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## Message from the Interim Board Chair

David James

### STRATEGIC PLAN

On behalf of the RECA Board of Directors I would like to thank all of the consumers, licensees, brokers, and associations that provided feedback on the draft Strategic Plan. Setting the strategic direction of the organization is a part of the Board's role, and input from across the real estate industry has helped to inform that direction. The Board, Industry Councils and RECA staff met with more than 40 industry associations, held broker forums and engagement sessions in all industries, received hundreds of direct submissions from licensees, and directly engaged consumers to develop the strategic plan. Thanks to that comprehensive input, the Board was well-positioned to approve an updated strategic plan at our July meeting.

As you will see in the [Business and Financial Plan](#), RECA's Strategic Framework focuses on three key areas: Regulatory Excellence, including a comprehensive review of the *Real Estate Act* Rules and RECA's licensing framework; on promoting trust in RECA's regulatory capability through outreach, engagement, and collaboration with all stakeholders; and on organizational resilience as RECA moves away from licensing education.

Action on the strategic plan will begin immediately, with the Rules Review beginning this calendar year. A Rules Review Steering Committee has already begun planning consultation and I look forward to, and encourage you to provide, feedback during the Rules Review process.



## RECA FINANCES

The Board has recently approved the [Business and Financial Plan](#), including RECA's budget for 2022-2023. With the divestment of education and the loss of the revenue education provided to support operations of the regulator, we had to have a hard look at our budget and drive to get revenues and expenses more in line than what last year's plan reflected. The Board wanted this done without an increase in the annual licence fee and I am pleased to say that we have done so – **there will be no increase in annual fees this coming year.**

Rather, RECA has looked at our organization to find efficiencies, and made some reductions and adjustments to our operations that reflects the reduced revenues. We have also looked at the one-time user-specific costs that we incur to provide specific services during the year, including credentialling and examinations, and have included a forecast of these fees more expressly in this year's plan.

Finally, the hard work to find efficiencies within RECA will continue into 2022-23, and will include outcomes from the Rules review noted above. The Board and management at RECA are committed to being prudent with the fees you pay to support the regulator, and will continue working with staff, associations, and licensees to find additional efficiencies as we focus on our principal mandate of protecting consumers.

Thank you again for your engagement with your regulator, and I look forward to working with the various associations, Industry Councils, licensees and the management team to advance the real estate industry in 2022-23.



## Message from the CEO

Russ Morrow

I have some news regarding some changes to RECA's staff at the director level. I am pleased to report that as of August 25, 2022, Warren Martinson is now our new Registrar.

Warren has been with RECA since 2018 when he joined as General Counsel and Corporate Secretary. He moved into the role of Director of Corporate Services in 2019. Previously, he was Director of Legal and Regulatory Affairs with the Alberta Insurance Council and had a successful legal career in private practice. He holds an LLB from the University of Saskatchewan, a Master of Administrative Law from Osgood Hall Law School and an MBA from Haskayne.

Warren's history with RECA, his experience with the Insurance Council of Alberta, and his very distinguished education and legal background make him an excellent fit for the role of Registrar. Having worked closely with him over the past year, I am confident he will continue to excel in his new position.

This change in leadership provided the opportunity to re-evaluate our operations and we have merged the Corporate Services and Stakeholder Engagement divisions under a Chief Operating Officer (COO) position. Janice Harrington took on the COO role, also effective on August 25. Janice has vast experience at senior leadership levels in building effective organizations and we are very pleased to have her in the COO role at RECA.

As we restructure, we will continue to review and realign the organization to improve the services we provide for our stakeholders. Thank you to all of you for your continued support.

# Commercial Real Estate Broker and Commercial Property Manager Industry Council Update

*Summary of activities since May 2022 from Terry Engen, Chair*



As we approach the end of another licence year (the renewal deadline for 2022/2023 is September 30), I would like to offer my sincere thanks to all the stakeholders who have engaged with us throughout this past fiscal year. Stakeholder engagement is something that the Commercial Industry Council and RECA take very seriously, and we have worked hard as a Council and as an organization to further strengthen our stakeholder relationships throughout this licensing year. You can expect to see more opportunities for stakeholders to offer their voice in the upcoming year as RECA launches its approved multiyear strategic plan and we begin our review of the *Real Estate Act* Rules as they pertain to our growing industry.

## STRATEGIC PLANNING

Consultation on RECA's proposed strategic priorities continued this period until the deadline for input on June 9, 2022. There was significant participation from commercial licensees in the feedback process and we appreciate the time many of you took to provide your opinions, helping us be certain our future plans are aligned with the priorities of you—our stakeholders.

