

ENHANCING PROTECTION FOR REAL ESTATE CONSUMERS IN BC

*Third Progress Report on Recommendations from the Independent Advisory Group on Conduct
and Practices in the Real Estate Industry in BC*

Activities Undertaken up to March 31, 2018

JUNE 2018 | REPORT TO THE MINISTER OF FINANCE

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LETTER FROM THE CHAIR

The Honourable Carole James

Minister of Finance

Province of British Columbia

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Dear Minister James,

I am pleased to submit the third report from the Real Estate Council of British Columbia (RECBC) on the progress of our implementation of the recommendations made by the Independent Advisory Group (IAG) on Conduct and Practices in the Real Estate Industry in BC. This report includes the progress on initiatives undertaken up to March 31, 2018 as well as a summary of next steps to continue to deliver on the Government's mandate direction.

We have accomplished significant milestones towards the IAG's goal of enhancing protection for real estate consumers in British Columbia. We are committed to the thorough implementation of all IAG recommendations that are within our power to effect, and to supporting Government and the Superintendent of Real Estate with those that will require legislative or Rule amendments. As part of our commitment to transparency and accountability, this report also includes actions that have been undertaken by RECBC in support of recommendations led by either the Superintendent of Real Estate or the Government of British Columbia. It is important to note that many of the recommendations are by their nature ongoing and require the allocation of new resources. To support this transformation, earlier this year RECBC published its 3-year Strategic Plan and its first Service Plan, with renewed vision and mission statements. These are key milestones in our journey as a proactive and accountable regulatory body.

Our vision is of public trust in ethical and competent real estate professionals. Implementation of the recommendations from the IAG will be integral to achieving this vision.

As outlined in our service plan, RECBC's goals are to ensure that all consumers have the information and resources they need to participate effectively in real estate transactions, and that there is a fair, effective and efficient regulatory system in place to protect their interests. I look forward with confidence to reporting that we have achieved these goals.

As the Chair of RECBC, I can report that Council members are proud of what we have accomplished so far and are eager to continue this important work. I am encouraged by the strong commitment from my fellow Council members and RECBC staff to ensure that all the IAG recommendations under RECBC's purview are implemented in a timely and effective manner.

I look forward to engaging with you and your staff at the Ministry of Finance to discuss this report and the status of the remaining recommendations, and to revisit the priorities for implementation of the recommendations.

Respectfully submitted,



A handwritten signature in black ink, appearing to read 'Robert Holmes', written in a cursive style.

Robert Holmes, Q.C.

Chair, Real Estate Council of BC
Vancouver, British Columbia

PROGRESS REPORT HIGHLIGHTS

RECBC has taken significant steps in response to the recommendations of the IAG Report.

Additional background on the IAG Report is included in Appendix I.

Between September 30, 2017 and March 31, 2018 new actions by RECBC included:

IAG #4

Require licensees to provide information to consumers clearly explaining the duties owed to consumers.

IAG #5

Ensure forms have an appropriate emphasis on consumer protection.

RECBC developed and approved four new mandatory consumer disclosure forms required under the Superintendent's agency and disclosure rules. The forms are written in plain language and incorporate feedback from consumers and industry members.

Development of a digital app to assist licensees to make the required disclosures to consumers.

Translation of explanatory content for consumers on the disclosure forms into five languages, to support the information needs of real estate consumers not fluent in English.

Development of video guides to the forms to help licensees and consumers understand how, when and why the disclosures must be presented.

Development of an online Knowledge Base hub, with easy to understand information in a variety of formats to assist licensees to explain the changes to agency and disclosure rules to consumers.

IAG #12

Implement confidential reporting channels for industry and the public to facilitate reporting of licensee misconduct

RECBC launched an Anonymous Tipline on March 15, 2018. Featuring a secure online tip form and a 1-800 hotline, the Anonymous Tipline received nearly 40 tips in its first month of operation. Approximately 50% of the tips were referred to the Compliance department for further review and investigation files were opened.

