



Real Estate
Council of Ontario

2018 ANNUAL REPORT

Corporate Profile

The Real Estate Council of Ontario (RECO) was established in 1997 and is responsible for regulating Ontario's real estate brokerages, brokers and salespersons in the public interest.



Values

Fairness:

Act impartially and equitably

Accountability:

Administer REBBA competently in accordance with the law

Integrity:

Be truthful and trustworthy

Respect:

Treat all with courtesy

RECO's corporate values are currently under review to ensure they are consistent with the Strategic Plan and RECO's goal to become a more modern regulator.

VISION

A real estate marketplace in Ontario where buyers and sellers are well-informed and protected, and where transactions are conducted fairly.



MISSION

Supporting a fair, safe and informed real estate market for consumers in Ontario through effective and innovative regulation of the services offered by those who trade in real estate.

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Chair's

Message

Charting an ambitious path for RECO's future

When I look at Ontario's real estate marketplace, I'm amazed by its transformation into a 24/7 business where innovation is a fact of life.

As brokers and salespeople transform how they do business, RECO can't stand still. In changing times, our work is more important than ever. We need to be bold, ambitious and forward-thinking so that consumers remain protected, no matter what tomorrow brings.

That's why RECO's new strategic plan is so important.

Thriving in an ever-evolving marketplace

As we drafted our strategic plan, we had to consider the many ways that real estate is changing in Ontario.

We all know what those changes are, because they make headlines, day after day. Prices have risen, transactions have accelerated, technology is transforming the industry, and consumers are becoming more sophisticated.

Taken together, this means higher expectations for brokers and salespeople, and for RECO, as their regulator. The strategic plan provides RECO with a path to adapt to Ontario's transforming marketplace, and thrive.

There are a few tactics that I'm particularly excited about:

1. We want to put our finger on the pulse of Ontario's marketplace, by stepping up our data analysis capabilities.

2. We have to help registrants meet growing expectations, by providing them with improved guidance that they can use in their day-to-day work.
3. We must position ourselves as a go-to consumer resource, so that buyers and sellers begin the process with a strong understanding of their rights and responsibilities.

If you are interested in the future of real estate in Ontario, take a few minutes to look at the plan. It's a short read with a lot of ambition.

Good governance is "step one" to our success

To accomplish our goals, we need the right voices at the board table, and the right structures in place, so that Directors can make decisions that are well-informed, data-driven and strategic. That's what good governance is all about.

In 2018, RECO began work with an independent consultant to take a thorough look at our governance practices, to ensure that we can deliver the highest level of transparency, stewardship and accountability.

To learn more, check out the report on RECO's website.

Building a modern REBBA

As RECO strives to become a modern regulator, it's the perfect time to revisit our core legislation. The *Real Estate and Business Brokers Act, 2002* (REBBA) has served the real estate sector and Ontario consumers very well. However, 13 years after it came into force, it's due for a thorough review.

In early 2019, the government launched consultation on a broad range of possible changes to REBBA. This is an exciting prospect, and I hope that registrants and consumers took the time to read the government's consultation paper and provide comments.

At RECO, we're working with the government to make sure REBBA is strong and forward-looking, so that consumer protection will not waiver as the marketplace evolves.

Nine incredible years

It's been an honour to serve as Chair during such a remarkable period for RECO and the real estate industry. In 2019, I will retire from the Board of Directors after serving for nine years.

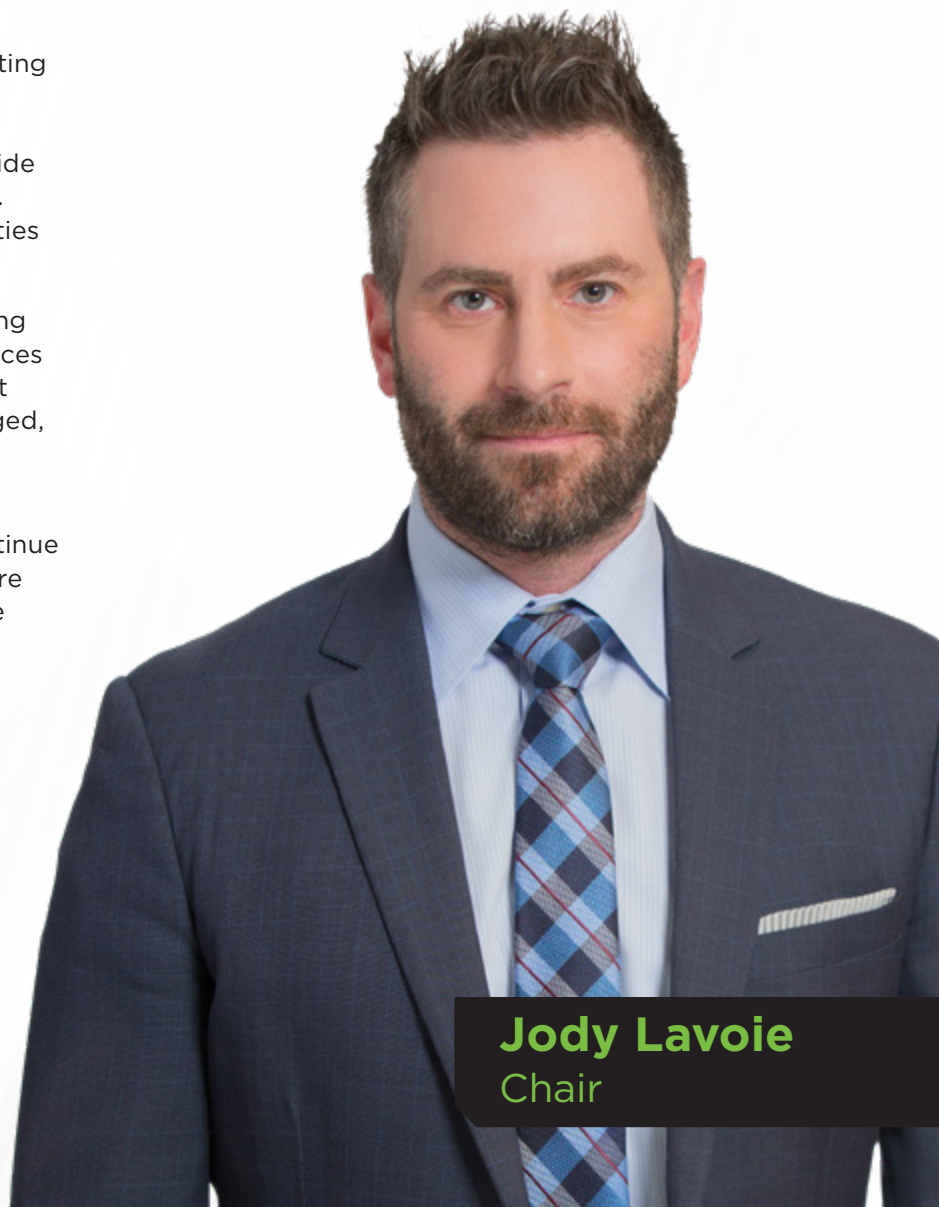
During that time, it's been tremendously exciting to connect with the interesting and insightful people who work in this industry. Around the Board table, it's been very rewarding to provide strategic guidance to RECO's dedicated staff. Together, we have improved RECO's capabilities by leaps and bounds.

Although I will no longer be involved in guiding RECO, I am confident that we have all the pieces in place to become the modern regulator that consumers and registrants deserve: an engaged, capable staff; bold planning; and, a desire to constantly improve how we operate.

Ontarians can be assured that RECO will continue to oversee a fair real estate marketplace where consumers are protected, no matter what the future brings.

The last nine years have been amazing, and I would like to extend my deepest gratitude to my fellow Directors for their support.

“
RECO will continue to oversee a fair real estate marketplace where consumers are protected, no matter what the future brings.
”



Jody Lavoie
Chair

CEO's

Message

To become a modern regulator, RECO must be bold.

At RECO, we have worked hard to map out how we can contribute to Ontario's real estate marketplace as a modern, effective, and trusted regulator. To chart a path to modern regulation, we must have a specific vision in mind. RECO's new strategic plan clearly states the bold vision that we need: a real estate marketplace where buyers and sellers are well-informed and protected, and where transactions are conducted fairly.

For most buyers and sellers, that vision is a reality today. However, a small fraction of real estate transactions result in a complaint to RECO, and it's important that RECO responds strongly when we receive these complaints. But it's better for everyone if we can prevent harmful behaviour from occurring at all.

And that's what modern regulation is all about. Prevention is our first priority, with strong disciplinary action as a backstop to protect the integrity of the marketplace when misconduct occurs.

Raising the bar, together

RECO and the real estate industry have a shared goal of "raising the bar" on professional conduct across Ontario. The reputation of the industry is defined by the behaviour that is permitted by everyone involved, and that reputation determines whether consumers see value in engaging with a real estate salesperson or broker.

When brokerages provide their clients with competent, ethical and professional service, both consumers and their real estate representatives are well-served.

In 2018, we engaged with industry leaders to talk about our shared goal and what we can do to work together.

Engagement is key

Our Town Hall tour invited industry leaders in seven communities across Ontario to discuss professional conduct and other key topics of interest.

During the tour, we were encouraged to find broad support for higher professional standards. We listened to some interesting insights into the day-to-day realities of the profession and ideas for how RECO could do things better.

RECO also reached out to consumers in a big way in 2018, and that effort is just as important. An educated consumer is an empowered consumer—which means their broker or salesperson can focus on providing strategic value and expertise, and spend less time explaining the basics.

As a result, the consumer is more likely to have a positive experience, and that's good news for everyone.

Registrant outreach and consumer outreach work hand in hand, by helping registrants elevate their services, and by providing consumers with key information about the buying and selling process.

“ ”

RECO and the real estate industry have a shared goal of ‘raising the bar’ on professional conduct across Ontario.

Providing modern services

As we strive to become a more modern regulator, it’s essential that we have the right technology in place. In 2018, RECO launched a new database system. Following the launch, issues with the system caused delays in services for some registrants (such as registration renewal) that we sincerely regret.

However, the new system is now functioning very well. It will bring many benefits in the years to come, allowing us to provide better service to registrants and consumers. For example, the new system will enable us to move all application forms online, into MyWeb. This will make it easier for registrants to access these services, and enable RECO to process these forms more quickly.

Data is the future

Modern regulation also means being data-driven. At RECO, we are stepping up our efforts to gather and analyze data more effectively. This will inform our decision-making—allowing us to see patterns that wouldn’t otherwise be apparent and respond accordingly. As a result, we will become a more effective regulator that can better focus our resources where they are needed most.

Staying “ahead of the game”

In today’s world, standing still is not an option. As the real estate marketplace continues to evolve, RECO must continue to make bold moves in order to remain an effective regulator, and become a more modern regulator.

RECO’s staff is essential for our continued success. I am proud to have a team with tremendous insights and unparalleled dedication to RECO’s mission. I want to extend my thanks for their efforts in 2018, resulting in the many accomplishments covered throughout this report.

I also want to thank our Board for the strategic guidance and foresight that will be essential as we work to become a modern regulator.

Together, we can be at the forefront of a changing marketplace, making our vision a reality.



Michael Beard
CEO

Engagement and Outreach

Supporting an informed real estate market in Ontario by engaging with registrants and the public

One of RECO's most important strategic goals is to support an informed real estate market in Ontario. That means we must continue to educate consumers by speaking directly to them online and face-to-face, and through a combination of news coverage, social media and paid advertising.

We also need to continue speaking directly to key stakeholders, particularly our registrants. Industry leaders understand that when consumers are better informed, real estate salespeople and brokers can elevate their client services. This leads to improved client satisfaction and an enhanced industry reputation.

7 Town Hall Events Across Ontario

Thunder Bay



Ottawa



Orillia



Ajax



Vaughan



Cambridge



Windsor



Registrant engagement and consumer engagement initiatives are equally important and support each other. In 2018, RECO strengthened efforts to engage with registrants and reached out to consumers in a bold way.

Registrant engagement

Following the success of RECO's 2017 Town Hall tour across Ontario, RECO staff visited seven communities in the fall of 2018 for constructive Town Hall dialogues with industry leaders. We discussed subjects such as REBBA reform, the Mandatory Continuing Education (MCE) review, raising the bar of professionalism, and the future of real estate regulation in the province. A recording of the final Town Hall in Vaughan was shared with all of our registrants and is available on RECO's website.



RECO can best achieve its strategic goals by working in partnership with the industry to raise standards and protect consumers.