## RULES REVIEW

As I've mentioned, RECA is beginning a comprehensive review of the *Real Estate Act* Rules. To ensure adequate stakeholder consultation throughout each step of the process, this review will occur over a period of two years.

The Commercial Industry Council has appointed three members of our council to spearhead the Rules review process. We have a variety of regulatory oversight in this Council, and we felt it imperative to have each specialty represented. I am happy to announce Cheri Long, our Vice-Chair as well as Council members Ben Van Dyk and Laura Sharen as our members of the Rules Review Committee.

The licensing structure for our industry (and all others) is part of the Rules and interest remains in exploring the idea of specializations within the commercial real estate licence. This could mean separating licence class into selling vs. leasing, office vs. retail vs. industrial vs. agri-business, or simply large project commercial properties vs. smaller buildings and businesses. Further consultation from stakeholders will be required to determine the best structure moving forward.

## EDUCATION DIVESTMENT

I am pleased to announce the Fundamentals of Real Estate is now available from third-party providers, in line with RECA's education divestment. As you are all aware, this is the first course for all real estate licensees in all sectors. The Practice of Rural Real Estate also has an approved course available, for those individuals looking to enter the agri-business sector. For the time being, Practice of Commercial Real Estate will continue to be offered by RECA, as there are no available course providers prepared to offer this course at this time. RECA will continue its full divestment of education by the November 30, 2022 deadline.

Significant work goes into recognizing a course provider and their courses, as well as for the course providers to develop their courses. The Commercial Industry Council is aware of multiple course providers who are in the process of developing courses and we will be sure to let all stakeholders know when a course provider is available for Practice of Commercial Real Estate. We appreciate any feedback from new licensees on the courses from the new providers as we work together to strengthen the quality of licensing education for our industry.

## RENEWALS UPCOMING

**A reminder to renew your licence by the September 30, 2022 deadline.** The myRECA system is now open to process renewals for all licensees. As mentioned in our Board Chair's message, there will be no increase to renewal fees for the 2022/2023 licensing year.

It's going to be another eventful licensing year in commercial real estate regulation. I look forward to working with and for commercial licensees throughout this exciting period.



# Residential Real Estate Broker Industry Council Update

*Summary of activities since May 2022 from Sano Stante, Chair*

I would like to first thank those of you who participated in the various engagements and consultations RECA and our Industry Council have undertaken this spring. Discussions held at the Broker Forums and the Spring Stakeholder Engagement Session were constructive and well attended. It was also refreshing to be able to hold an in-person event again. Your feedback received at these sessions will help shape future Residential Real Estate Broker Industry Council initiatives.

I'm aware of the time it takes to provide your feedback and attend engagement sessions amongst your busy schedules, and I remain very grateful to be a part of an engaged and passionate group of individuals, dedicated to enhancing our trade.

## EDUCATION DIVESTMENT

The divestment date for licensing education was June 1, 2022. I am pleased to report that the Fundamentals of Real Estate and Practice of Real Estate courses are now both offered by two third-party course providers (RELO and Alberta Real Estate Association). These courses will no longer be available through RECA. However, the Real Estate Broker Program will remain offered by RECA until an approved third-party provider's course becomes recognized.

Moving forward, new entrants to the industry will be able to choose the course provider that best fits their learning style. Brokers and hiring managers should make sure they become familiar with the providers as they become available, as new providers are being added regularly. To help new licensees choose, RECA is posting program success rates and average exam scores for each course provider and course, as this information is made available to us.

RECA will continue its full divestment of education by the November 30, 2022 statutory deadline.

## STRATEGIC PLANNING

The deadline to provide feedback on RECA's proposed Strategic Priorities was June 9 and the survey has now closed. There was considerable participation in the survey from our industry. The feedback received was taken into consideration and helped us determine that the direction we had proposed was the correct path forward. RECA will be moving forward with the proposed [Strategic Priorities](#) informing the RECA 2022-2025 Strategic Plan.

## RULES REVIEW

As I've discussed before, the *Real Estate Act* Rules first came into effect nearly 16 years ago, in October of 2006. To ensure the Rules are relevant to the current real estate environment, RECA has recently launched a comprehensive review of them. This Rules review is expected to take approximately two years to complete, as we want to make sure all stakeholders' voices and ideas are heard. We hope you all will be involved in this important process. A Steering Committee will consult and recommend proposed changes to RECA's four Industry Councils. The Steering Committee is comprised of members from each industry regulated by RECA. We have named Brad Kopp, Council Member as the representative from the Residential Real Estate Broker Industry Council.