IAG #15

Increase focus on licensee conduct examinations in brokerage audits

RECBC broadening the focus of audits beyond the brokerage's financial records and protection of trust funds, including:

- Examining documents to ensure proper written disclosures have been made and retained, as required;
- Investigating further to mitigate consumer risks when issues of brokerage solvency arise; and
- Ensuring licensee teams are complying with the rules made under RESA.

PROGRESS REPORT HIGHLIGHTS

IAG #18

Improve the transparency of disciplinary processes and outcomes

RECBC created and published Sanctions Guidelines to inform licensees and the public and guide discipline committees regarding the considerations involved in determining appropriate penalties for misconduct.

RECBC introduced pre-hearing conferences, which can make orders to assist in the conduct of hearings, narrow the issues for discipline hearings or include discussions of potential resolution of all or part of the case.

RECBC introduced settlement conferences, which are appropriate where RECBC and the licensee have agreed on facts and liability. The licensee (and their counsel, if applicable) and prosecuting counsel for RECBC appear in front of a discipline committee to attempt to reach an agreement on penalty, which is then incorporated into a Consent Order.

RECBC created a process for disciplinary hearings on penalty only to increase the efficiency of hearings where liability is not in dispute, and to reduce hearing costs.

IAG #25

Undertake a comprehensive review of licensing education and testing requirements.

RECBC commissioned an independent review of educational requirements including a survey of real estate licensees and initial recommendations on the competencies required for effective professional practice at initial licensing and for continued practice.

IAG #26

Implement mandatory continuing education with content and testing that reinforces a licensee's ethical obligations, conduct requirements and duties to consumers.

RECBC, in collaboration with UBC Sauder School of Business, Real Estate Division, developing a new mandatory continuing education course with an assessment component, specific to the Superintendent's agency and disclosure rules.

IAG #28

Increase and improve public education and awareness, including making use of timely consumer alerts to equip consumers to identify, avoid and report licensees misconduct.

RECBC published three consumer alerts:

- Consumer Notice: *Aggressive Marketing – Be Aware, Be Protected*
- Consumer Notice: *Homeowners Facing Foreclosure*
- Consumer Notice: *Rent-to-Own Plans*

PROGRESS ON RECOMMENDATIONS AS OF MARCH 31, 2018

The following describes actions RECBC has undertaken as of March 31, 2018 to implement IAG recommendations. This includes those recommendations for which RECBC has primary responsibility, as well as any actions that have been taken by RECBC to support the implementation of recommendations for which either the Superintendent of Real Estate or the Government of British Columbia are the lead organizations. Appendix II provides an overview of implementation by responsible organization.

In reporting on progress, the following definitions are used:

- **COMPLETE:** An action to implement the recommendation is substantially complete.
- **UNDERWAY:** An action has been established and will be progressively implemented. Further work is required.
- **ONGOING:** Actions have been initiated and will be continued.
- **TO BE INITIATED:** Additional resources are required before an action can begin.

TRANSPARENCY AND ETHICS

RECOMMENDATION & RESPONSIBLE ORG	STATUS OF ACTIONS TAKEN BY RECBC AS OF MARCH 31, 2018
<p>1 Create a comprehensive Code of Ethics and Professional Conduct and require licensees to affirm, in writing, their compliance with the Code as part of regular re-licensing requirements.</p> <p><i>Lead organization: Superintendent of Real Estate</i></p>	<p>COMPLETE (December 2017) RECBC legal and policy staff provided feedback on initial policy suggestions from Office of the Superintendent of Real Estate (OSRE).</p>
<p>2 Amend Rules to no longer permit licensees engaged in trading services to offer dual agency.</p> <p><i>Lead organization: Superintendent of Real Estate</i></p>	<p>COMPLETE (December 2017) RECBC members and staff provided feedback on draft rules for consideration by OSRE.</p> <p>COMPLETE (March 2018) RECBC approved four new mandatory disclosure forms following stakeholder consultation, as required by the introduction of agency and disclosure rules effective June 15, 2018.</p> <p>UNDERWAY Review and update of RECBC information resources, licensing courses and continuing education courses to reflect ban on dual agency.</p> <p>UNDERWAY Development of new guidance resources for real estate licensees including:</p> <ul style="list-style-type: none"> • plain language explanatory documents and FAQ's to assist licensees and consumers to understand new rules or regulations. • new "knowledge base" website for licensees to act as a central source for all of the information and resources licensees need to comply with the changes to the agency rules and disclosure requirements under RESA • monthly webinars and podcasts for managing brokers to ensure managing brokers have the necessary tools and support to comply with their obligations. <p>UNDERWAY Collaboration with education providers to update course materials, develop new information resources.</p>

