounts

Concerns Regarding Increased Fines

1. Deterrent Effect vs. Fairness: While increasing fines aims to create a stronger deterrent against misconduct, there is a risk that such measures may disproportionately impact smaller operators or newer agents who may struggle with compliance rather than seasoned professionals who might more readily absorb increased costs. It is crucial to balance the need for deterrence with fairness and proportionality in penalties.

Issues Related to Ranges and Maximum Increases

1. Ambiguity in Enforcement: The introduction of penalty ranges might lead to ambiguity about what constitutes a "serious" breach versus a minor infraction. I don't believe this is defined. This lack of clarity could result in confusion for licensees trying to navigate compliance and might deter honest mistakes from being reported or corrected due to fear of severe penalties.

2. Compliance vs. Revenue Generation: While RECA states that fine recovery makes up less than 1.5% of their revenue, there may still be concerns that increased penalties could inadvertently create a culture where compliance is viewed more through a lens of revenue generation rather than consumer protection and professional integrity.

Amend 'Rural Real Estate' to 'Agribusiness Real Estate'

Scope of Definition: The term "agribusiness" primarily implies commercial agricultural operations. This may lead to ambiguity regarding properties that have mixed-use components, such as those that include both agricultural and residential uses. Stakeholders may struggle to determine whether a property fits within the new definition, particularly if the farming aspect is not prominent.

Potential Market Impact: Changing the terminology might affect market perceptions of rural properties. Buyers and sellers might react differently to the term "agribusiness," which could influence property values and market dynamics. For instance, properties that were previously marketed as rural homes may now be viewed primarily through an agricultural lens, potentially deterring some buyers.

Impact on Non-Commercial Agricultural Use: The proposed change may overlook non-commercial agricultural properties, such as hobby farms or small-acreage properties used for personal farming. These properties might not be classified under "agribusiness," which could limit their visibility and accessibility within the market.

[REDACTED]

[REDACTED]

Date Tue 10/29/2024 4:46 PM

To Consultation <consultation@reca.ca>

[REDACTED]

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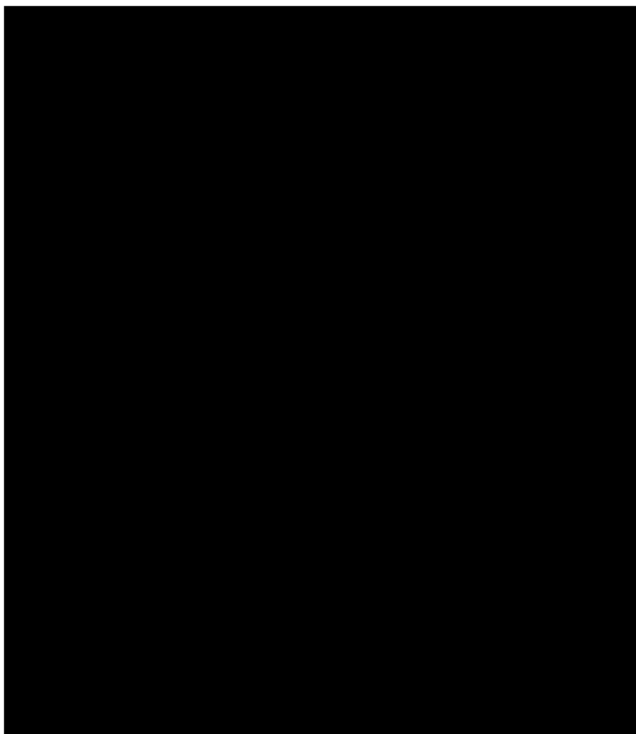
Here is my feedback on the proposed changes

I agree that written service agreements should be required before services are provided. I actually thought this was the rule.

I like the term “Agribusiness” instead of rural

Property management

1. I am strongly against the requirement to have separate trust accounts for each property I manage. This is a cash grab for bankers. I will need 50 bank accounts and it will be red tape and administrative nightmare.



RE: Real Estate Rules Review 2024: Comments.