## RENEWALS UPCOMING

A reminder that we are approaching the end of another fiscal year for RECA, which means it is time for licensees to renew their licence by the September 30, 2022 deadline. The myRECA system is currently open for renewals for all licensees. As mentioned in our Board Chair's message, I am very pleased to reiterate that there will be no increase to renewal fees for the 2022/2023 licensing year.

I can already tell it's going to be another eventful licensing year for residential real estate. The Alberta residential real estate market remains strong and our Industry Council is working hard to ensure we have the correct guidelines in place that will allow our industry to continue to thrive. A properly regulated industry is a healthy industry—one that consumers can trust. I look forward to working with you all to continue to ensure our rules and regulations are reflective of what our industry requires.

# PREPARING CLIENTS FOR A DEAL FALLING APART

by Kristian Tzenov, RECA Regulatory Compliance Advisor, Real Estate Brokers

Real estate sales activity in Alberta remains relatively strong; however, we are seeing a slight dampening of market conditions compared to the high activity levels seen in the spring.

While still considered a *seller's market*, the adjustment in market activity has allowed for more flexibility for buyers, which has increased the likelihood of collapsed transactions occurring. Often these situations occur in instances where purchasers feel they may overpay for a property.

Licensees know it's not uncommon for real estate deals to fall through, but for your clients it could come as a shock when it happens and could come with consequences if a client doesn't fulfill their contractual obligations. This is why the client contract review process is so important. Licensees need to ensure clients' best interests are protected beforehand and clients need to fully understand the ramifications of backing out of an offer to purchase.

Prior to signing a purchase contract, it is a licensee's responsibility to explain to their clients:

- the consequences of failing to act in good faith when satisfying conditions, even if the conditions are unilateral
- their obligations if the purchase collapses after all conditions are waived (e.g., deposit is forfeited, compensating the seller for their loss)
- the language used in the terms of trust (if the terms do not align with their client's needs, then they can try to negotiate them with the other party)
- that the trustee must follow the terms stipulated in the contract
- that they can (and should) obtain legal advice if the terms of trust are unclear



To mitigate any potential disputes and legal battles, licensees should draft clear and explicit conditions and review the implications and obligations that may occur with their client, should a condition not be satisfied. Careful consideration should be given to any language in the terms of trust that could be misinterpreted and later challenged. A detailed dispute resolution process should also be outlined. Licensees should consult the advice of their broker or legal counsel if they are uncertain of this process.

Brokerages who act as trustees have their own set of obligations and are advised to be acquainted with the process of using section 43 of the [Trustee Act](#), as well the Information Bulletin on [Trust Money Disputes and Disbursements](#).

There are many legitimate reasons deals may fail but buyers need to be warned that there can be serious consequences when walking away from a real estate deal. To mitigate conflict and protect your client's best interests should a deal fall apart, licensees should ensure all parties involved are aware of their obligations and the corresponding consequences should they fail to meet them, prior to a contract being signed. If clients are unsure of the purchase, they should not move forward with an offer.

If you have any questions, please email [Ktzenov@reca.ca](mailto:Ktzenov@reca.ca).

# Residential Property Manager Industry Council Update

*Summary of activities since May  
2022 from Don Newell, Chair*



It has been an eventful quarter!

Over the past three months, work continued toward RECA divesting itself of pre-licensing education. The Residential Property Manager Industry Council has continued to work with third-party course providers as they develop their course syllabuses. We expect to have several course providers approved to offer the Practice of Property Management course shortly. Our Industry Council Spring Stakeholder Engagement Session was held virtually in May. If you would like to view the recording from this session it can be found [here](#).

Bringing condominium management into RECA's regulatory fold has also been a primary focus for the Residential Property Manager Industry Council.

## **CONDOMINIUM MANAGEMENT EXTENSIONS GRANTED**

Recently, after consulting with stakeholders, we announced that condominium manager associate licensees were granted an extension to the deadline to complete their licensing courses to March 31, 2023. **However, associates must be enrolled in**

their courses before the original course completion deadline of November 30, 2022, to be granted this extension. Our expectation is that associates will complete and pass their courses prior to the extension date, and that brokers are responsible for ensuring their associates meet this timeline.

I encourage all condominium management licensees to review the deadlines that pertain to their specific circumstances as failure to meet these deadlines will mean you are no longer licensed, and you can no longer provide condominium management services. Please ensure your condominium board clients know you are committed to providing them with professional, high quality management services by completing your educational requirements.