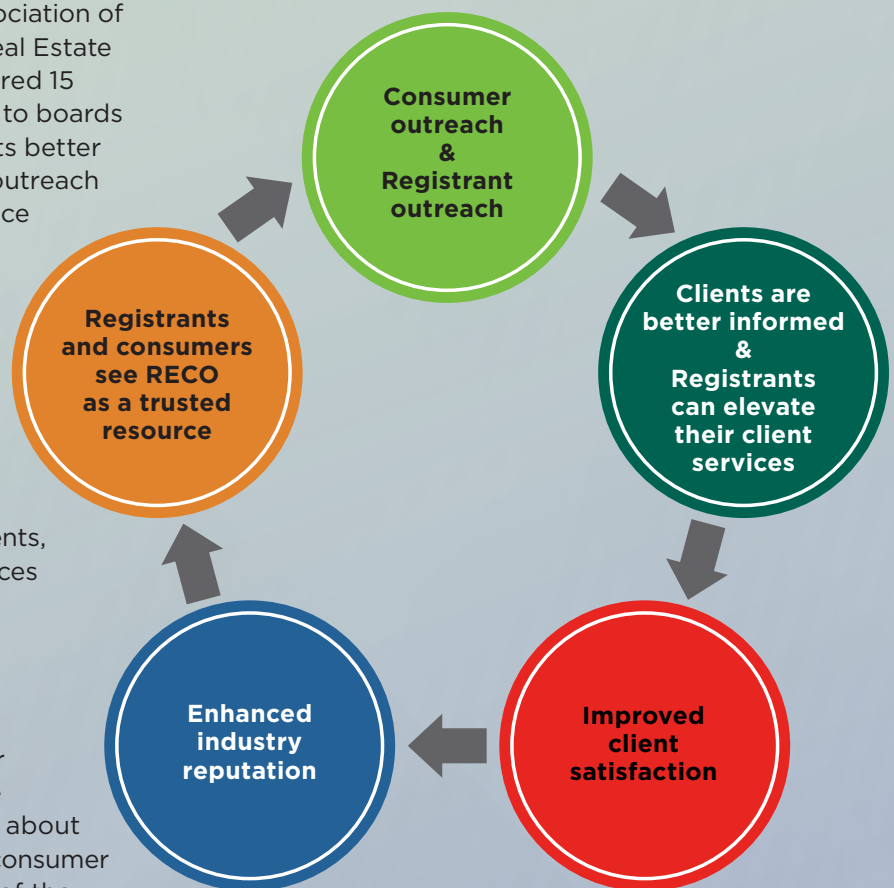
Michael Beard, RECO CEO

RECO staff attended six real estate industry shows, including the London and St. Thomas Association of Realtors (LSTAR) AGM and the Toronto Real Estate Board's REALTOR® QUEST. We also delivered 15 informative "RECO Update" presentations to boards across the province to help local registrants better understand their legal obligations. These outreach initiatives generated over 3,200 face-to-face interactions with registrants.

RECO provided registrants with greater clarity about their legal obligations through our monthly *For the RECORD* newsletter and a Registrar's Bulletin on the use and misuse of lockboxes. And we encouraged our registrants to visit the newly refreshed Registrant Toolkit on the RECO website to download documents, social media infographics and video resources they can share with clients.

Consumer engagement

To create a well-informed real estate marketplace in Ontario, RECO's consumer and stakeholder outreach efforts must be focussed on educating buyers and sellers about their rights and responsibilities, delivering consumer protection advice, and raising awareness of the regulator and the services we provide to protect the public interest.



Improved RECO website

Our most important means of communicating with the public is the RECO website, which was redesigned in 2018 to provide greater prominence to our regulatory role. We also translated a number of sections to create a French-language version with valuable information about RECO and its mandate, the complaint filing process, the educational requirements to become a real estate salesperson or broker, and valuable tips for buyers and sellers.

Events

Most consumers only seek real estate advice when they are buying or selling properties, or when they are contemplating entering the market. As a result, RECO has focussed attention on four key demographics: first-time home buyers (such as newly engaged couples), move-up buyers (often growing families), downsizing baby-boomers, and new Canadians who are buying a first home. This focus was reflected in the 11 consumer shows that RECO staff attended for 9,650 face-to-face interactions with consumers: events themed around “baby,” “bridal,” “boomer” and “newcomers.”

Earned media, social media and new consumer videos

The most prominent media exposure for RECO continues to come from the “Ask Joe” real estate advice column that appears weekly in the *Toronto Star* and on its website. Each “Ask Joe” is archived

on the RECO website, and distributed through RECO’s Facebook, Twitter and LinkedIn accounts. RECO’s social media network proved invaluable for sharing a series of short videos based on our “Four Must-Do Tips”, which is also available on our YouTube channel.

New media partnerships

The videos were an integral part of a fall 2018 consumer campaign. The campaign included a digital and media component to reach consumers with engaging posts and tips, as well as paid banner ads. RECO partnered with targeted influencer bloggers and online publications such as *Flare*, *Today’s Parent*, *Zoomer*, and *Sing Tao*. RECO has a history of creating informative materials in a variety of languages, and the new partnership with *Sing Tao* is a test-and-learn opportunity for RECO to build stronger connections in Ontario’s diverse cultural communities.

Ever since we launched our first advertising campaign in 2012, we have been working to find creative ways to highlight the value RECO brings to Ontario’s home buyers and sellers. In 2019, we are engaging in a comprehensive research program that will allow us to create a consumer outreach campaign built on informed insights. Our goal is to deliver important consumer protection information at the front end of Ontarians’ home buying or selling journey. And, our engagement process will be continuous, with ongoing surveys and touchpoints with both consumers and registrants to ensure we are on the right track.



Helping consumers understand their rights and responsibilities is one of RECO’s most important duties.

Michael Beard, RECO CEO



Registrar's

Message

Buyers and sellers expect more; RECO and the industry must rise to the challenge

Today, buyers and sellers are empowered with more information than ever before. Consumers are more engaged during a real estate transaction, and they expect their representatives to use in-depth skills and experience to provide expert guidance every step of the way.

I have no doubt that Ontario's brokers and salespeople can rise to the challenge: they will continue to elevate their capabilities to meet growing consumer expectations.

RECO and the real estate industry each have a role in making that happen. Together, we can raise the bar across the real estate sector.

RECO's role

RECO's role in this endeavour is twofold. First, we will provide registrants with the tools to better meet the needs of buyers and sellers. We will do that by enhancing our education programs, and by providing improved information and guidance on professional standards.

Second, when we hear about misconduct, we will continue to take corrective action through our compliance programs. (See [page 16](#) to learn more about our work to make the compliance process more efficient, transparent and effective.)

But RECO can't do this in isolation—we're counting on industry leaders to make it clear through their actions that unprofessional and unethical conduct won't be tolerated.

Raising the bar for education

RECO's education programs are an opportunity for RECO to lead the way to elevated conduct across

the sector. Pre-registration education builds the knowledge of those entering the profession, and continuing education reinforces and expands the expertise of those who are already working as brokers and salespeople. Together, the programs support new and existing registrants by providing up-to-date knowledge and skills so they can provide high-level service while complying with the legislation.

I'm pleased to report some key developments in both programs.

In 2018, we launched four new Mandatory Continuing Education (MCE) electives, including commercial leasing, mortgage financing and waterfront properties. Two more electives launched in early 2019. With 14 courses in total, brokers and salespeople now have many options to expand their knowledge.

In addition, the MCE program received several awards during the year—two Hermes Creative Awards and one award for "2018 Best Advance in Compliance Training" from Brandon Hall Group.

The program launched in 2013, and after five years it was a good time to assess the program for current and future needs. We engaged an independent firm to consult with the entire industry and put together recommended enhancements. We are now working on next steps.

On the pre-registration education side, we have made great strides in developing the new Real Estate Salesperson Program, which will be delivered by Humber College when it launches in 2019. We've been working with NIIT Canada and Humber College on a program that will enable new registrants to

better meet the demands of tomorrow by having the knowledge and skills to be practice-ready on day one.

This will enhance the reputation of the industry as a whole.

Existing registrants will also benefit from a Knowledge Management System (KMS) that will provide a searchable index of checklists, guides, and other tools on a broad variety of topics.

To learn more about what's next for education, please see [page 76](#).

Let's work together to uphold high professional standards

While RECO provides tools that brokers and salespeople can use to deliver services in compliance with the law, it's up to each individual to make use of these tools and conduct themselves professionally in all aspects of their business dealings. As Registrar, let me say this...

To the brokers and salespeople supporting buyers and sellers: ensure that you provide competent, professional and ethical service. Stay engaged and informed by continually learning, in order to expand your knowledge.

To the Brokers of Record who lead the industry: promote and nurture a culture of professionalism among your employees. As leaders in the industry, you have the ability to promote meaningful change across the sector. If there's an individual who's not providing buyers and sellers with the level of service they deserve, support them to become more professional; do not tolerate unprofessional behaviour.

And finally, to registrants at all levels: refuse to tolerate unethical or unprofessional conduct. Speak out when you see bad behaviour, and if you know of a salesperson, broker or brokerage that has violated REBBA or the Code of Ethics, report it so we can take action.

By holding yourself and your colleagues to high professional standards, you're doing your part to support buyers and sellers, and to uphold the reputation of the real estate profession as a whole.

In 2019, I look forward to continuing the conversation. Let's continue to build a profession that we can all be proud of.

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We're counting on industry leaders to make it clear that unprofessional and unethical conduct won't be tolerated.



Joseph Richer
Registrar

Better Service and Improved Compliance

Bold action to improve service quality key to effective regulation

RECO's primary responsibility is to administer the *Real Estate and Business Brokers Act, 2002* (REBBA), including its Code of Ethics, so that the public interest may be served and protected. Monitoring the compliance of salespeople, brokers and brokerages is at the core of its daily activity.

To be a modern regulator, RECO must provide timely and helpful service. Consumers and registrants who contact RECO with inquiries can expect clear and accurate responses and those who contact RECO to file a complaint need to know that RECO is listening and taking action.

Thanks to bold actions taken by its staff in 2017 and 2018, RECO has dramatically reduced the time it takes to process a complaint. (To read more about RECO's lower complaint processing times and other key measurements benchmarked in RECO's 2018 Service Standards Report Card, please flip to [page 32](#) in the By the Numbers section).

RECO has also improved the overall quality of its service, according to multi-year survey data.

Assisting registrants to comply with the law in their daily dealings is another important role RECO plays. RECO's 2018 Registrar's Bulletin on the use and misuse of lockboxes is an excellent example of the informational support RECO provides to its registrants.

Processing complaints—bold action to improve service

Between 2014 and 2016, RECO had to cope with large year-over-year increases in complaint volumes. This created an inventory of complaints that made it difficult to move forward: at the start of 2017, it took an average of 241 days to process a complaint. This was simply unacceptable for a modern regulator.

Bold action was taken. RECO shifted responsibility for advertising compliance to Brokers of Record, and refined the complaint handling process to better manage compliance inquiries and complaints. A key element to success was establishing a group of knowledgeable individuals who could review complaints quickly to assess whether the complaint fell within RECO's mandate and if a quick resolution was possible.

The net result was a much more timely process. In the fourth quarter of 2018, it took only 59 days on average to process a complaint, and the yearly average was 82 days. That's well below a target average of 120 days.

To read more about RECO's complaint handling, please flip to [page 25](#) in the By the Numbers section.

“ ”

I am proud to say that we are processing complaints on average in half the time we targeted. We still have room for improvement, and we are confident we will continue to exceed our targets.

Joseph Richer, RECO Registrar

Survey results—quality service in good time

RECO is committed to not only timely service, but also to quality service. To measure the quality of its complaints process and ensure the process is fair for all concerned, RECO surveys individuals who contact RECO to lodge a complaint against a registrant, as well as the registrants who are the subjects of those complaints.

The 2018 results of our survey to measure satisfaction with RECO's complaints process show marked improvements in six out of seven categories from 2017. RECO uses these results to effect change and make improvements when they're needed.

Supporting registrant compliance

Registrant compliance is critical to consumer protection. RECO communicates its compliance expectations to registrants through newsletters, bulletins, continuing education programming and inspections.

To read more about RECO's 2018 inspections, please flip to [page 29](#) in the By the Numbers section.

With direct communications to every broker and salesperson in the province, RECO can address potential consumer protection issues at an early stage.