Date Tue 11/26/2024 6:47 PM

To Consultation <consultation@reca.ca>

Dear Sirs:

Thank you for the opportunity to provide the above referenced comments. They are as follows:

- 1. Issues Around Adopting the Licensing Framework – One Licence, Seven Authorisations:**
Very respectfully, while one can see why such a system may appeal under the initiative of allowing better career flexibility or more options for agents, the result is twofold. It will encourage agents to be more generalists in a time where specialization and a core competency is the real market requirement. Customers and clients deserve the highest level of competency. In short, a result may be jacks of all trades and master of none. Second, in the event an agent registered with two brokerages, how will agent disciplinary steps at one brokerage be reconciled with the other brokerage? Will the second brokerage have rights to challenge disciplinary decisions and policies made by the first brokerage? **How is risk** caused by an agent's actions **effectively mitigated** between the two brokerages? It is not practical. It is the industry's best interests that agents will have to select their area of real estate services specialty and be content to have their licenses at one brokerage under one master.
- 2. Virtual Office:** It would be ironic that an industry that is about tangible assets such as real estate would be able to exist in a virtual world. One can see this provision running afoul of **FINTRAC and privacy legislation**. If implemented, the only acceptable address to serve official documents is the broker's home address or an bona fide office address. More importantly, the public or FINTRAC should be able to come to a physical address and get some service if needed and/or speak with someone and discuss their requirements in private. As you know, that would be difficult with a virtual office or a meeting at Starbucks. In addition, a brokerage being having to maintain a physical office space with ease of access is a very reasonable requirement and qualifier. FINTRAC is getting very focused on realty brokerages and agents with the ever-increasing money laundering that is occurring.
- 3. Modern Rules for Electronic Records/Banking:** In many ways, the rules are already somewhat lenient. Electronic records are not always available, are subject to manipulation, and there are cases of such records being disputed by one party to transactions. Especially counterpart signatures. The real estate industry would be well served by returning to original signature and physical copies of records for official documents, especially title transfers and leases entered into. Also, **FINTRAC** issues come to mind.
- 4. Allow Commissions to General Account Before Paying Cooperating Brokerage: NO!!!** The Commissions Trust account protects agents from brokerage creditors in the event of a

brokerage insolvency. Those funds are NOT the brokerage's or its creditors. To go further, a brokerage should be compelled to secure from a creditor an acknowledgement that the funds in a Commission Trust account are the property of others. In short, it has to operate exactly like a client trust account. Calgary had a very large residential broker become insolvent and collapse. The broker told agents that he had to transfer the commission funds to the general account to pay them. As soon as the funds hit the general account they were seized by creditors' liens. The agents lost their commissions.

5. Notification Period Amendments: None.
6. Individual Incentives with Broker Approval: The rule as it exists is good. Otherwise, one brokerage, especially the very large ones, will have so many incentive plans it is likely a customer or consumer could or will interpret them as being available from all agents and to all customers and clients. There is a formula for endless disputes and time consumed by RECA and brokerages mitigating customer or client complaints.
7. Written Service Agreement Timing: These should be signed before any service is provided. People need to have a clear understanding of contractual obligations and expectations before they proceed with a brokerage and/or agent.
8. Payment of Commission to Corporations: The present rule is satisfactory.
9. Prohibiting Any Relationship with the Other Party During Personal Trades and Deals: Long, long over-due. The conflicts of interest are glaring.
10. Prescriptive Bank Reconciliation Requirements: Agreed. In order to reconcile the trust account all accounts must be identified in order to be accounted for. Effectively, brokerages, if they are doing a reconciliation correctly, are now doing what would be required. In law, if there was a discrepancy found, the brokerage already has a legal obligation to resolve it forthwith.
11. Requiring Sequentially Coded Records: So long as the unique identifier is consistently applied, then it is a better, simpler system.
12. Prohibiting Pooled Trust Account Loans: Agreed and long over due to have Rule 102 deleted. The conflicts of interest are glaring.
13. Amending Administrative Penalty Amounts: None. Reasonable amendments.
14. Amend Rural Real Estate to Agribusiness Real Estate: None. Long overdue and a very good amendment that shows respect for those in agribusiness.

alified to comment.

ration.



Feedback (Mortgage Broker sector)

Date Tue 11/26/2024 3:41 PM

To Consultation <consultation@reca.ca>

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Question 15 Simple is better. Proposal B (Leave associate broker out. It lengthens without benefiting)

Question 16 Like any changes. There will be a period of adjustment. Internally, we will probably still call principal brokers, Brokers of record.

Question 17 I believe most established brokers who work with private lenders have already made that clear distinction. We represent the lender's interests and negotiate for the lender only.

Question 18: FINTRAC has made the rules clear. every document needs authentication. so IF ANY, definitely does not belong in the wording.

Question 19: I agree with the definitions. No discussion required.

Question 20: Based on what criteria is the registrar going to be able to set the aggregate and per occurrence errors and omissions insurance. Is that not currently a decided based on historic book of business between the insurance provider and the brokerage?

Question 21: It would be folly to be allowed to continue to practice in the mortgage industry without the protection of insurance. Even if you have never needed it in your career, things happen. There is no reason I could suggest where a mandatory requirement to report the cancellation of insurance has occurred. It could be as simple as the insurer deciding not to provide coverage across the board. It could be due to the number and amount of claims, but I have always considered the registrar as a part of my business and if the loss of coverage occurred, I would want to be in a position to get the best advice possible (immediately).