## **RULES REVIEW**

As has been mentioned previously, RECA has begun its comprehensive Rules review, which is expected to take approximately two years. Stakeholder consultation will be at the forefront of all the decisions made and we want to allot sufficient time to consult with all the necessary parties.

The Residential Property Manager Industry Council recently appointed Vice-Chairperson Don Brown to represent the residential property manager industry sector on the Rules Review Steering Committee, and Council Member Keith McMullen to represent the condominium manager industry sector. We look forward to providing you with updates on the Committee's activities on the Rules review.

## STRATEGIC PLANNING

The survey on RECA's proposed Strategic Priorities has closed with overwhelming support from property and condominium management licensees. RECA plans to move forward with the [priorities identified](#) as indicated by the support of our stakeholders.

## EDUCATION DIVESTMENT

Since my last update, RECA has been successful in accelerating the proposed divestment date for licensing education of June 1, 2022 and I am pleased to report that Fundamentals of Real Estate (the first course for new property management licensees) is now available through two third-party course providers. The *Practice of Property Management* course will continue to be offered by RECA until a third-party course provider is recognized and prepared to offer this course. RECA will continue to work towards its full divestment of education by the required November 30, 2022 deadline.

## RENEWALS UPCOMING

This is the first renewal season for those licensed as condominium managers. Please note, the deadline to renew your license is different than the deadlines for you to complete the education

requirements on your conditional licence. All licensees, including all condominium management associates and brokerages, must renew their licence by the deadline of September 30, 2022, each year.

We have sent early details of the renewal process to condominium management licensees by email and there will be more reminders to come, so please watch out for them. Likely the most important point to reiterate is that Brokers must renew their licence before any of their associates will be able to do so. The myRECA system opened for all licensees on August 22, 2022.

Since this is both the first renewal season for condominium managers and I have already mentioned that there have also been some changes to the education deadlines—RECA will [host a webinar](#) in early September to ensure all licensees in this group know what is expected for all deadlines and have the opportunity to ask questions. I sincerely hope anyone in this licence class who may need any clarification is able to attend.

In closing, the 2022/2023 fiscal year has been a busy one for the Residential Property Manager Industry Council with an entirely new licence class being introduced to be governed under our Industry Council and subsequently welcoming over 600 condominium management professionals as new RECA licensees. I look forward to the next fiscal year commencing and working with all property and condominium management stakeholders during another period of growth and regulatory success for our industries.

# DEADLINE CHANGES FOR EDUCATION AND EXAMS, NEW FISCAL REPORTING REQUIREMENTS, AND INFORMATION BULLETINS

by Doug Dixon, RECA Regulatory Compliance Advisor, Real Estate and Condominium Brokers

## CONDOMINIUM MANAGEMENT UPDATE

The condominium manager industry has been under RECA's regulatory umbrella for nearly eight months! Many of you have completed the necessary education on your conditional licenses already—thank you to all the condominium manager licensees who have completed their courses to date.

RECA licensees spoke up and we heard you!

After much consultation with licensees, particularly through the recent broker forums and industry engagement sessions, the Residential Property Manager Industry Council announced changes to the original education deadlines for the conditional licence of condominium manager associates.

The Industry Council heard licensees' concerns with courses, exams, and the completion timeframe that were brought forward and will allow for associate licensees to apply for both course and exam extensions in specific courses, if needed.

### WHAT HAS CHANGED FOR CONDOMINIUM EDUCATION

Condominium manager associates can extend their deadline to complete their licensing courses to **March 31, 2023**. For RECA to grant the course completion extension, associate licensees must be registered in their course(s) prior to the original course completion deadline of **November 30, 2022**.

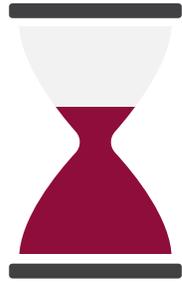
Condominium manager associates may also request an extension to the 90-day timeframe for taking an exam after completing a course. This extension applies to both the Fundamentals of Condominium Management and Practice of Condominium Management exams.

Learners will also now have **three opportunities** to rewrite the Practice of Condominium Management exam, if necessary, free of charge. The cost of the initial exam will remain the same at \$235 for all exams and the Fundamentals of Condominium Management and Condominium Management Broker Program courses will remain capped at two exam attempts before having to re-enrol in the course again.

# Condominium Education Deadlines

As of September 1, 2022, November 30, 2022 is only three months away.  
Enrol now!