TRANSPARENCY AND ETHICS

RECOMMENDATION & RESPONSIBLE ORG	STATUS OF ACTIONS TAKEN BY RECBC AS OF MARCH 31, 2018
<p>4 Require licensees to provide information to consumers which clearly explains the duties owed to consumers by licensees, and how consumers can protection their own interests, before, during, and after they enter a relationship with a licensee.</p> <p><i>Lead organization: Superintendent of Real Estate</i></p>	<p>COMPLETE (<i>March 2018</i>) Four new mandatory disclosure forms approved following stakeholder consultation, under agency and disclosure rules effective June 15, 2018.</p> <p>UNDERWAY Translations of the explanatory content for consumers on the disclosure forms, in five languages: French, Persian, Punjabi, Simplified and Traditional Chinese.</p> <p>UNDERWAY Development of digital app for completion of required disclosures.</p>
<p>5 The Real Estate Council focus more attention on the forms and contracts used by licensees, to ensure they reflect an appropriate emphasis on consumer protection and the public interest.</p> <p><i>Lead organization: RECBC</i></p>	<p>COMPLETE (<i>June 2017</i>) Established the Consumer Protection Issues Identification Team, comprised of staff from RECBC and the Office of the Superintendent of Real Estate, to develop a consumer risk assessment framework that will inform RECBC’s brokerage audit program and compliance operations.</p> <p>ONGOING RECBC staff participating on the Standard Forms Committee of the British Columbia Real Estate Association, to provide input on changes to standard contracts in use by REALTORS®, including changes requires by the new rules.</p> <p>ONGOING Renewing the focus of the Consumer Protection Issues Identification Team, comprised of staff from RECBC and the Office of the Superintendent of Real Estate, to monitor industry trends following the introduction of the dual agency ban and develop a consumer risk assessment framework to inform RECBC’s brokerage audit program, compliance activities, and consumer advisories.</p> <p>ONGOING Developing internal information-sharing protocols to facilitate monitoring and early identification of consumer protection concerns and risk factors related to use of standard forms.</p> <p>UNDERWAY Development of reporting framework for brokerage audit and compliance operations to increase the early identification of risk factors.</p> <p>UNDERWAY Undertaking a comprehensive review of all RECBC-mandated forms to ensure plain language and appropriate emphasis on consumer protection.</p> <p>UNDERWAY Conducting research on best practices for informed consent and provision of consumer information.</p>