[Redacted]

[Redacted]

[Redacted]

Fw: Reminder: Phase 3 Consultation on RECA Rules Review

[REDACTED]

Sent: Tuesday, October 29, 2024 4:43 PM
To: RECA Communications <RCommunications@reca.ca>
Subject: RE: Reminder: Phase 3 Consultation on RECA Rules Review

[REDACTED]

I see no issues with your proposed changes.

[REDACTED]

From: Real Estate Council of Alberta <communications@reca.ca>
Sent: October 29, 2024 3:40 PM
Subject: Reminder: Phase 3 Consultation on RECA Rules Review



RECA Rules Review - Phase 3

This is a friendly reminder regarding the ongoing Phase 3 consultation for the RECA Rules Review. Your feedback is crucial as we finalize amendments to the *Real Estate Act* Rules.

We greatly value the input received thus far from stakeholders. Your insights will help us ensure that our standards continue to evolve effectively.

Please take the time to review the [Phase 3 Discussion Paper](#) and share your thoughts on how these proposed changes could impact your brokerage and practices.

Kindly submit your feedback via email to consultation@reca.ca by **November 29, 2024**.

Your contributions will be carefully considered during the December meetings of the Industry Councils, where final decisions on the proposed changes will be made.

Thank you for your continued support in enhancing industry standards and consumer protection

[Keep up to date with the latest on the Rules Review on RECA's website.](#)

Real Estate Council of Alberta
202-1506 11 Avenue SW
Calgary AB T3C 0M9

[Click here to update your email preferences or unsubscribe.](#)

FOLLOW US



Rules Review Feedback

[REDACTED]

Date Tue 11/26/2024 3:33 PM

To Consultation <consultation@reca.ca>

[REDACTED]

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Hello

I have looked these items over and found most of them to be agreeable and worth implementing, but Question 22 regarding prohibiting pooled trust accounts seems designed to create more work and increased costs for property managers like myself who manage a number of individual units (both residential and commercial) and obligates my bank to do the same. It is my understanding that I am required to complete a recap each month of any balances - if any - held in the trust account attributable to each of my clients, and this is something my auditor reviews every year as well. Prohibiting pooled trust accounts doesn't solve shortages if brokers are not operating their trust accounts legitimately. It doesn't solve any problem that I am aware of.

RECA Rules Review - Phase 3

[REDACTED]
Date Wed 11/13/2024 11:07 AM

To Consultation <consultation@reca.ca>

[REDACTED]

CAUTION: This email originated from outside the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Question 1 - Proposed Licensing Framework: I disagree with an associate being allowed to register with more than one Brokerage. I foresee loyalty issues arising and causing problems for the Brokerages, the Associates, and, ultimately, the consumer. Loyalty is a very important part of our business and I think registration with multiple Brokerages removes the need for it.

Question 2 - Virtual Offices: I think a physical business location promotes a more professional presentation of the industry.

Question 3 - Electronic Record/Banking: I see no issues with this.

Question 4 - Eliminating the Need for Two Cheques: I think trust funds must remain in trust until closing -I see a potential problem with "borrowing" from trust, which is fundamentally wrong. Two cheques are not a big deal.

Question 5 - Notification Period Amendments - I see this as a positive - this should be clearly defined.

Question 6 - Individual Incentives: I disagree with this - Associates just starting out, for example, would be at a disadvantage. I think incentives should remain with Brokerages only.

Question 7 - Written Service Agreements: I think in practice most Realtors likely have the Agreement signed when preparing to write an Offer. I believe some consumers would be uncomfortable signing an Agreement before the service is provided. Making it a part of the process makes more sense.

Question 8 - Payment of Commission to Corporations: I see no issue.

Question 9 - Prohibiting Representation of Any Kind for Personal Trades & Deals: I am OK with a Realtor representing themselves on one side of a transaction but absolutely not on both sides.

Question 10 - Prescriptive Bank Reconciliation Requirements: I think this makes good sense.

Question 11 - Requiring Sequentially Coded Records: Each transaction is already uniquely coded within the Brokerage, so I agree with removing the requirement for sequentially coded identifiers.

Question 12 - Prohibit Loans from Pooled Trust Accounts: Loans from pooled trust accounts should NOT be allowed under any circumstances. Brokerages should not be loaning out funds that do not belong to the Brokerage.

Question 13 - Amending Administrative Penalty Amounts: I see no challenges with this.

Question 14 - Amend "Rural Real Estate" to "Agribusiness Real Estate: this provides better clarification.