## November 30, 2022



All **brokers** and **associate brokers** must have completed required courses and exams. All **associates** must be enrolled in required courses.

## Currently hold another licence with RECA in any industry



# 70-120

hours to complete.

**Practice of Condominium Management** must be completed by associates, associate brokers, and brokers.

## DOES NOT hold another licence with RECA in any industry

### Condominium Manager Associates



# 2-4

months to complete.

- Fundamentals of Condominium Management
- Practice of Condominium Management

*Must be enrolled in all courses by November 30, 2022, and must complete all courses and exams by March 31, 2023.*

### Condominium Manager Associate Brokers, and Brokers



# 3-4

months to complete.

- Fundamentals of Condominium Management
- Practice of Condominium Management
- Condominium Manager Broker Program

*Must complete all courses and exams by November 30, 2022.*

## Deadlines to complete courses and exams



### November 30, 2022

Deadline for **associate brokers**, and **brokers** to complete courses and exams.

### March 31, 2023

Deadline for **associates** to complete courses and exams, as long as they are enrolled by **November 30, 2022**

## NEXT STEPS FOR LEARNERS

All conditionally licensed condominium managers must complete the course(s) that have been listed on their conditional licence. To learn which courses and exams are required based on your circumstances, please login to your [myRECA account](#) and go to the Licensing tab. Brokers can also view the education status of their associates by viewing the Condo Education Report on their My People page.

Condominium Managers who wish to challenge an exam, take a practice exam, or request a course or exam completion extension, should contact [education@reca.ca](mailto:education@reca.ca).

## CONDOMINIUM MANAGEMENT FISCAL REPORTING REQUIREMENTS

During this first year, condominium brokerages and brokers who also had a real estate licence were allowed to file a single [fiscal year-end](#) report for both licenses. This simplified the process for the first licence year as brokers adjusted to the additional licensing requirements.

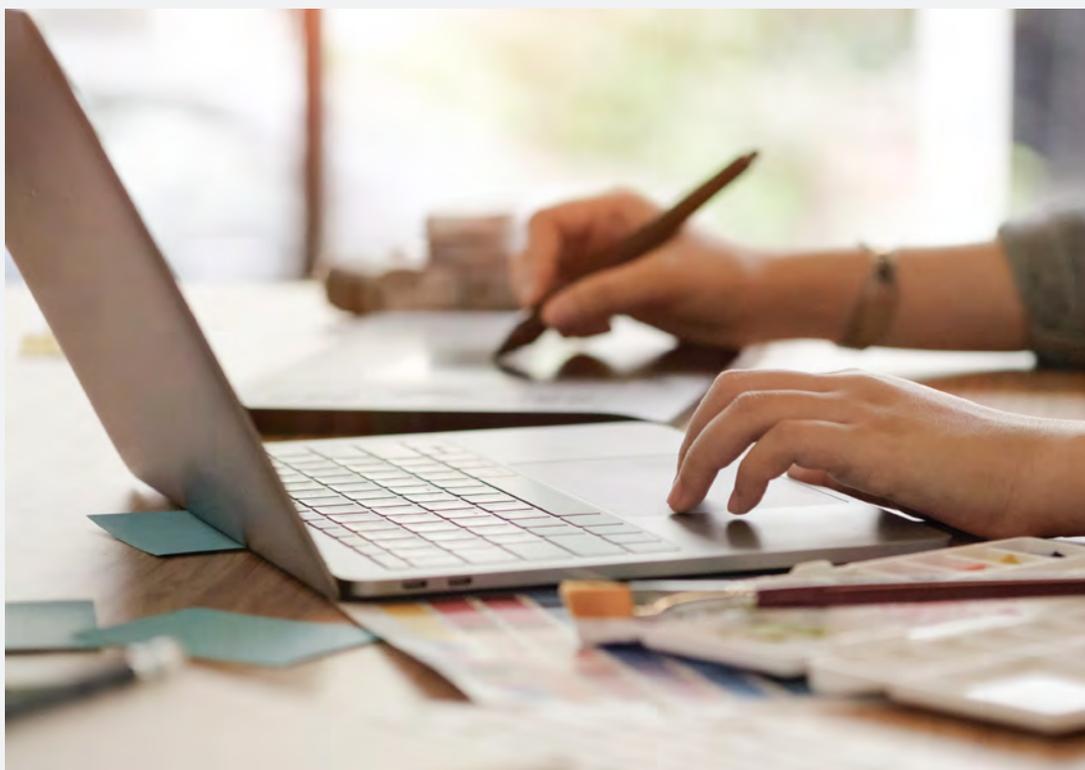
Please note that as of December 1, 2022, a separate report will be required for each licence. If there is no trust activity in one or multiple brokerage accounts, a form four can be completed for that licence. Any questions on this process can be sent to [audit@reca.ca](mailto:audit@reca.ca).