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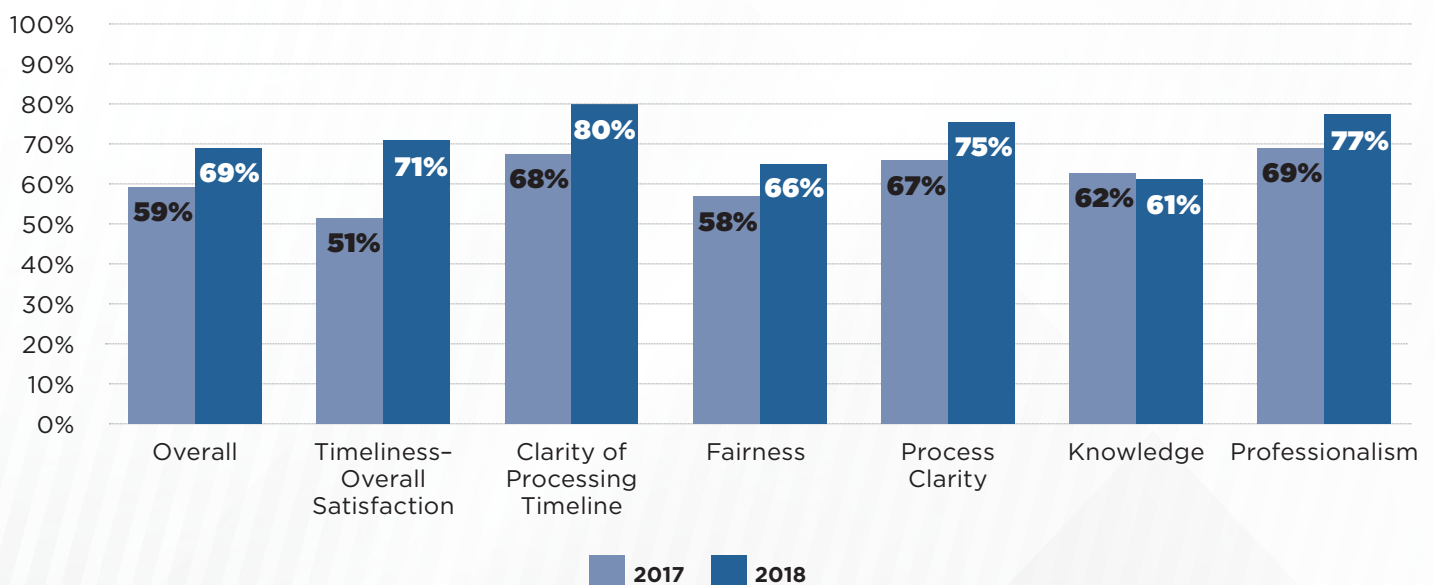
It's important to understand that people who come to us with their concerns want three key things. They want to feel they've been heard, they want to be treated fairly and professionally, and they want the process to be timely. We're committed to all three of those elements.

Joseph Richer, RECO Registrar

In 2018, RECO provided the industry with greater clarity regarding registrant obligations—and RECO's expectations—regarding a number of topics, with particular focus on the emerging issues. One such topic was the use of lockboxes.

The bulletin was well received by the profession as a whole. Soon afterwards, RECO brought the lockbox issue to the attention of consumers by addressing it in an “Ask Joe” column in the *Toronto Star*, and provided an additional reminder to registrants through an article in *Real Estate Magazine*.

SATISFACTION SURVEY ON COMPLAINTS PROCESS INCLUDING COMPLAINANTS AND RESPONDENTS



By the Numbers



RECO is committed to enforcing the law in the public interest, enhancing consumer confidence in the real estate profession, and raising professional standards. We work to fulfill these goals through the regulation of Ontario's more than 85,000 real estate registrants.

The Ontario government sets the rules that real estate salespersons, brokers and brokerages must follow in the *Real Estate and Business Brokers Act, 2002* (REBBA). On behalf of the provincial government, RECO enforces that law and its associated regulations, which include a Code of Ethics.

RECO works in the public interest by:

- + Assessing applicant eligibility to obtain and maintain registration as a brokerage, broker or salesperson;
- + Establishing education standards for registration, articling, broker and continuing education;
- + Conducting inspections of brokerages to ensure compliance with REBBA and to educate Brokers of Record;
- + Addressing inquiries, concerns and complaints about the conduct of registrants and taking appropriate action;
- + Administering insurance requirements, which include consumer deposit protection; and,
- + Being the source of consumer protection education and information for buyers and sellers involved in real estate transactions.



Registration

RECO assesses applicant eligibility to obtain and maintain registration as a brokerage, broker or salesperson based on legislated requirements.

Increase in registrants

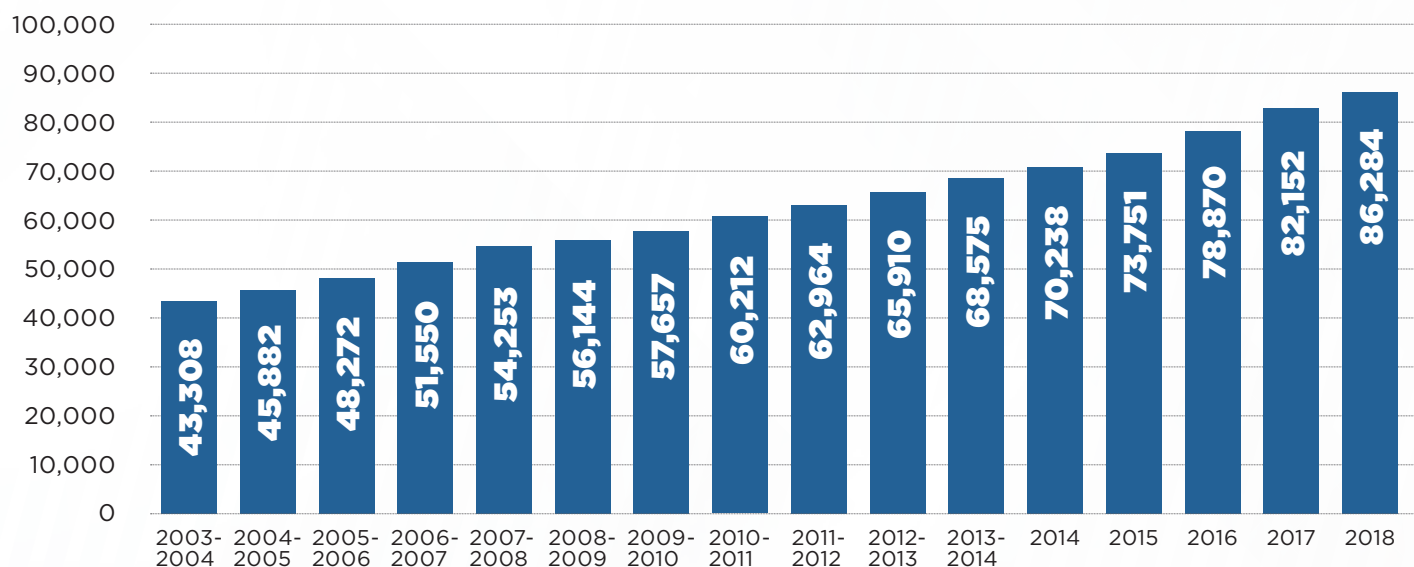
By the end of 2018, more than 85,000 registrants were registered in good standing with RECO, an increase of five per cent over the previous year. This outpaced growth in 2017, when the registrant base grew by four per cent compared to 2016, but fell below the record-breaking year of 2016, when growth averaged seven per cent compared to 2015.

As a result of this increase, RECO is processing record numbers of registration applications. RECO launched a new database system mid-year. Despite some short-term challenges after its launch, the new system made it possible for processing times to finish the year on a strong note.

Moving forward, our investment in the new system will automate as much of the process as possible, allowing RECO to improve our service timelines and quality, and focus staff resources on problematic applications.

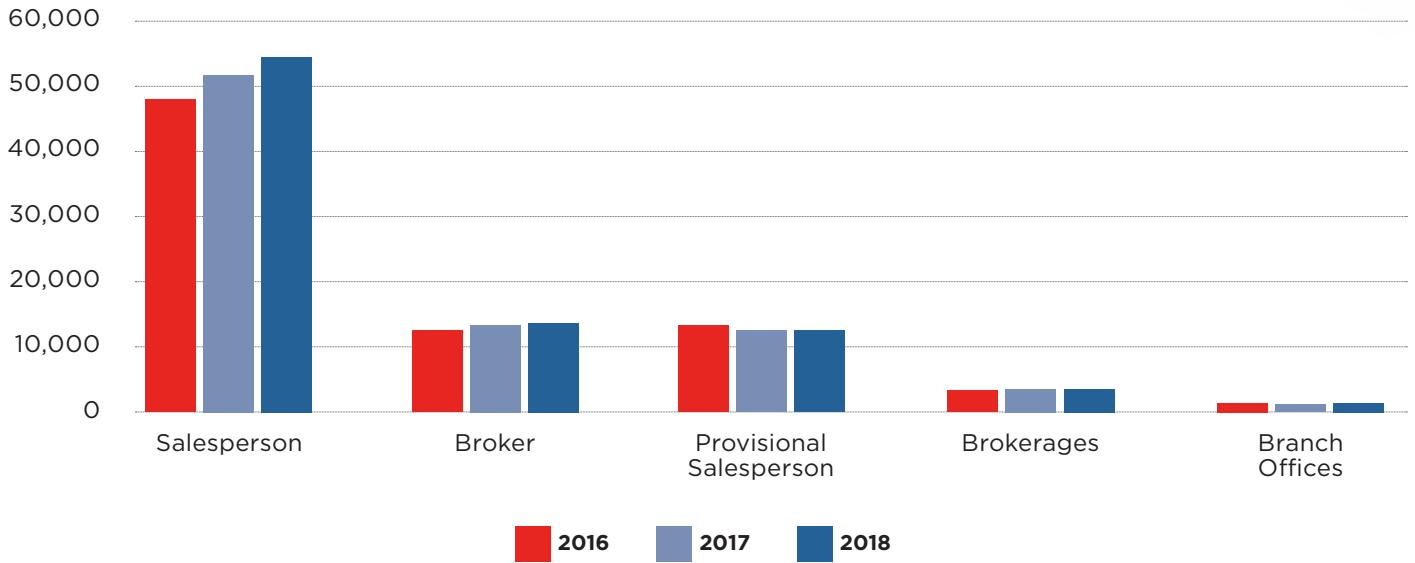
TOTAL REGISTRANTS (2003-2018)

(Salespersons, Brokers, Provisional Salespersons, Brokerages and Branch Offices)

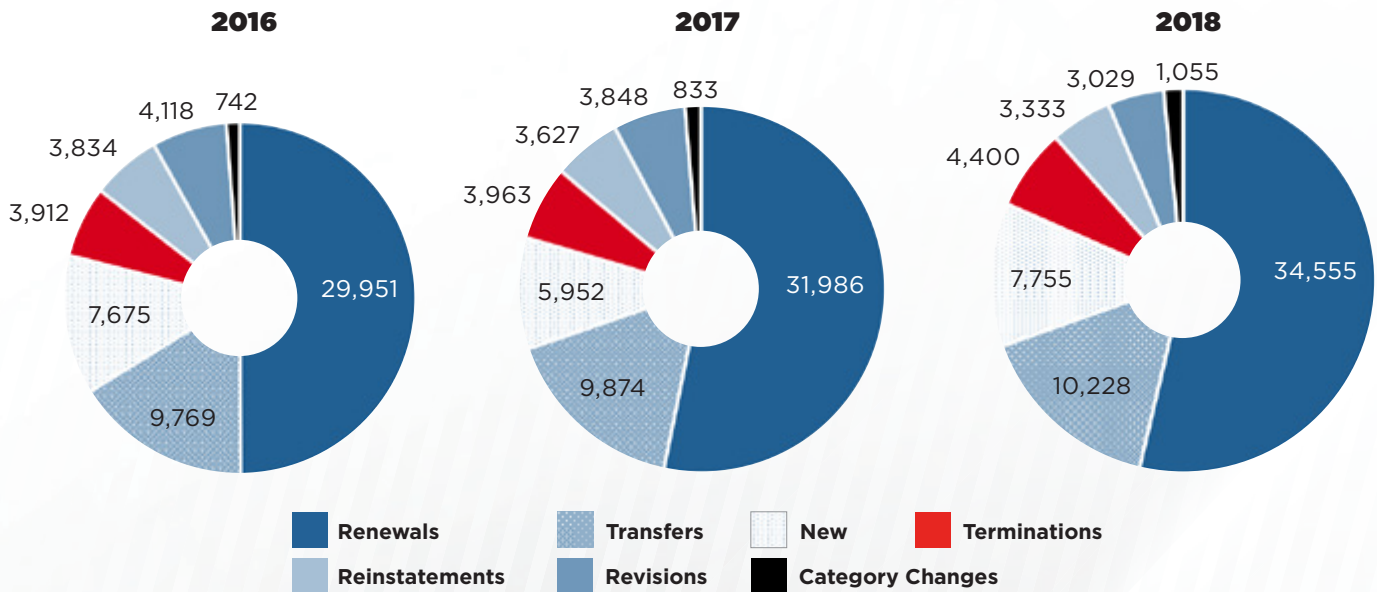


(Until 2014, RECO's fiscal year ran from April 1-March 31)

TOTAL REGISTRANTS BY CATEGORY (2016-2018)



REGISTRANT TRANSACTIONS BY TYPE (2016-2018)



Education

RECO establishes education requirements for registration, articling, broker and continuing education. The education program promotes continuous learning and competent, knowledgeable and professional conduct.

Registration Education

Before becoming registered as a salesperson, applicants must successfully complete an approved education program that teaches them about the fundamentals of trading in real estate and the rules they must follow.

RECO has been working to reshape registration education so that aspiring registrants are more practice-ready upon entrance into the profession. In 2017, RECO announced a new partnership with the consortium of Humber College and NIIT Canada to build and deliver a new program. The new Real Estate Salesperson Program will launch in 2019.