COMPLIANCE AND CONSEQUENCES

RECOMMENDATION & RESPONSIBLE ORG	STATUS OF ACTIONS TAKEN BY RECBC AS OF MARCH 31, 2018
<p>10 Apply more stringent suitability assessment criteria to prospective licensees.</p> <p><i>Lead organization: RECBC</i></p>	<p>COMPLETE (June 2017) Approved amendments to RECBC’s publication policy to include suitability hearing decisions.</p> <p>COMPLETE (June 2017) Requested a new rule and introduced requirement for new licensing applicants to meet a higher and more comprehensive standard of English language proficiency. (New rule approved by the Superintendent in April 2018.)</p> <p>COMPLETE (December 2017) Repealed the “pre-screening” process whereby people with potential suitability issues obtained a investigation and hearing before having to complete any of the other licensing requirements.</p>
<p>11 Impose an explicit duty on managing brokers to report licensee misconduct to RECBC, and explicit duty on licensees to report misconduct to their manager broker.</p> <p><i>Lead organization: Superintendent of Real Estate</i></p>	<p>ONGOING Expanding outreach capacity with Professional Standards Advisors to target industry groups and brokerages, emphasizing licensees’ duty to report and the consequences of misconduct under the new rules and penalty regime.</p>
<p>12 The Real Estate Council implement confidential reporting channels (for example, reporting hotlines or whistleblower programs) for industry and the public, to facilitate reporting of licensee misconduct.</p> <p><i>Lead organization: RECBC</i></p>	<p>COMPLETE (March 2018) Developed secure online reporting forms, 1-800 line, internal policies and processes to enable anonymous reporting by industry members and consumers.</p> <p>ONGOING Developing internal process efficiencies such as dedicated intake function to manage an increased volume of complaints and investigations.</p> <p>UNDERWAY Developing market research and industry consultation mechanisms such as more frequent survey tools to identify potential reporting barriers.</p>
<p>13 The Real Estate Council use existing regulatory powers to encourage licensee compliance with all rules that govern their conduct, including those of other legal and regulatory regimes.</p> <p><i>Lead organization: RECBC</i></p>	<p>UNDERWAY Negotiating information-sharing agreements with other regulatory bodies and law enforcement agencies, including FINTRAC to increase ability to address licensee misconduct.</p> <p>UNDERWAY Developing protocols for referring evidence to and advising other regulators regarding licensee compliance issues.</p> <p>UNDERWAY Coordination with Real Estate Boards to ensure that complaints involving consumer protection issues will be promptly forwarded to RECBC.</p>

COMPLIANCE AND CONSEQUENCES

RECOMMENDATION & RESPONSIBLE ORG	STATUS OF ACTIONS TAKEN BY RECBC AS OF MARCH 31, 2018
<p>14 The Real Estate Council increase its proactive detection and deterrence efforts for licensees who engage in, aid, or abet aggressive marketing and sales practices that target vulnerable members of the public.</p> <p><i>Lead organization: RECBC</i></p>	<p>ONGOING Issued three consumer advisory notices in 2017/18. Development of plans to increase consumer notices in 2018-19.</p> <p>UNDERWAY Initiating legal and policy work to expand RECBC’s ability to address aggressive marketing practices.</p> <p>UNDERWAY Development of key benchmarks to increase focus on risk management as part of brokerage audits.</p> <p>TO BE INITIATED Development of advertising policies/guidelines to identify aggressive marketing and sales practices that should be avoided.</p>
<p>15 The Real Estate Council increase the focus on licensee conduct examinations in its brokerage auditing program.</p> <p><i>Lead organization: RECBC</i></p>	<p>ONGOING Increasing focus on communications with “toolkit” to support managing brokers and to increase the supportive function that RECBC auditors can play in assisting brokerages to develop policies and procedures to ensure compliance under the <i>Real Estate Services Act</i>.</p> <p>UNDERWAY Developing new risk analysis tools to increase the ability of RECBC auditors to identify significant risk factors during brokerage examinations.</p>
<p>18 The Real Estate Council improve the transparency of its complaints and disciplinary process, and the resulting outcomes.</p> <p><i>Lead organization: RECBC</i></p>	<p>COMPLETE (June 2017) Updated publication policies to increase length of publication of disciplinary decisions.</p> <p>COMPLETE (June 2017) Implemented changes to website and discipline publication policies to increase public access and awareness of licensee discipline.</p> <p>COMPLETE (June 2017) Introduced pre-hearing conferences, which can make orders to assist in the conduct of hearings, narrow the issues for discipline hearings or include discussions of potential resolution of all or part of the case.</p> <p>COMPLETE (December 2017) Introduced abeyance policy to allow RECBC processes to be held in abeyance until parallel proceedings in another forum (such as a criminal or civil trial) on the matter are completed.</p> <p>COMPLETE (March 2018) Created and published a Sanctions Guideline to inform licensees and the public, and guide discipline committees regarding the considerations involved in determining appropriate penalties for misconduct.</p>