## INFORMATION BULLETINS

[Ten new Information Bulletins](#) have been published on [reca.ca](http://reca.ca) to guide condominium management licensees on the Standards of Practice in a regulated environment.

RECA's Information Bulletins guide licensees on important industry topics.

All condominium management licensees are encouraged to review these important resources.



# Mortgage Broker Industry Council Update

*Summary of activities since May 2022 from Clarence Lee, Chair*



RECA, as an organization, continued to focus on strengthening our relationships with all stakeholders over the past quarter. In the spring, the Mortgage Broker Industry Council hosted an engagement session for all stakeholders, a broker forum, and several other special interest meetings—such as the ones regarding ways to strengthen the regulation of private lending. In each instance, we heard from you, our stakeholders.

Thank you to all of those who have engaged with us recently. It has been an eventful time!

## STRATEGIC PLANNING

In the last update, you were invited to weigh in on RECA's strategic priorities. The deadline to contribute through the survey was June 9. I am happy to report that feedback was positive and the organization will be moving forward with the [proposed priorities](#) that will inform RECA's 2022-2025 strategic plan. There was considerable participation from the mortgage sector and I am thankful that so many of you provided your insights.

## RULES REVIEW

Guided by the strategic priority of Regulatory Excellence, RECA will examine the current *Real Estate Act* Rules (drafted in 2006) to make sure they provide effective consumer protection in today's setting. To ensure adequate stakeholder consultation throughout each step of the process, this review will occur over a period of two years. Progress has already begun—the Mortgage Broker Industry Council has appointed Council Member, Gord Appel to serve as our industry sector representative on the Rules Review Steering Committee.

Two of the largest concerns for the mortgage sector continue to revolve around advertising and incentives, and private lending.

The former Mortgage Broker Advisory Council completed considerable work to address the growth of private lending in Alberta—and potential associated changes to the Rules—before it was disbanded by the ministerial directive in 2019. This Council is now revisiting this topic and the work done previously has provided a great starting point for the new review. In early July, interested mortgage brokers, particularly those who arrange mortgages for private lending, discussed the current issues related to this topic. Alberta currently has no way to track private lending activity and the goal is to strengthen consumer protection for those considering becoming a private lender. If you would like to be a part of future discussions, don't hesitate to reach out or provide any of your feedback directly to me and this Industry Council by emailing [MortgageIC@reca.ab.ca](mailto:MortgageIC@reca.ab.ca).

## **EDUCATION DIVESTMENT**

I am pleased to announce that the Fundamentals of Mortgage Brokerage and the Practice of Mortgage Brokerage courses are now available from the Alberta Mortgage Brokers Association (AMBA). Moving forward, RECA will no longer be registering new learners in those courses and is on track for its full divestment of mortgage education by the November 30, 2022 deadline.

## **RENEWALS UPCOMING**

And finally, a reminder to renew your licence by the September 30, 2022 deadline. The myRECA system is now open for all licensees. As mentioned in our Board Chair's message, there will be no increase to renewal fees for the 2022/2023 licensing year.

As you can see there is a lot going on in the mortgage industry and we don't expect that to slow down as we move into the fall. As we always reiterate, self-regulation is a privilege that requires stakeholder input, and the Mortgage Broker Industry Council looks forward to the valuable and considerable feedback this sector continues to provide.

# WHAT ALBERTA MORTGAGE BROKERS CAN LEARN FROM THE CULLEN COMMISSION REPORT

by Gary Siegle, RECA Regulatory Compliance Advisor, Mortgage Brokers

While perhaps not as prevalent as in larger jurisdictions with accelerated real estate markets, Alberta's real estate industry is vulnerable to money laundering.

The [Cullen Commission report](#), released in mid-June, is an extensive public inquiry report on money laundering in British Columbia (BC). [Part IV](#) of the report includes recommendations which specifically pertain to the mortgage sector. While these recommendations are for the BC industry, they are worth considering here as well, especially for Alberta mortgage licensees who are also licensed in BC.