Mandatory Continuing Education (MCE)

Education is an important part of fostering a safe and informed marketplace for consumers and, as such, registrants are required to complete education courses every two years.

In 2018, RECO introduced four new elective courses: *Introduction to Commercial Leasing, Waterfront Properties, Home Inspections and Mortgage Financing: Guiding Client Conversations.*

Registrants completed nearly 92,000 MCE courses in 2018. After each course, RECO asked learners to complete a short survey. During 2018, we received 19,463 survey responses. The 21 per cent response rate was strong, and the results were extremely positive:

- + 97 per cent indicated the content was relevant to their individual real estate practice;
- + 96 per cent indicated the activities gave them the opportunity to apply their knowledge of the topics;
- + 96 per cent indicated the content was interesting and easy to follow;
- + 97 per cent indicated the course was easy to navigate and understand;
- + 91 per cent liked the pace of the course; and,
- + 96 per cent enjoyed that online learning allowed the flexibility of learning at their own convenience and pace.

Following a competitive Request for Proposal process, RECO worked with CamProf Inc. in 2018 to launch a formal and rigorous review of all aspects of the program. Particular areas of interest included the technology platform, the learner experience and course delivery methods, including the feasibility of introducing in-person options. RECO will release the final report in 2019.

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RECO's new Real Estate Salesperson Program will prepare aspiring salespeople to be practice-ready on day one.

Joseph Richer, RECO Registrar



Complaints, Compliance & Discipline

RECO addresses inquiries, concerns and complaints about the conduct of registrants and takes appropriate action to protect the public interest.

Registrants must follow the law when conducting their business. The law aims to protect consumers when they complete real estate transactions with the assistance of a brokerage and helps ensure public confidence in Ontario's real estate profession.

Managing the complaints inventory

Between 2014 and 2016, RECO experienced a large year-over-year increase in the number of complaints opened in each year, averaging 19 per cent per year. This resulted in a large complaints inventory, with over 1,600 open in January 2017.

In the spring of 2017, RECO launched a project to reduce the inventory of open complaint files by 75 per cent. RECO had only 390 open by December 2017.

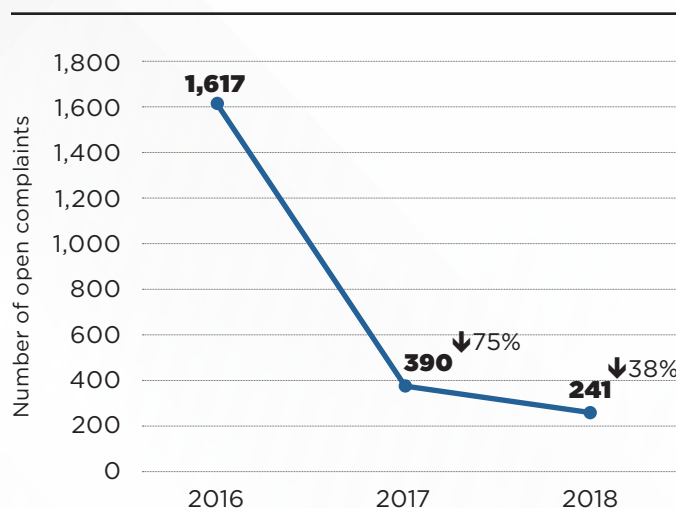
RECO carried that positive momentum forward into 2018 and ended the year with only 241 open complaints. This represents a 38 per cent decrease from the year before.



Process improvements have allowed us to deal with cases involving unprofessional and unethical behaviour more efficiently.

Joseph Richer, RECO Registrar

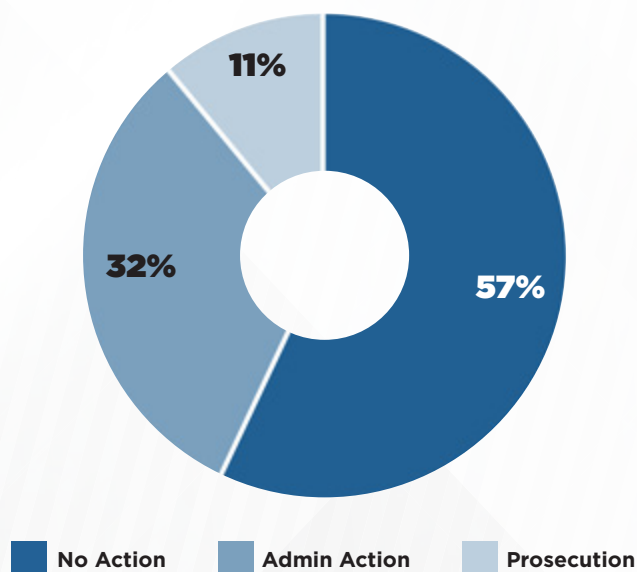
NUMBER OF OPEN COMPLAINTS AT YEAR-END (2016-2018)



Progressive action taken

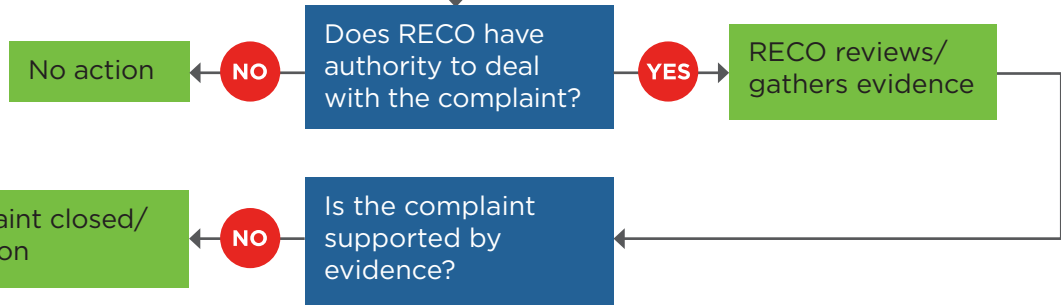
RECO takes a progressive approach to discipline that considers the nature of the complaint. We may elect to take no action if a complaint isn't evidence-based or falls outside of our legislated mandate. RECO's Registrar may issue a warning, order a registrant to take an educational course, or choose another administrative action for relatively minor offences. Registrants who commit more serious breaches of REBBA or the Code of Ethics should expect to face prosecution.

OUTCOMES OF COMPLAINTS CLOSED (2018)



UNDERSTANDING RECO'S DISCIPLINE PATHS AND OUTCOMES

! RECO receives complaint/
misconduct is alleged.



57% of complaints fall into these two categories

32% of complaints fall into these two categories

11% of complaints fall into these two categories

Misunderstanding between the parties

- RECO Dispute Resolution (RDR)
- RECO helps the parties discuss the complaint and possible solutions

Minor offences

- RECO Registrar makes decision
- Examples of potential penalties:
 - Given a warning
 - Ordered to take an educational course
 - Required to make a correction, such as fix an advertisement

More serious offences
(Breaches of Code of Ethics)

- Matter goes to Discipline Hearing
- RECO prosecutes
- Discipline Committee makes decision
- Examples of potential penalties:
 - Ordered to take educational courses
 - Salespeople and brokers ordered to pay a fine of up to \$50,000; brokerages ordered to pay a fine of up to \$100,000

(Breaches of REBBA 2002 other than Code of Ethics)

- Matter goes to Provincial Offences Court
- RECO prosecutes
- Justice of the Peace or judge makes decision
- Examples of potential penalties:
 - Individuals: fines of up to \$50,000 and/or prison terms of up to 2 years less a day
 - Corporations: fines of up to \$250,000

Most serious offences
(Breaches of REBBA 2002 or very serious registrant misconduct)

- RECO's most serious remedy: Registrar proposes to revoke, refuse to renew, suspend, or attach conditions to registration of registrant
- If registrant doesn't appeal, Registrar carries out proposal
- If registrant appeals, Licence Appeal Tribunal makes decision
- If the Registrar proposes to suspend or revoke a registration, the Registrar may also issue an immediate suspension order if the Registrar considers it in the public interest

Process improvements

COMPLAINTS OPENED & CLOSED

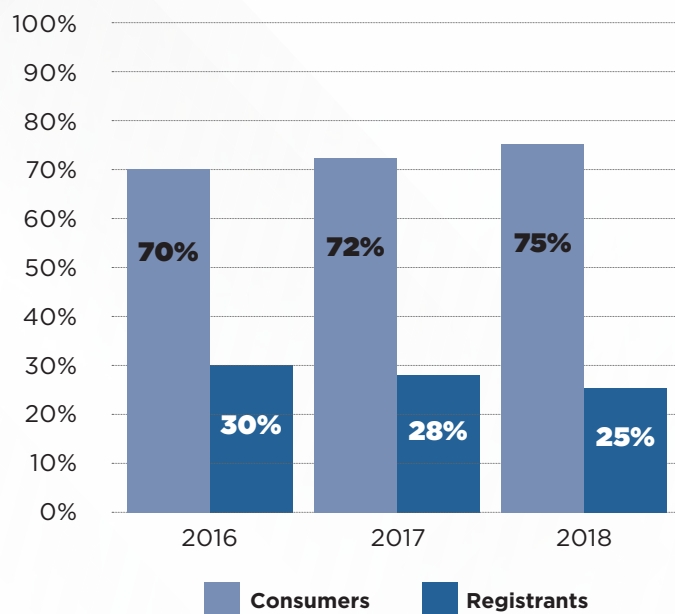
	2016	2017	2018
Complaints Opened	2,529	1,699	1,618
Complaints Closed	2,218	2,926	1,767

In 2017, RECO introduced new measures to manage and reduce the complaint inventory, including an enhanced screening process to determine, from the start, if a complaint is trivial in nature, outside our jurisdiction, or can be resolved informally.

These measures have helped ensure that newly-opened files reflect substantive complaints. This benefits consumers and the industry, because RECO is better able to direct our resources to investigate and prosecute more significant breaches of REBBA and the Code of Ethics.

While the percentage of complaints lodged by registrants has gradually declined since RECO shifted responsibility for advertising compliance to Brokers of Record, a greater proportion of registrant-based complaints now focus on incidents involving serious misconduct.

DISTRIBUTION OF COMPLAINTS MADE BY CONSUMERS VS. REGISTRANTS (2016-2018)



Top complaints

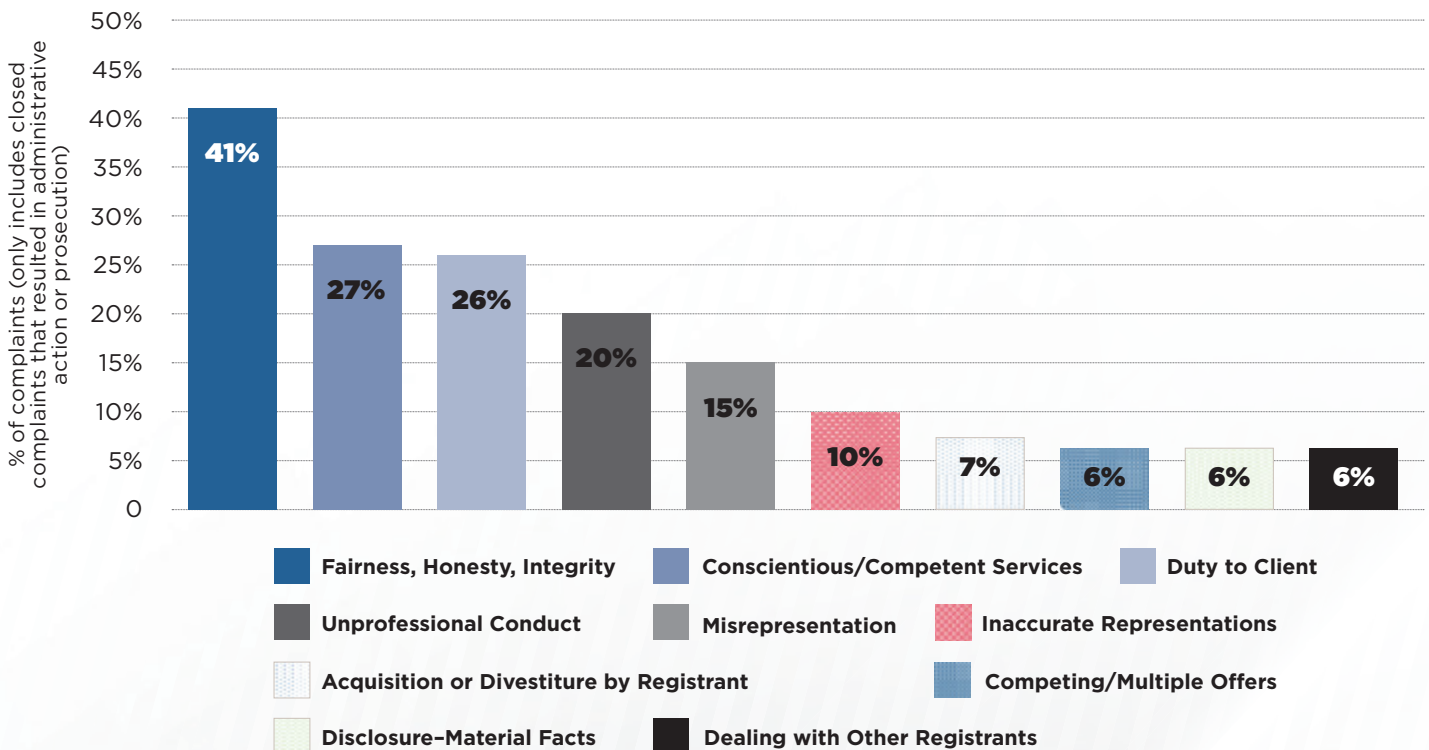
Registrants are expected to provide ethical, competent and professional service to consumers. Looking at the complaints that were closed with some administrative action (such as a warning, or an order for the registrant to take a course) or sent for prosecution, 41 per cent included an element of failing to act with fairness, honesty or integrity; 27 per cent included an element of failing to provide conscientious or competent services; 26 per cent included an element of failing to protect a client's interests (duty to client); and 20 per cent included an element of failing to behave appropriately in a professional setting.