COMPLIANCE AND CONSEQUENCES

RECOMMENDATION & RESPONSIBLE ORG	STATUS OF ACTIONS TAKEN BY RECBC AS OF MARCH 31, 2018
<p>18 <i>Continued from previous page</i></p>	<p>COMPLETE <i>(March 2018)</i> Established a process for disciplinary hearings on penalty only to increase the efficiency of hearings where liability is not in dispute, and to reduce hearing costs.</p> <p>COMPLETE <i>(March 2018)</i> Introduced settlement conferences, which are appropriate where RECBC and the licensee have agreed on facts and liability. The licensee (and their counsel, if applicable) and prosecuting counsel for RECBC appear in front of a discipline committee to attempt to reach an agreement on penalty, which is then incorporated into a Consent Order.</p> <p>ONGOING Publishing plain-language discipline summaries on RECBC website.</p> <p>ONGOING Publishing notices of hearing online with process for public to attend hearings.</p> <p>ONGOING Linking current discipline decisions to licensee search results for increased public transparency about disciplinary actions taken against licensees.</p> <p>ONGOING Publishing licence conditions as part of licensee search results for increased public transparency.</p> <p>UNDERWAY Publishing Qualification and Compensation hearing decisions on RECBC's website, including decisions from the past five years.</p> <p>UNDERWAY Publishing anonymized summaries of administrative penalty cases, including the reasons why an administrative penalty was appropriate and the amount imposed.</p> <p>UNDERWAY Comprehensive review of complaints and discipline process, with a particular focus on increasing efficiency and timeliness of investigations and increasing options for disposition that are proportionate to the conduct and the risks.</p>

COMPLIANCE AND CONSEQUENCES

RECOMMENDATION & RESPONSIBLE ORG	STATUS OF ACTIONS TAKEN BY RECBC AS OF MARCH 31, 2018
<p>23 Government implement a “fit and proper” standard for brokerage ownership.</p> <p><i>Lead organization: Government</i></p>	<p>UNDERWAY Considering additions to procedures and bylaws for the determination of “sound financial circumstances” and suitability for (re)licensing as a brokerage.</p> <p>UNDERWAY Examining the need for guidance documents for managing brokers on the appropriate and lawful role(s) of brokerage owners and how to meet their obligations under RESA and the Rules regarding inappropriate conduct by owners.</p> <p>UNDERWAY Examining the need for new rules related to owner and shareholder involvement in the business operations of brokerage.</p> <p>UNDERWAY Examining the need for RESA amendments to require “fit and proper” assessment of ownership on any proposed change of control of a brokerage.</p>
<p>24 Require record keeping and reporting that would assist to identify industry practices that may place consumers at risk.</p> <p><i>Lead organization: Superintendent of Real Estate</i></p>	<p>UNDERWAY Development of new audit procedures to confirm compliance with the Superintendent’s agency and disclosure rules in effect June 15, 2018.</p> <p>UNDERWAY Developing plans for increased investment in data management and reporting technology to enhance RECBC’s ability to monitor and assess industry practices that may place consumers at risk.</p> <p>UNDERWAY Updating risk scale to assist in identifying and determining priority audits.</p>
<p>25 The Real Estate Council undertake a comprehensive review of licensing education and testing requirements to raise entry standards.</p> <p><i>Lead organization: RECBC</i></p>	<p>COMPLETE (June 2017) Introduced a higher and more comprehensive English language proficiency standard for new licensees, effective September 1, 2017.</p> <p>COMPLETE (June 2017) Increased the required passing grade for all licensing exams and the applied practice course from 65% to 70%.</p> <p>UNDERWAY Phase one of comprehensive licensing education review including industry evaluation of opportunities for improvement.</p>