## THE REPORT RECOMMENDS:

- give the mortgage broker regulator a clear and enduring anti-money laundering mandate
- change the definition of mortgage brokering to include money lenders
- require mortgage broker registrants (licensees) to provide extended criminal and police background checks, including police database information
- require mortgage brokerages to submit annual information returns to give the regulator better insight into industry trends and risks
- enhance sector education to include detection and reporting of fraud and money laundering
- increased financial penalties for any parties found to have participated in money laundering
- allow the regulator to order disgorgement of profits from misconduct
- create a rule requiring real estate licensees to report suspected unregistered mortgage brokering activity
- impose a duty to act in the best interests of a client or investor, to act fairly, honestly and in good faith; and fulfill know your client identification obligations
- create a new provincial money laundering intelligence and investigation unit, which would have an information-sharing arrangement with the mortgage and real estate regulator
- make mortgage brokers reporting entities under the *Proceeds of Crime* (Money Laundering) and *Terrorist Financing Act* (federal jurisdiction which is being considered currently by FINTRAC)



## CULLEN COMMISSION RECOMMENDS ENHANCED REGULATION OF PRIVATE LENDING

Private lending of mortgages is an area of particular concern when it comes to money laundering as it is currently an unregulated business in Alberta. Private lenders include mortgage investment corporations (MICs), investors who pool their capital (syndicated mortgages), or individuals lending their own money.

Canada Mortgage and Housing Corporation estimates that MICs account for one percent of residential lending in Canada and have been growing steadily in prominence for several years. These special entities allow individuals to pool funds and invest in mortgages where source-of-funds declarations from investors are currently not required.

Participating in a syndicated mortgage is another way money laundering may be facilitated as this type of lending involves multiple parties and there is currently no reliable way to identify the participants.

The Cullen Commission report recommends the following regulatory enhancements regarding private lending transactions in BC:

- place onus on non-regulated mortgage lenders to make source-of-funds inquiries of investors
- require mortgage registrations to include all owners of the mortgage (particularly important in syndicated mortgages, as there is no way to identify participants)
- amend the definition of "interest in land" to include mortgages (in the *BC Land Owner Transparency Act*) to ensure beneficial owners of a charge cannot obscure their ownership
- create a separate licensing regime for private mortgage lenders
- ensure the regulator of private mortgage lenders has access to land titles data, including new mortgage registrations, in a form that allows it to identify unlicensed lenders
- remind lawyers to remain vigilant to ensure loans on any foreclosures were legitimate
- require "source-of-funds" declaration be filed in court for every recovery of debt claim
- give court authority to refuse debt action or foreclosure if the court is not satisfied with the validity of the "source-of-funds" declaration or if the court concludes the funds were derived from criminal activity

## CONCLUSIONS

The Cullen Commission shines a light on the extent of the gaps in legislation that exists, which can allow for money laundering to occur within the mortgage industry in BC. RECA will monitor the steps taken by BC regulators and determine the applicability (if any) to the mortgage brokerage business in Alberta.

RECA encourages Alberta mortgage brokers and associates to broaden their understanding of how money laundering may occur in the mortgage sector and take any additional steps to protect the integrity of the mortgage industry.

Licensees should know their clients (both borrowers and lenders) and if something seems out of place it is always best to inquire further or to contact RECA for more information on regulatory compliance.

If you have any questions or comments regarding this summary of the [Cullen Commission](#), please contact Gary Siegle, Regulatory Compliance Advisor, Mortgages by emailing: [gsiegle@reca.ca](mailto:gsiegle@reca.ca).

## SHARE YOUR EXPERIENCE

Have you encountered situations where you suspected money laundering in Alberta? Do you think these, or similar recommendations would benefit the Alberta mortgage industry as well?

## WANT TO KNOW MORE?

What prompted these recommendations for the mortgage sector? Pages 871–873 in the report contain indicators of suspicion of fraud and money laundering. More generally, pages 874–878 contain suspicions of indicators of real estate transactions by phase and may be of interest to real estate licensees as well.

Review further recommendations regarding [money laundering vulnerabilities of private lenders](#). The summary of private lending vulnerabilities is on pages 912-913.

The full Cullen Commission Report can be reviewed and [downloaded here](#).

Warning it is an 1800 page report—this link goes directly to the section on real estate. The Mortgage Broker issues referenced can be found on pages 871-873 and the private lending recommendations can be found on pages 912-913.



# DO YOU KNOW WHO YOUR CLIENTS ARE?

*by James Porter, RECA Investigations Manager*

The importance of licensees getting to know their clients cannot be overstated. Personally gathering the correct information from your clients ensures you are not in violation of any *Real Estate Act* Rules. This simple act is also a very important fraud prevention tool.

