

Policy 1.14 Non-Broker Owned Brokerages Policy

The Real Estate Council of Alberta's (RECA) mandate is to protect the public interest and the integrity of the profession.

While RECA allows persons other than the broker to own a brokerage, the *Real Estate Act* Rules allows the Executive Director to require the person with operational control* of the brokerage to provide a guarantee or security.

RECA may make an exception to this requirement if the person or persons who own the brokerage are industry professionals.

* a person with operational control can be an official of the brokerage's legal entity who plays a role in management or establishes policies for the organization and includes but is not limited to directors, chief executive officers, chief financial officers and managing partners of a partnership

A guarantee or security further RECA's mandate by:

- ensuring the brokerage complies with the provisions of the Act, Rules and Bylaws
- deterring misconduct
- preventing the brokerage's directing mind from divesting assets from corporations or limited partnerships to avoid liability by making an official individually responsible for the brokerage's actions when the broker is interfered with or prevented from carrying out their responsibilities
- allowing RECA to collect on fines issued against the brokerage or for disbursements issued under the Real Estate Assurance Fund

Continuing Guarantee

An individual with operational control of the brokerage must guarantee to pay certain monies to RECA owed by the brokerage, such as, but not limited to:

- fees
- fines
- administrative penalties
- costs
- judgments
- assigned judgments
- trust
- shortages

Click [here](#) for a sample Continuing Guarantee.

Letter of Credit – Irrevocable Letter of Credit

If the individual with operational control of the brokerage does not want to put their sole name up, such as in larger corporations, they have the option to provide RECA with of a letter of credit.

The individual issues the irrevocable letter of credit to the Executive Director and authorizes the Executive Director to draw from their account up to an aggregate amount of \$350,000.

Click [here](#) for a sample Irrevocable Letter of Credit.

For more information, review [section 31\(2\) of the Real Estate Act Rules](#).