LICENSEE AND PUBLIC EDUCATION

RECOMMENDATION & RESPONSIBLE ORG	STATUS OF ACTIONS TAKEN BY RECBC AS OF MARCH 31, 2018
<p>25 <i>Continued from previous page</i></p>	<p>UNDERWAY Hiring a Director of Education and Licensing (Registrar) to provide senior leadership to these departments and review the entire education program to seek improvements and efficiencies.</p> <p>UNDERWAY Development, in collaboration with UBC Sauder School of Business, new mandatory continuing education course on the new rules and forms, as well as new content for licensing courses.</p> <p>UNDERWAY Establish competency matrix for real estate licensee practice standards.</p>
<p>26 Implement mandatory continuing education with content and testing that reinforces a licensee’s ethical obligations, conduct requirements, and duties to consumers.</p> <p><i>Lead organization: RECBC</i></p>	<p>COMPLETE (June 2017) Developed plans with educational providers to implement methods to enhance competency attainment by licensees in required continuing education courses that will include assessment to measure improved competency beginning in 2018.</p> <p>COMPLETE (March 2018) Changes to the required Relicensing Education Program course in 2018 include:</p> <ul style="list-style-type: none"> • Self-assessment to measure improved competency • Completion of new additional online component, including testing, required before classroom sessions • Changes to course delivery and administration to improve RECBC financial oversight. <p>COMPLETE (March 2018) Adopted the Real Estate Institute of Canada, REIC2600-Ethics in Business Practice Course as an additional disciplinary education ethics course to ensure that ethics is an integral component of RECBC’s licensing education continuum.</p> <p>UNDERWAY Expanding the content related to ethics in relicensing education and exploring the development of an ethics requirement as part of continuing professional development.</p>
<p>27 The Real Estate Council make its complaints process more publicly accessible and easier to navigate.</p> <p><i>Lead organization: RECBC</i></p>	<p>COMPLETE (March 2018) Introduced survey of complainants and respondents to measure satisfaction levels, timeliness, and effectiveness of communications regarding compliance and investigative processes.</p> <p>ONGOING Publishing notices of hearing online with process for public to attend hearings.</p>

LICENSEE AND PUBLIC EDUCATION

RECOMMENDATION & RESPONSIBLE ORG	STATUS OF ACTIONS TAKEN BY RECBC AS OF MARCH 31, 2018
<p>27 <i>Continued from previous page</i></p>	<p>UNDERWAY Enhancing and expanding intake and early resolution.</p> <p>UNDERWAY Development of website updates, including online complaint form and guide to reporting.</p>
<p>28 The Real Estate Council significantly increase and improve its public education and awareness efforts.</p> <p><i>Lead organization: RECBC</i></p>	<p>COMPLETE (June 2017) Translated key consumer resources into Simplified and Traditional Chinese, Punjabi, Farsi and French.</p> <p>COMPLETE (June 2017) Received generous funding support from the Real Estate Foundation of BC for the development and implementation of a multi-year consumer education campaign.</p> <p>COMPLETE (March 2018) Hired new communications specialists with specific expertise in design and media relations.</p> <p>COMPLETE (March 2018) Approved new media relations and social media policies to enhance RECBC's ability to promote and protect the interests of real estate consumers.</p> <p>UNDERWAY Developing market research studies to measure current levels of public awareness of the regulation of real estate.</p> <p>UNDERWAY Development of request for proposals for communications consultants to undertake multi-phase consumer education campaigns.</p> <p>UNDERWAY Expanding staffing of Professional Standards Advisory in order to increase outreach to consumers and industry.</p> <p>UNDERWAY Developing request for proposals for re-development of RECBC website to become a more consumer-friendly, responsive, easily navigable resource.</p> <p>UNDERWAY Establishing a stronger social media presence to increase public awareness of RECBC and to have a platform to more widely disseminate RECBC's materials and resources.</p>

SUMMARY OF NEXT STEPS

The need for regulation of service providers in the real estate sector in BC, particularly those involved in sales, rental property management and strata property management, has never been more acute. With the significant increase in housing prices, compounded by limited supply and steady demand, consumers are increasingly forced to make serious and significant financial decisions under tight constraints. More than ever, consumers need competent, ethical and professional advisors who are acting solely in the best interests of their clients and who are accountable for their actions.