If something seems out of place with a client (e.g., they are unable to provide clear verification of identity), it could be a sign that criminal activity is taking place. Executing proper due diligence helps verify all aspects of a transaction are legitimate and protects both you and your clients from possible fraud.

Or, the client themselves may be acting legally, but a third party gathering the information may be operating fraudulently. RECA has seen instances where licensees are not speaking with their clients at all, instead relying on third parties to explain, disperse, and collect important documents. In some cases, clients' signatures are being forged on important documents (such as a mortgage application) or the signature is legitimate, but the client doesn't understand what they're signing. The fraudsters then pass on these documents to licensees, who could in turn be at risk of submitting false information and participating in fraud.

Since 2014, real estate licensees in Alberta cannot represent a consumer—whether a seller or a buyer—as a client without a [Written Service Agreement](#). Residential real estate licensees also have a regulatory requirement to present and discuss the [Consumer Relationships Guide](#), with all consumers they are working with. These agreements are good for both clients and licensees, as they provide the opportunity to discuss obligations and responsibilities of both parties. Discussing the documents also acts as a conduit for licensees to get to know their clients better.

## TIPS FOR GETTING TO KNOW YOUR CLIENT AND PROTECTING YOURSELF

- avoid working with a third party who is speaking on behalf of clients or gathering documents on behalf of clients
- make sure you are reviewing written service agreements first-hand with your clients. Do not delegate the signing to a third party or skip the review of any transaction documents with a client

## RULES BREACH

Not only does skipping the step of getting to know your client put you at risk of fraud, in some cases, it can also be a violation of the Rules. Below are several examples of *Real Estate Act* Rules that could be breached in circumstances where document review and signing are not properly executed by licensees:

- a licensee must not delegate, assign, request, direct or in any way allow an unlicensed or unregistered assistant to perform tasks that must only be performed by a licensee [Rules s.46(2)]. The [Consumer Relationship Guide](#) and the [Written Service Agreement](#) must be reviewed and signed by the licensee and their client
- licensees must ensure the role of the licensee is clearly understood by their clients and third parties [Rules s.41(e)]. If third parties are being directed by clients, licensees cannot ensure their client/ licensee role is well defined

- licensees must provide competent service [Rules s.41(b)]. Licensees must ensure their clients understand the documents that are presented to them
- licensees must not participate in fraudulent or unlawful activities in connection with the provision of services or in any dealings [Rules s.42(b)]. Using an unvetted third party to communicate with clients could put licensees at risk of involvement in fraudulent activity

While the use of a third party such as a client friend or other personnel may save time, licensees must not allow an unlicensed individual to perform tasks that require a licence. Completely relying on a third party to communicate and interact with clients, and process client documents takes away the opportunity for licensees to get to know their clients and may increase opportunities for fraud and Rules violations.

All licensees in all client relationships should know who they are dealing with. It is vital you take the time to get to know your clients.

Licensees who are unsure of any of your client relationships or dealings with a third party are encouraged to reach out to [info@reca.ca](mailto:info@reca.ca) to discuss their specific circumstances.

# News Bytes

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## Renew Your Licence by September 30, 2022

This year no re-licensing education is necessary to renew your licence.

Renewals opened for brokerages/brokers on August 15, and all other licensees on August 22.

This year, in lieu of suitability questions, you'll be asked to sign off on a declaration confirming your compliance with Section 40 of the [Real Estate Act Rules](#).

The deadline to renew your licence is September 30, 2022.

For more information, please visit [reca.ca](http://reca.ca).

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## RECA MANAGEMENT

**RUSS MORROW**

Chief Executive Officer

**JANICE HARRINGTON**

Chief Operating Officer

**WARREN MARTINSON**

Registrar

**STACY PAQUIN**

General Counsel & Corporate  
Secretary

## CONTACT RECA

Phone (403) 228-2954  
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### GENERAL QUESTIONS

Call or email an Information Officer  
at: [info@reca.ca](mailto:info@reca.ca)

### BROKER ADVICE

Call or email one of our Compliance Advisors:

Mortgage: [gzielgle@reca.ca](mailto:gzielgle@reca.ca)

Real Estate: [ktzenov@reca.ca](mailto:ktzenov@reca.ca)

Condo: [ddixon@reca.ca](mailto:ddixon@reca.ca)

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

Board of Directors: [board@reca.ab.ca](mailto:board@reca.ab.ca)

Mortgage Broker Industry Council:  
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Residential Real Estate Broker Industry Council:  
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