RECO strongly encourages registrants to talk to us if they know of unethical or unprofessional conduct in the industry.

Joseph Richer, RECO Registrar

TOP COMPLAINT ELEMENTS (2018)



NOTE: A COMPLAINT MAY INCLUDE MORE THAN ONE ELEMENT

Inspections and Investigations

Inspections

RECO conducts routine inspections of brokerages to ensure compliance with REBBA and to educate brokerages.

The face-to-face contact also provides opportunities to educate Brokers of Record about maintaining current and accurate records, and for them, in turn, to ask questions about leading practices in compliance.

RECO inspections fall into four categories:

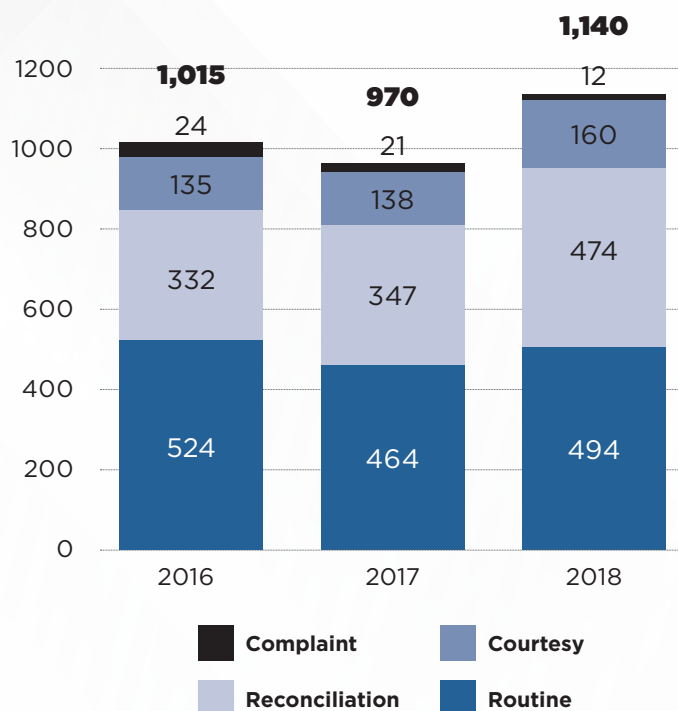
- + Inspections generated by **complaints**;
- + **Courtesy** inspections with new brokerages to help them ensure that their businesses are in compliance with regulatory requirements;
- + Inspections of brokerage trust account **reconciliation** statements; and
- + **Routine** onsite inspections of established brokerages.

RECO inspections provide a direct link between RECO and Brokers of Record who are accountable for brokerage compliance. RECO conducted 1,140 brokerage inspections in 2018, giving it insight into approximately 30 per cent of all brokerages. This represented a noticeable increase from the 970 inspections conducted in 2017.

During onsite brokerage inspections, inspectors examine records such as bank records, trust ledgers and all other documentation created during a real estate transaction. Inspectors are also available to provide information and to answer registrant questions with a view to a compliant operation.

Though the primary purpose of the inspection program is to assess brokerage compliance with the law, it also provides opportunities for inspectors to work directly with Brokers of Record and other brokerage management to achieve a good understanding of the brokerage's obligations.

INSPECTIONS COMPLETED (2016-2018)



As part of RECO's quality assurance program, surveys are issued to Brokers of Record to provide feedback on the program. The program is consistently rated very highly. During 2018, 285 Brokers of Record responded to the survey, and 99 per cent reported that they were satisfied or very satisfied with their inspector's knowledge and professionalism.

Broker responses showed that:

- + **91 per cent** were **very satisfied** with RECO inspectors' professionalism;
- + **91 per cent** were **very satisfied** with RECO inspectors' knowledge;
- + **85 per cent** were **very satisfied** with notice given by RECO inspectors; and,
- + **84 per cent** were **very satisfied** with the overall RECO inspections process

Investigations

RECO investigates alleged violations of REBBA, the Code of Ethics, and other REBBA regulations. The violations may be prosecuted in Provincial Offences Court, and some matters may result in the Registrar issuing a proposal to revoke, refuse or suspend the registration.

A listing of all convictions for 2018 can be found on the Recent Enforcement Decisions page of RECO's website at www.reco.on.ca.

RECO's investigation numbers have continued to rise at a steady pace. RECO's investigators opened six per cent more investigations in 2018 than in 2017, and closed nine per cent more than the previous year.

INVESTIGATIONS OPENED & CLOSED

	2016	2017	2018
Opened	178	184 (+3%)	195 (+6%)
Closed	162	169 (+4%)	184 (+9%)

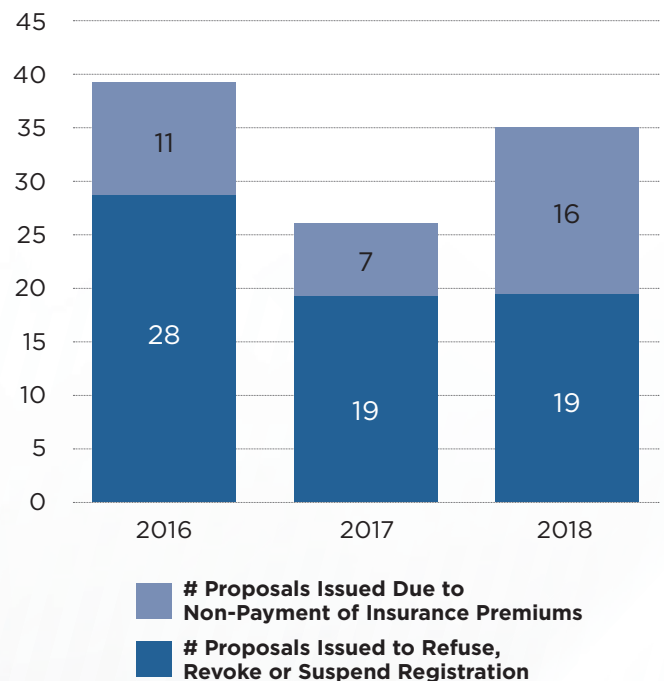
In 2018, investigations conducted by RECO led to 25 prosecutions in the Provincial Offences Court. These 25 prosecutions involved 89 different charges for violations of REBBA and resulted in 23 convictions. The penalties for these convictions included fines totalling \$127,000 and 36 months of probation. The court also ordered \$23,500 in restitution.

Registrar's Proposals

The Registrar's authority to propose to refuse, revoke or suspend a registration is a critical component of RECO's enforcement activities. A revocation is the most severe action RECO takes and is reserved for the most serious of circumstances.

The Registrar has the authority to issue a proposal in situations where the applicant cannot reasonably be expected to conduct business in a financially responsible way, or where past conduct gives reasonable grounds for the Registrar to believe that the applicant will not conduct business with integrity, honesty and in accordance with the law.

REGISTRAR'S PROPOSALS ISSUED (2016-2018)



Consumers are strongly encouraged to use the *Look up a Real Estate Salesperson, Broker or Brokerage* feature on the RECO website at www.reco.on.ca. By using the search tool before they sign an agreement with a brokerage, buyers and sellers can confirm that their representative is in good standing.

Discipline and Appeals Hearings

RECO's Discipline and Appeals Committees are statutory tribunals subject to the *Statutory Powers Procedures Act* of Ontario. Complaints involving alleged breaches of the Code of Ethics may be referred to the Discipline Committee for a hearing. A discipline procedure is initiated when an allegation statement is issued. A procedure is closed when a decision is released and any imposed discipline has been satisfied.

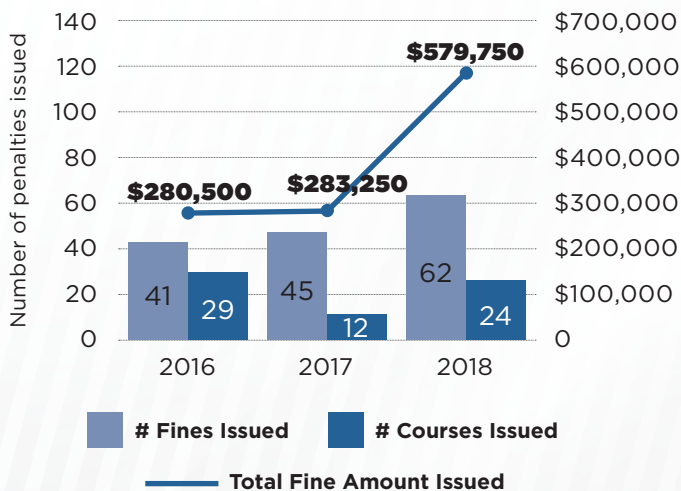
DISCIPLINE PROCEDURES INITIATED VS. CONCLUDED

	2016	2017	2018
Discipline procedures initiated	51	87 (+71%)	130 (+49%)
Discipline procedures concluded	56	47 (-16%)	67 (+43%)

In 2018, 130 cases were sent to RECO's Discipline Committee, compared to 87 in 2017 and 51 in 2016. Some cases that are concluded in a given year might have been initiated in a previous year. The committee issued a total of \$579,750 in fines last year.

Consumers can learn more about a specific case by checking out the Recent Enforcement Decisions page on the RECO website at www.reco.on.ca.

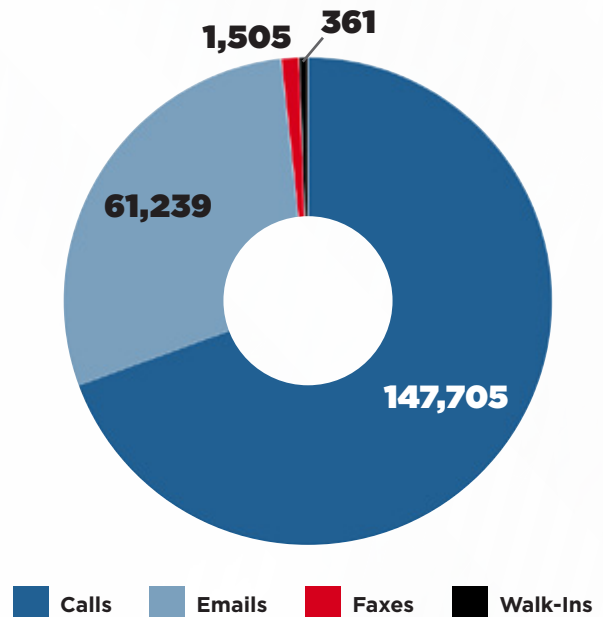
PENALTIES ISSUED AT DISCIPLINE (2016-2018)



Client Services

In 2017, RECO launched its Client Services Department, a single contact point with specially trained staff to address most inquiries on the spot. This new department experienced some initial challenges in mid-2018 with the introduction of a new database system. Once the database issues were resolved, service levels greatly improved in the fourth quarter.

DISTRIBUTION OF CLIENT SERVICES INQUIRIES—2018



“RECO's Service Standards Report Card gives us the ability to monitor the environment, respond to challenges and deliver a level of service that we can all be proud of.”






Joseph Richer, RECO Registrar

RECO'S SERVICE STANDARDS REPORT CARD (2018)



2018
YEAR END




RECO'S SERVICE STANDARDS REPORT outlines the levels of service the public, including registrants, can expect for most services under normal circumstances. RECO endeavours to meet or exceed these standards.