As the regulatory body authorized to licence, educate and enforce professional standards for the provision of real estate services in B.C., RECBC does not have a direct role in the complex market forces that impact housing supply and demand. However, ensuring consumers are well-informed and fairly treated is critical to public confidence and aligned with the Government's commitment to improve housing affordability. As part of its service plan commitment to enhance public confidence in the real estate profession, RECBC is also working to implement a variety of initiatives to inform and protect consumers and to provide licensees with more tools to meet their professional obligations. These include:

- Increasing public awareness: developing a new consumer website and collaborating with other stakeholder organizations to ensure consumers are well-informed about real estate-related issues, including those specific to rental and strata property management.
- Improving consumer and licensee services: developing a client service support team to provide one-stop access to information resources about real estate regulation.
- Reviewing consumer disclosures: in addition to updating RECBC forms for trading services, industry disclosure practices will be reviewed for strata and property management licensees with recommendations on any potential rule changes to be submitted to the Superintendent.
- Monitoring market conduct: RECBC is committed to monitor the impact of the new rules on consumer protection and report to the Superintendent on key findings and any unintended consequences following the first 90 days of the implementation of new Rules.

APPENDIX I

BACKGROUND

In February 2016, RECBC initiated an Independent Advisory Group (IAG) to review the regulatory framework for real estate in BC and make recommendations to enhance consumer protection. On June 28, 2016 the IAG submitted its final report, with 28 recommendations focused on improving the regulatory regime and increasing RECBC's ability to protect the public interest.

In July 2016, Government passed amendments to the *Real Estate Services Act*, changing the governance structure of RECBC, increasing penalties for misconduct, transferring rule-making authority to the Superintendent of Real Estate and increasing the oversight and authority of the Superintendent. The amendments made by Government also addressed a number of the IAG recommendations requiring legislative change, including increases in discipline penalties and the disgorgement of profits of misconduct.

These amendments came into effect on September 30, 2016 and governance of RECBC was transferred to a new Council of publicly-appointed members with a mandate to increase consumer protection and implement the IAG's recommendations. In June 2017, RECBC submitted its first report to Government on the progress of the implementation of the recommendations, covering the nine months from June 2016 to March 2017. The report was published in August 2017 and is available on RECBC's website.

In December 2017, our second report to Government on the progress of implementation was published.

APPENDIX II

AN OVERVIEW OF IMPLEMENTATION BY RESPONSIBLE ORGANIZATION

Responsibility for the implementation of the Independent Advisory Group recommendations is shared by three bodies: the Government of British Columbia, the Superintendent of Real Estate, and the Real Estate Council of BC. While this report focuses on the actions undertaken by the Real Estate Council of BC, the tables below indicate the recommendations that fall to each organization.

GOVERNMENT OF BRITISH COLUMBIA

Seven of the IAG's recommendations were specifically addressed to Government, calling for changes to the *Real Estate Services Act* or other statutes. Three of these recommendations were addressed through legislative changes made in August 2016, when Government increased penalties for misconduct, changed the composition of Council to become entirely government-appointed, and increased the powers and oversight of the Superintendent of Real Estate.

Number	Recommendation
#6	Government implement the changes it made to contracts used by licensees, requiring seller consent to contract assignments by the buyer, to all forms of contract for trades in real estate whether or not the contracts are prepared by licensees.
#16	Government increase the maximum disciplinary penalties to \$250,000 for individual licensee misconduct and \$500,000 for brokerage misconduct, and increase administrative penalties to a maximum of \$50,000.
#17	Government amend the Act to enable the Real Estate Council to disgorge the proceeds of misconduct from licensees and brokerages.
#19	Government amend the Act to require that 50% of Council members be non-industry members.
#20	Government amend the Act to make the regulation of both licensed and unlicensed real estate services the responsibility of a single regulator, the Real Estate Council
#21	Government increase the Superintendent of Real Estate's oversight of the Real Estate Council including periodic independent assessments of Council's performance against its mandate.
#23	Government implement a "fit and proper" standard for brokerage ownership.

SUPERINTENDENT OF REAL ESTATE

Legislative changes made by Government in August 2016 transferred rule-making authority under the *Real Estate Services Act* to the Superintendent of Real Estate. Accordingly, the ten recommendations that require changes to the Rules governing the conduct of real estate licensees became the responsibility of the Superintendent of Real Estate.

Number	Recommendation
#1	Create a comprehensive Code of Ethics and Professional Conduct and require licensees to affirm, in writing, their compliance with the Code as part of regular re-licensing requirements.
#2	Amend Rules to no longer permit licensees engaged in trading services to offer dual agency.
#3	Require licensees to fully disclose and explain their financial and non-financial incentive structures, prior to and on entering into a client relationship.
#4	Require licensees to provide information to consumers which clearly explains the duties owed to consumers by licensees, and how consumers can protect their own interests, before, during, and after they enter a relationship with a licensee.
#7	Require all licensee disclosures of interest in trade be reviewed and approved by a licensee's managing broker and subsequently filed at regular intervals with the Real Estate Council
#8	Amend the Rules to prohibit a licensee from acquiring a direct or indirect interest in their own listing.
#9	Require that all offers received by a seller's agent in relation to a trade in real estate be promptly filed with that agent's managing broker and be retained at the brokerage for review by the Real Estate Council on demand.
#11	Impose an explicit duty on managing brokers to report licensee misconduct to the Council, and explicit duty on licensees to report misconduct to their managing broker when that misconduct places the public at risk.
#22	Strengthen the requirements for managing brokers to have active and direct oversight over licensees.
#24	Require record keeping and reporting that would assist the Real Estate Council to identify industry practices that may be placing consumers at risk

REAL ESTATE COUNCIL OF BC

The implementation of eleven of the Independent Advisory Group's recommendations is the responsibility of the Real Estate Council of BC.

Progress is indicated as follows:

COMPLETE: Implementation of the recommendation is substantially complete.

ACTION TAKEN: Action taken or work underway towards the objective; may be partially completed or require further consideration.

CONSIDERING: Work towards the objective is being considered.

Number	Recommendation	Progress
#5	The Real Estate Council focus more attention on forms and contracts used by licensees, to ensure they reflect an appropriate emphasis on consumer protection and the public interest.	ACTION TAKEN
#10	Apply more stringent suitability assessment criteria to prospective licensees.	ACTION TAKEN
#12	The Real Estate Council implement confidential reporting channels for industry and the public, to facilitate reporting of licensee misconduct.	COMPLETE
#13	The Real Estate Council use existing regulatory powers to encourage licensee compliance with all rules that govern their conduct, including those of other legal and regulatory regimes.	ACTION TAKEN
#14	The Real Estate Council increase its proactive detection and deterrence efforts for licensees who engage in, aid, or abet aggressive marketing and sales practices that target vulnerable members of the public.	ACTION TAKEN
#15	The Real Estate Council increase the focus on licensee conduct examinations in its brokerage auditing program.	ACTION TAKEN
#18	The Real Estate Council improve the transparency of its complaint and disciplinary process and the resulting outcomes.	ACTION TAKEN
#25	The Real Estate Council undertake a comprehensive review of licensing education and testing requirements to raise entry standards.	ACTION TAKEN
#26	Implement mandatory continuing education with content and testing that reinforces a licensee's ethical obligations, conduct requirements, and duties to consumers.	ACTION TAKEN
#27	The Real Estate Council makes its complaints process more publicly accessible and easier to navigate.	ACTION TAKEN
#28	The Real Estate Council significantly increase and improve its public education and awareness efforts.	ACTION TAKEN