SERVICE	TARGET	YEAR TO DATE	CURRENT QUARTER	STATUS QUARTER
 Visiting RECO's office If a meeting has not been arranged, visitors will be greeted at reception and wait less than five minutes to speak to someone who is able to provide assistance unless we advise otherwise.	5 mins.	1.0 min.	Oct.-Dec. 1.3 mins.	✓
 Contacting RECO by phone The wait time when calling RECO's main switchboard is less than two minutes.	2 mins.	4.14 mins.	1.41 mins.	✓
 Registration application processing* New Salesperson Applications: <ul style="list-style-type: none"> processed within 10 business days Salesperson/Broker Renewal Applications: <ul style="list-style-type: none"> processed within eight business days Reinstatement Applications for Brokers and Salespersons: <ul style="list-style-type: none"> processed within 10 business days <p><small>*Please note these standards are for non-complex applications and assume all required supporting documentation was provided with the application.</small></p>	> 80%	76%	94%	✓
 Complaints—average time to close Complaints that are not escalated are closed on average within the target time.	120 days	82 days	59 days	✓
 Complaints—average age of open files The average age of complaints that are open will remain below the target time.	80 days	52 days	38 days	✓



2018 QUARTERLY SCORES

RECO'S SERVICE STANDARDS REPORT outlines the levels of service the public, including registrants, can expect for most services under normal circumstances. RECO endeavours to meet or exceed these standards.

SERVICE	Q1	Q2	Q3	Q4
 Visiting RECO's office If a meeting has not been arranged, visitors will be greeted at reception and wait less than five minutes to speak to someone who is able to provide assistance unless we advise otherwise.	1.2 mins.	1.2 mins.	1.0 min.	1.3 mins.
 Contacting RECO by phone The wait time when calling RECO's main switchboard is less than two minutes.	1.19 mins.	5.0 mins.	6.58 mins.	1.41 mins.
 Registration application processing*				
New Salesperson Applications: <ul style="list-style-type: none"> processed within 10 business days 	85%	44%	77%	94%
Salesperson/Broker Renewal Applications: <ul style="list-style-type: none"> processed within eight business days 	74%	12%	45%	83%
Reinstatement Applications for Brokers and Salespersons: <ul style="list-style-type: none"> processed within 10 business days 	98%	32%	87%	92%

**Please note these standards are for non-complex applications and assume all required supporting documentation was provided with the application.*

To read more about RECO's compliance service improvements, please flip to the feature story on [page 16](#).

Insurance

RECO administers insurance requirements, which include consumer deposit protection.

Three valuable insurance coverages

RECO's Insurance Program was introduced on September 1, 2000 to provide protection to both consumers and registrants. All registrants are required to participate. RECO's Insurance Program consists of three valuable types of coverage:

- + **Consumer Deposit insurance** protects consumers for loss of deposits caused by fraud, misappropriation of funds or insolvency by a registrant, and the risk of Social Engineering Fraud resulting in the misdirection of funds;
- + **Commission Protection coverage** protects registrants from loss of commission caused by fraud, misappropriation of funds or insolvency of a brokerage; and,
- + **Errors and Omissions coverage** provides protection for registrants in the event that errors and omissions committed in the course of their professional services lead to claims made against them.

Claims Statistics and Trends

Consumer Deposit Insurance

From inception of the Program on September 1, 2000 to December 31, 2018, there have been 87 occurrences under the Consumer Deposit coverage. Payment of claims (settlements and expenses) under this coverage is estimated at \$5,990,880*.

Commission Protection Insurance

From inception of the Program on September 1, 2000 to December 31, 2018, there have been 163 occurrences under the Commission Protection coverage. Payment of claims (settlements and expenses) under this coverage is estimated at \$11,678,665*.

Errors and Omissions Insurance

From inception of the Program on September 1, 2000 to December 31, 2018, there have been 16,082 claims reported. The estimated total cost of claims settlements and expenses under this coverage is estimated at \$166,830,708*.

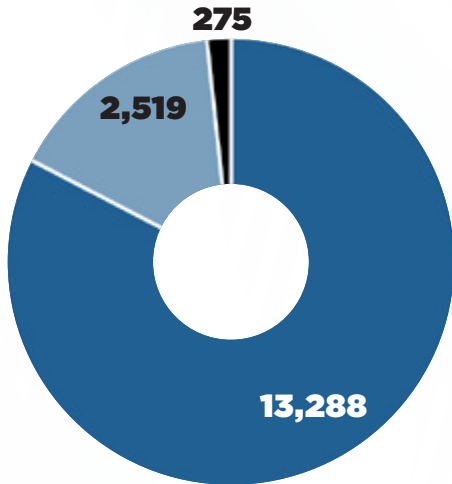
** This figure does not include any provision for the insurer's internal administrative expenses or further development on claims not yet finalized or reported.*

Key statistical highlights include:

- + The majority of activity in the insurance program arises out of claims under the Errors and Omissions insurance coverage.
- + A total of 16,082 claims have been reported, of which 1,705 remain open. The program has therefore managed and closed a total of 14,377 claims on behalf of registrants to date.
- + Residential claims outnumber commercial claims by a ratio of 5:1 (including vacant land and agricultural as commercial; otherwise the ratio is closer to 7:1).
- + Urban located claims outnumber rural located claims by a ratio of 7:1.
- + The number of claims involving transactions which exceed \$250,000 in value comprise approximately 65 per cent of all claims reported, versus 64 per cent in 2017.
- + There were 1,356 claims reported in the 12 months ended December 31, 2018 compared with 1,309 claims reported during the same 12-month period one year earlier.

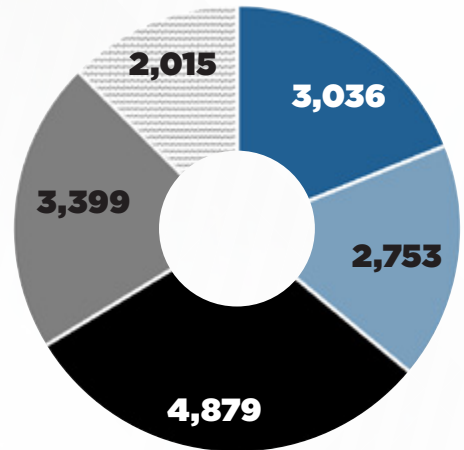
**CLAIMS BY TRANSACTION TYPE
(SEPT. 1, 2000 TO 2018)**

COMMERCIAL VS. RESIDENTIAL



- Residential
- Commercial (includes Vacant Land (503) and Agricultural (103))
- Other

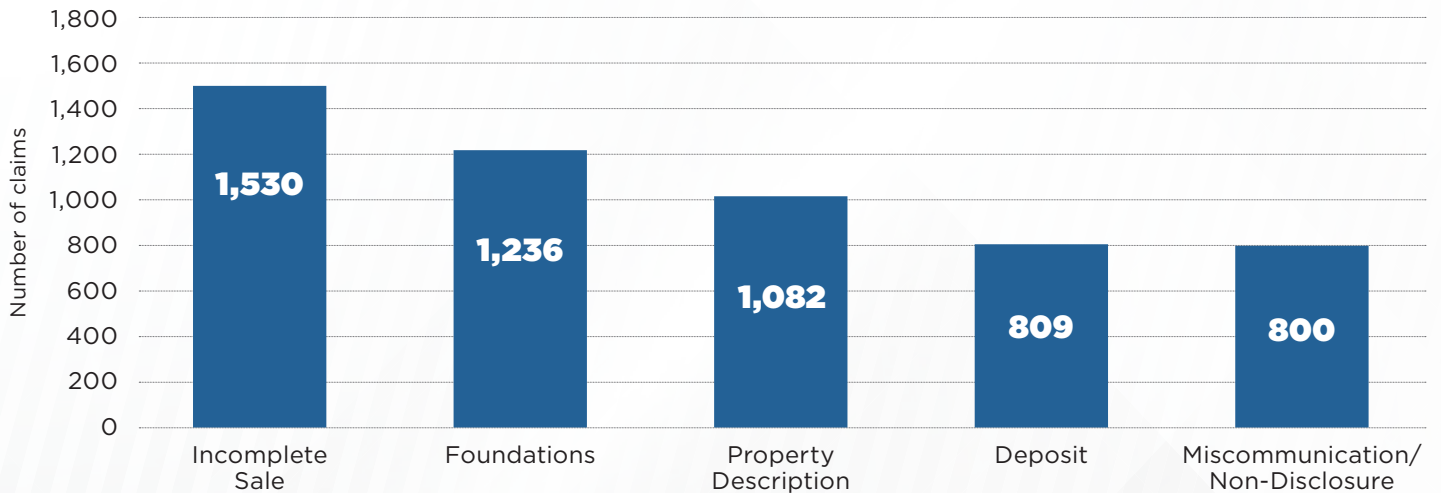
**CLAIMS BY VALUE OF TRANSACTION
(SEPT. 1, 2000 TO 2018)**



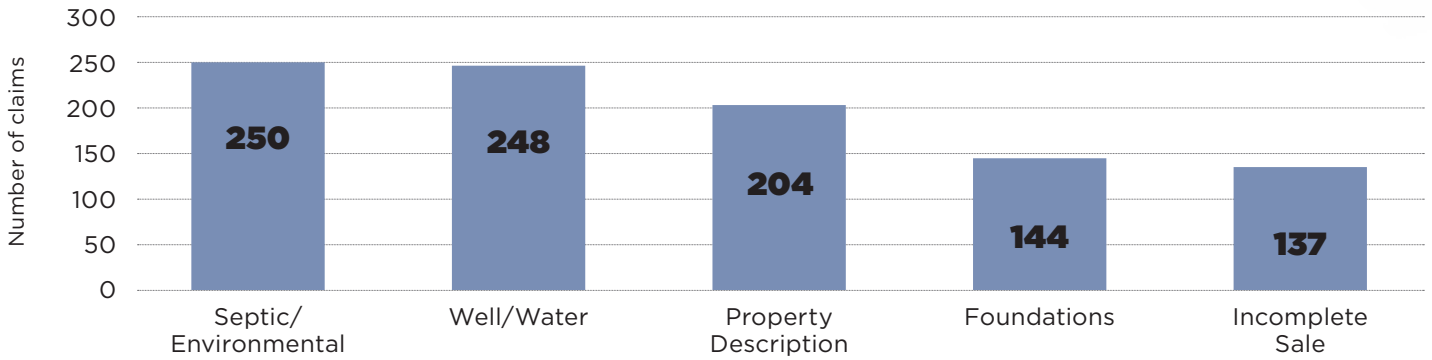
- \$0-\$150,000
- \$150,000-\$250,000
- \$250,000-\$500,000
- \$500,000-\$1,000,000
- \$1,000,000 and up

Using Detailed Loss Cause Code Grouping

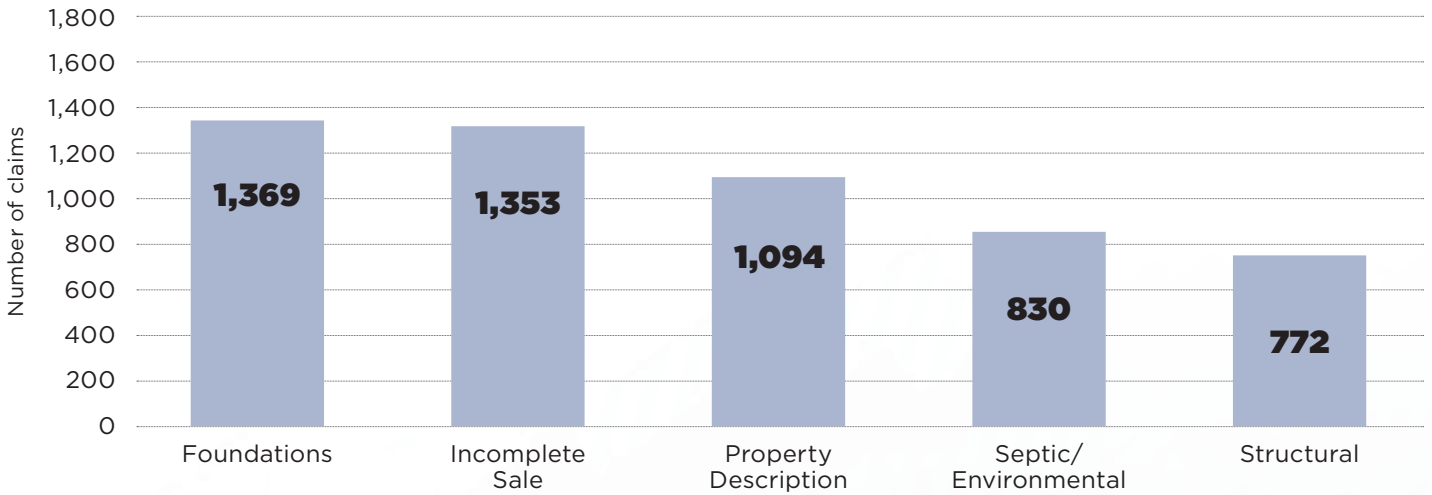
TOP 5 CAUSES OF LOSS - URBAN (SEPT. 1, 2000 TO 2018)



TOP 5 CAUSES OF LOSS - RURAL (SEPT. 1, 2000 TO 2018)

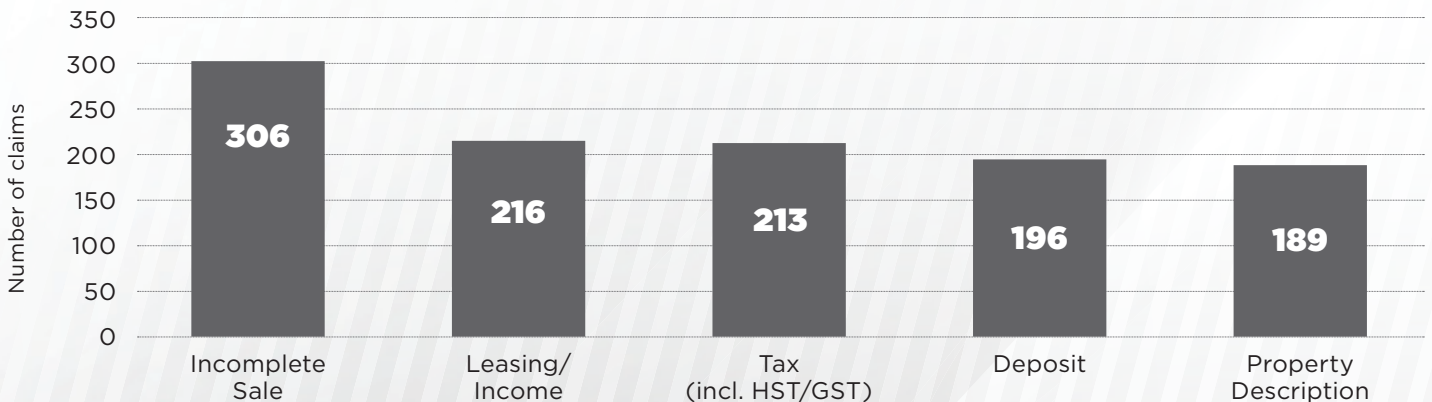


TOP 5 CAUSES OF LOSS - RESIDENTIAL (SEPT. 1, 2000 TO 2018)



TOP 5 CAUSES OF LOSS - COMMERCIAL (SEPT. 1, 2000 TO 2018)

INCLUDES VACANT LAND AND AGRICULTURAL CLAIMS





Report on

Objectives

Strategic Priority #1: Consumer Protection Excellence

We will educate and inform consumers about their rights and responsibilities in a real estate transaction and the value of a regulated industry.

Objectives for 2018-20

2018 Accomplishments

- | | |
|---|--|
| <ul style="list-style-type: none">+ Participate in consumer trade-shows across Ontario, continue to seek opportunities to deliver consumer education presentations. | <ul style="list-style-type: none">+ Attended 11 consumer shows in 2018 and distributed information to 9,650 attendees. Distributed 58,000 copies of <i>Reconnect</i> to expecting mothers via a network that includes medical professionals and baby shows. |
| <ul style="list-style-type: none">+ Enhance and promote RECO's website as a go-to source of trusted information about real estate transactions. | <ul style="list-style-type: none">+ Simplified homepage design to make it easier for visitors to read. Pageviews increased 6% over 2017.+ Registrant Search Tool saw 18% increase in pageviews.+ Launched Recent Enforcement Decisions page in July 2018 (29,919 pageviews from July 2018-Dec. 2018). |
| <ul style="list-style-type: none">+ Engage consumers through earned, paid and social media. | <ul style="list-style-type: none">+ Launched Fall Consumer Outreach Campaign, a two-month online paid advertising program built to drive awareness of RECO across a range of audiences, with a new focus on ethnic communities. Campaign included social media promotions on Facebook, Instagram and YouTube as well as partnerships with Rogers Media, <i>Zoomer</i> and <i>Sing Tao</i>. The program garnered approximately 7.2 million impressions, 23,000 article page views, 566,000 video views and 27,000 visits to reco.on.ca. |
| <ul style="list-style-type: none">+ Provide consumer information through the <i>Toronto Star's</i> "Ask Joe" column and engage local media as part of consumer campaigns. | <ul style="list-style-type: none">+ Submitted 52 "Ask Joe" columns to the <i>Toronto Star</i>, and 12 columns to <i>Hooshmand</i>, a Toronto-area Farsi publication. |

We will rigorously enforce entry-to-practice standards and deliver ongoing education so consumers can be assured they are represented by knowledgeable and competent individuals.

Objectives for 2018-20

2018 Accomplishments

+ Ensure our registration practices and processes are fair and the standards required to obtain and maintain registration are applied consistently.

- + Reviewed salesperson applications for alignment with leading regulatory practices to remove any unnecessary burden for applicants. Resulting changes will be implemented early in 2019.
- + A more fulsome review of all applications and processes will continue in 2019.
- + Continued work to streamline our prior learning and experience assessment processes to expedite applicants who meet the necessary criteria and provide assessments for those looking to demonstrate their knowledge. Also in process of reviewing education accommodation policy for alignment with leading practices and adherence to Ontario's human rights laws.
- + Continued prosecuting those who circumvent required standards. For example, in 2018, RECO launched prosecutions against salespeople who sought to have someone else complete continuing education program on their behalf. The outcomes of those prosecutions are anticipated in 2019 and will be published publicly.

+ Work with the Designate for the new Registration Education to develop a leading program that ensures individuals entering the profession are practice ready from the outset; the program will incorporate leading adult learning methodologies and simulations.

+ Development of the new program in conjunction with Humber College and NIIT Canada is well underway and set for launch in 2019. Program will incorporate adult learning leading practices, featuring simulation sessions and a Knowledge Management System. As a result, graduates will be more practice-ready. Program will be enhanced continually after launch.

+ Develop new Mandatory Continuing Education (MCE) elective courses; courses will feature case studies highlighting current topics and challenges facing the industry.

- + Four MCE electives launched in 2018:
 - Home Inspections
 - Waterfront Properties
 - Mortgage Financing: Guiding Client Conversations
 - Introduction to Commercial Leasing
- + Survey results indicate that the courses have been well received by registrants. Courses continue to be developed based on registrant needs and interests. Future courses will include content on the REBBA Code of Ethics, with focus on the provisions that prove challenging for registrant compliance.

Those we regulate are accountable for their actions; effective disciplinary mechanisms will incent compliance and address misconduct; we will have a best-in-class complaints handling process.

Objectives for 2018-20	2018 Accomplishments
+ Implement structures, processes and people to eliminate complaint backlogs no later than December 2018, targeting complaint turnaround times of 90 days beyond 2018.	+ Complaint inventory at the end of 2018 was under 250 complaints. Annual average closure time was 82 days, and only 59 days in the fourth quarter. RECO strives to process complaints quickly, while meeting a high standard of service quality.
+ Increase the use of dispute resolution, encouraging the parties to be part of the solution rather than having a decision imposed on them.	+ Resolved 119 complaints by working collaboratively with both parties. Such resolutions provide the parties the opportunity to be part of the solution, which tends to result in greater satisfaction. + Shorter complaint processing times (and more processing) will allow more opportunities to use dispute resolution in 2019.
+ Focus on a progressive discipline approach, embracing an educational approach for initial minor infractions.	+ Supplemented in-house advertising compliance workshop by adding a broader number of topics. + Workshops allow for remediation of misconduct through education. Compliance Officers led a program tailored to the specific participants' breaches of the law, thereby helping them to better understand their rights and obligations, and the possible sanctions they may face if they do not change their behaviour.
+ Use registrant complaint profiles to generate a registrant compliance profile as part of a risk-based harm reduction strategy.	+ Work is underway to construct a risk-based harm reduction strategy, including a risk-based profile for registrants. Approach will use strategies aligned with leading practices.

Registrants will understand their obligations and the level of professionalism expected of them.

Objectives for 2018-20	2018 Accomplishments
+ Continue to educate registrants about compliance issues and consumer protection through bulletins, articles, newsletters and videos.	+ Published 33 articles in 12 editions of <i>For the RECO</i> , RECO's registrant newsletter e-blast, including article about disclosure issues related to cannabis legalization. + Issued Registrar's Bulletin about the proper use of lockboxes. Bulletin was praised by the industry as an outstanding explanatory guide to leading practices. + Published six articles in <i>Real Estate Magazine</i> about professionalism and important news from RECO.
+ Create new professionalism videos and conduct webinars for Brokers of Record and Executive Officers.	+ 191 registrants participated in webinars, and 6,559 watched a publicly-posted webinar recording.

Consumers and registrants will be protected by a comprehensive and sustainable insurance program that provides coverage for errors and omissions, loss of deposits and loss of commissions.

Objectives for 2018-20	2018 Accomplishments
<ul style="list-style-type: none"> + Negotiate and secure the most comprehensive coverage to protect consumers and registrants. 	<ul style="list-style-type: none"> + The insurance program was renewed for an annual term commencing September 1, 2018. + The insurance program continues to provide the most comprehensive coverage for real estate registrants in Canada. Renewal was secured at a nominal 1.1% increase over the September 1, 2017-2018 policy term.
<ul style="list-style-type: none"> + Monitor changes in the real estate environment to: assess potential impacts on the insurance program, develop a risk management strategy for RECO registrants, and coordinate education initiatives focussing on loss prevention. 	<ul style="list-style-type: none"> + RECO continues to monitor the increase in claims as a result of the recent real estate market changes. The insurance program issued two bulletins and conducted five seminars for registrants. Insurance-focussed educational material was developed for courses for new and existing registrants. + Information sharing with Communications and Education led to timely and informative publications on relevant issues for the sector.
<ul style="list-style-type: none"> + Monitor changes in the insurance marketplace and the insurance regulatory environment for potential impact on the insurance program. 	<ul style="list-style-type: none"> + RECO continues to monitor regulatory changes which may be imposed on insurance companies, and the potential impact on the insurance program that would result.

We will ensure that an appropriate level of information about our disciplinary activities is publicly available in a manner that is easily understood.

Objectives for 2018-20	2018 Accomplishments
<ul style="list-style-type: none"> + Conduct a review of our Public Notice Policy; identify, assess and employ leading practices in disclosure and transparency. 	<ul style="list-style-type: none"> + Undertook a review of policies surrounding the information that is made public regarding a registrant's eligibility to trade in real estate, conditions placed on registration, and sanctions resulting from prosecutions. Review worked toward alignment with leading practices, particularly as it relates to transparency. Consultation process will begin in 2019 to seek public and registrant feedback on proposed changes.
<ul style="list-style-type: none"> + Provide information about disciplinary activities and processes clearly to help educate stakeholders. 	<ul style="list-style-type: none"> + Launched "Recent Enforcement Decisions", a hub for all of RECO's discipline activities, increasing transparency and making enforcement activities more accessible. + Produced "Legal Corner" newsletter article that looked at a real discipline case in detail.
<ul style="list-style-type: none"> + Enhance the registrant search function such that consumers can easily access pertinent information about the individual or brokerage with whom they are considering working. 	<ul style="list-style-type: none"> + Significantly improved the performance of the registrant search function. Work underway on enhancements to how enforcement information is presented, for launch in 2019.

Measuring our success

Objectives for 2018-20	2018 Accomplishments
+ Conduct an annual consumer survey to gauge awareness level of RECO; maintain or improve on past awareness level of 35 per cent.	+ The annual consumer awareness survey showed aided awareness of RECO among Ontarians was 33%. The decrease from 2017 may have been due to RECO reaching out to targeted audiences in 2018, rather than through mass media.
+ Increase exposure of RECO messages on social media, news stories and paid ads.	+ Executed a targeted consumer outreach campaign that focussed on priority audiences—first-time buyers, move-up buyers, downsizers and new Canadians. The campaign shared four key tips for navigating the buying and selling experience, including using RECO's search feature to verify a registrant's status. The campaign generated 7.2 million impressions, 566,019 video views and 27,462 visits to RECO's website.
+ Approval and publication of new Public Information Policy; more transparent and accessible regulatory activity reporting on RECO's website.	+ Key changes to RECO's Public Information Policy are being considered and a consultation process will begin in 2019 to seek public and registrant feedback on the proposed changes. In the meantime, changes to the way the information is currently displayed on RECO's website under the registrant search feature will make current information more readily accessible.
+ Achieve target complaint turnaround times by end of 2018.	+ The 2018 target for average turnaround time for complaints was 120 days. The annual average time to close complaints in 2018 was 82 days and in the last quarter of the year, the average time was 59 days, exceeding our target average of 120 days.
+ Disseminate at least 15,000 copies of <i>Reconnect</i> and 2,500 copies of the home buying and selling brochure.	+ Distributed <i>Reconnect</i> to 9,650 attendees at 11 consumer shows, and distributed 58,000 copies to expecting mothers via a network that includes medical professionals.
+ Conduct at least 950 brokerage inspections.	+ In 2018 we exceeded the goal of 950 by conducting 1,140 combined electronic and on-site inspections. Electronic inspections focus on the reconciliation of trust accounts and are based exclusively on a documentary review.

Strategic Priority #2: Organizational Excellence

We will have the right structures, tools and processes in place to support our people.

Objectives for 2018–20	2018 Accomplishments
<ul style="list-style-type: none"> + Complete the rollout of RECOserv and continue to develop the tool to enhance our service levels—delivering a faster and more efficient tool to support the work of the organization. 	<ul style="list-style-type: none"> + RECOserv launched in April 2018, providing new features: <ul style="list-style-type: none"> – Automated online renewals – Registrant search enhancements, such as search by location – RECO employee self-serve advanced find, dashboards, and customized views
<ul style="list-style-type: none"> + Ensure the organizational structure is flexible and responsive to changes in the external environment. 	<ul style="list-style-type: none"> + Conducted a comprehensive review of our job structure, market study and compensation analysis. + Job structure analysis validated our points/grade system for accuracy and equity, supporting our ability to accommodate current and future growth. + Expanded internal job evaluation guidelines and processes.
<ul style="list-style-type: none"> + Replace key aging internal infrastructure and conduct a third-party assessment of IT policies, procedures and security in place across the technology infrastructure. 	<ul style="list-style-type: none"> + A refresh of desktop computing devices was completed in 2018 to replace older, less efficient hardware. A third-party assessment of IT policies, procedures and security was conducted to provide insights for our IT strategic plan.

We will continuously seek more efficient and effective ways of achieving outcomes.

Objectives for 2018–20	2018 Accomplishments
<ul style="list-style-type: none"> + Leverage technology to deliver and automate more online services, increase the efficiency of internal processes and measure our performance. 	<ul style="list-style-type: none"> + RECO's new business tool, RECOserv, was implemented in 2018. It provides more data that can be used to improve the measurement of performance. Automated online renewals were launched using RECOserv. + RECOserv will enable more registration services to move online in the future.
<ul style="list-style-type: none"> + Seek out and adopt leading regulatory practices/processes. 	<ul style="list-style-type: none"> + Undertook a review of regulatory processes to align with leading practices in terms of complaint handling, in particular how the compliance team approaches the investigation and analysis of complaints for consistency of outcomes. Efforts are also underway to develop a risk-based approach to scheduling inspections and registration processes.

French Language Services

Objectives for 2018-20	2018 Accomplishments
+ Continue to broaden French-language offerings, including ongoing translation of newsletters and brochures; translation of essential website pages to provide more accessible services.	+ Launched French website in December 2018. + Continued to produce <i>Reconnect</i> consumer newsletter and <i>Buying or selling a home?</i> brochure in French. Brochure is available in six other languages in addition to English and French.
+ RECO will respond in French to all inquiries and communications received in French.	+ Responded to all French language inquiries in French: 40 calls, eight email inquiries, and one complaint.

Measuring our success

Objectives for 2018-20	2018 Accomplishments
+ Assess results of third-party engagement survey; target areas for improvement.	+ This survey is conducted every two years; the next survey will run in December 2019.
+ Maintain or improve employee turnover rate.	+ Employee turnover was 11% in 2018. Voluntary and involuntary turnover were both below the Canadian averages. (Mercer 2018)
+ Increase investment in professional development and focussed job training.	+ Invested 144% more in employee professional development compared to 2017. + Delivered workshop series for Complaints and Client Services staff dedicated to customer service, business writing and handling challenging conversations. + Delivered <i>Respect in the Workplace</i> workshops to all employees.
+ Performance target for business continuity: less than three failures and less than four hours to full resolution of any outages.	+ Total outage time was lower than 2017, although there were three external failures in 2018. All 2018 outages were fully resolved within four hours.
+ Performance target for safeguarding data: zero incidents resulting in lost or destroyed data.	+ In 2018 there were no incidents resulting in lost or destroyed data due to systems failures or breaches.

Strategic Priority #3: Engagement Excellence

We will engage registrants and industry organizations in the process of enhancing professional standards.

Objectives for 2018–20	2018 Accomplishments
<ul style="list-style-type: none">+ Work with OREA and other industry stakeholders to achieve REBBA reforms that will enhance consumer protection, raise professional standards and increase consumer confidence.	<ul style="list-style-type: none">+ RECO and the profession are committed to strong consumer protection for those involved in trading in real estate. In 2017, RECO published its recommendations around REBBA reform, and in 2018, it reviewed and refreshed its recommendations, as did OREA.+ Though respective mandates may differ, there is general alignment between the profession and RECO when it comes to raising professional standards and increasing consumer confidence. The leadership of RECO and OREA have met to discuss legislative reform and reaffirm their commitment to actively participate in the Government's reform process.
<ul style="list-style-type: none">+ Challenge brokerages to employ knowledgeable, competent registrants who are dedicated to providing professional service to consumers.	<ul style="list-style-type: none">+ RECO takes an active role in promoting brokerage accountability for compliance through its inspection program and general communications. A recent initiative to make brokerages accountable for advertising published by their salespeople has resulted in fewer complaints about advertising. During RECO Town Hall tour for industry leaders in 2018, a key discussion point was brokerage accountability for the employed salespeople. This will be an important discussion for the profession as part of REBBA reform.
<ul style="list-style-type: none">+ Work with industry organizations and encourage them to take on a more active role in changing behaviour and incenting compliance.	<ul style="list-style-type: none">+ In preparing for registrant town halls, engaged with leaders of local boards and associations to gather input about important topics facing the profession. Local boards and associations clearly expressed interest in having a greater role in promoting compliance. There is also keen interest in establishing regular touch points to discuss issues facing the sector and those on the horizon. RECO will look to establish a process to gather input at regular intervals.

We will be proactive in supporting government and enhancing consumer protection in Ontario.

Objectives for 2018-20	2018 Accomplishments
<p>+ Work with the Ministry of Government and Consumer Services to ensure policy priorities are shared and to achieve meaningful REBBA reforms that will better protect consumers and enhance our ability to implement and enforce rigorous professional standards.</p>	<p>+ RECO works closely with the Ministry of Government and Consumer Services to monitor policy priorities during many meetings and through frequent communication. RECO has made submissions to the Ministry regarding REBBA reform and will continue to work closely with the Ministry throughout its consultation process in 2019.</p>
<p>+ Demonstrate the value of delivering government services through Administrative Authorities by continuing to participate in government led reviews, studies and participation in the Administrative Authorities Collaboration Council.</p>	<p>+ The Ontario government adopted the Administrative Authority (AA) model in the mid-1990s and RECO was one of the first AAs to be created. RECO remains committed to working collaboratively with the Ministry and the other Administrative Authorities through the Administrative Authorities Collaboration Council. Demonstrating strong customer service standards is one recent way that RECO is demonstrating the value of the important work it carries out on behalf of the Government of Ontario.</p>
<p>+ We will broaden French-language offerings; translating frequently visited pages, newsletters and brochures.</p>	<p>+ Launched French website and continued to produce <i>Reconnect</i> consumer newsletter in French.</p>

We will seek out opportunities to participate in and contribute to consumer protection initiatives through partnerships with other organizations.

Objectives for 2018-20	2018 Accomplishments
<p>+ Continue to participate in and contribute to initiatives and conferences led by the Real Estate Regulators of Canada and the Council on Licensure, Enforcement and Regulation.</p>	<p>+ Actively participated in working groups and information sharing with the Real Estate Regulators of Canada (a collection of real estate regulators from across Canada). Key topics included leading practices in real estate regulation and emerging issues facing the sector.</p> <p>+ Took part in conferences and training delivered by the Council on Licensure, Enforcement and Regulation (a collection of multi-disciplinary regulators from across the world) at both the operations and governance levels.</p>
<p>+ Support Consumer Protection Ontario initiatives and co-branding.</p>	<p>+ Consumer Protection Ontario article included in RECO's <i>Reconnect</i> consumer newsletter, which was distributed to 67,650 Ontarians.</p>

+ Educate law enforcement organizations about mortgage fraud.

+ Presented a course on real estate fraud at the Ontario Police College (OPC) four times in 2018. The course was attended by police officers from across Ontario who work in their respective police services' fraud investigation unit. The exposure drives recognition of RECO to those most likely to be contacted if a real estate practitioner is involved in real estate fraud.

+ Representatives from the inspection program participated in quarterly meetings of the Joint Agency Intelligence Liaison (JAIL) Committee. JAIL discusses ongoing fraud investigations, issues and current trends among participating police services and regulatory agencies, thereby allowing RECO to be informed of multi-jurisdictional fraud activity.

+ Participate in the Financial Consumers Agency of Canada's Financial Literacy Month initiative.

+ RECO opted to focus resources on a targeted outreach campaign instead of participating in Financial Literacy Month.

We will continue to engage with and survey stakeholders to monitor perceptions and identify areas for improvement.

Objectives for 2018-20	2018 Accomplishments
<p>+ Seek input and ideas from established advisory groups and conduct a second registrant Town Hall tour in 2018.</p>	<p>+ Engaged the Industry Advisory Group to provide input and feedback on RECO's consumer outreach activities.</p> <p>+ Conducted a seven-city Town Hall tour to engage with industry leaders about how RECO and the profession can work together to raise the bar on professionalism.</p>
<p>+ Listen to stakeholders who take the time to share their ideas, suggestions for change and concerns with us.</p>	<p>+ Following the Town Hall tour, compiled an action plan based on industry leaders' feedback, with a strong focus on professional conduct and the reputation of the industry.</p> <p>+ Survey sent to all registrants eligible for MCE program, to solicit feedback into MCE Review. Feedback will be used to determine program enhancements.</p>
<p>+ Monitor responses to inspection and complaint quality assurance surveys.</p>	<p>+ Actively reviewed results of regulatory compliance quality assurance surveys to identify areas for improved service and strategies to address them.</p>
<p>+ Monitor industry publications and media reports to enhance our understanding of the issues in the real estate marketplace.</p>	<p>+ Monitored media coverage on a continuous basis and issued a daily report to all RECO staff and Directors.</p>

Measuring our success

Objectives for 2018-20	2018 Accomplishments
+ Provide best advice to government related to REBBA reforms that will enhance consumer protection in Ontario.	+ Published a revised version of its recommendation for REBBA reform publicly on the RECO website.
+ Continue to grow social media community (Twitter, Facebook).	+ Increased followers on social media to 12,344 on Facebook (a 5.3% increase over 2017), 8,005 on Twitter (a 9.2% increase over 2017) and 6,151 on LinkedIn (a 36.3% increase over 2017).
+ Continue face-to-face interactions with registrants at trade shows and speaking engagements; Town Hall tour in fall 2018.	+ Had 3,246 face-to-face registrant interactions by attending six industry trade shows, delivering 15 presentations to local boards and real estate groups, and hosting seven Town Hall tour events.
+ Conduct a review of the Mandatory Continuing Education program, seeking input from registrants and other stakeholders.	+ RECO engaged CamProf Inc., a third-party education consulting firm, to carry out a review of the MCE program, which included stakeholder consultation. CamProf delivered its report in December 2018, which factored in feedback as well as leading practices in adult learning and regulation. RECO will publish the report in early 2019 along with its response to the recommendations.
+ Participate in collaborative opportunities with other Administrative Authorities and regulatory organizations.	+ Actively engaged with other regulators through the Administrative Authorities Collaboration Council (a collection of Ontario regulators from different regulated sectors) and the Real Estate Regulators of Canada (a collection of real estate regulators from across Canada). Discussed emerging issues within the regulatory environment and the real estate sector to share knowledge, insights and leading practices.
+ Continue to support Consumer Protection Ontario.	+ A Consumer Protection Ontario article was included in RECO's <i>Reconnect</i> consumer newsletter, which was distributed to 9,650 Ontarians at events.
+ Client satisfaction survey results are available on RECO's website.	+ Results from the Registrant Satisfaction survey, which took place in late 2017, were published in the Annual Report released in April 2018.

Strategic Priority #4: Governance Excellence

We will be recognized by our stakeholders as fiscally responsible and operationally sound.

Objectives for 2018–20	2018 Accomplishments
+ Ensure funding for core business activities remains the priority and will continue to build reserves to an appropriate level to mitigate risks.	+ Increased our restricted operating reserve by 33% to \$8 million.
+ Strategic planning and operational priorities will be informed by environmental scans, stakeholder input and the necessary data.	+ RECO's new strategic plan (published in October 2018) followed a robust development process allowing for significant stakeholder input and environmental scans.

We will ensure our governance policies and practices are sound and support the goal of regulatory excellence.

Objectives for 2018–20	2018 Accomplishments
+ Independent third-party review of RECO's governance structure, policies and practices will be conducted with a summary of findings to be published in early 2019.	+ Independent third party engaged with key stakeholders, RECO's Board of Directors, and Management and completed the Governance Review in December 2018. Public report on target to be published in early 2019.
+ Develop and implement a risk management plan that identifies and assesses risks to the achievement of objectives and documents our risk mitigation strategy.	+ RECO has developed the tools necessary for the risk management plan and is preparing for the alignment of risks with the strategic objectives of the organization.

We will be transparent and accountable to those we serve.

Objectives for 2018–20	2018 Accomplishments
+ Our Annual Report will provide information about our activities, the rationale for those activities and the impact of our activities on registrant behaviour and consumer protection.	+ The 2017 Annual Report was published in May 2018. The report included a list of the 2017 business objectives, activities and accomplishments.
+ Develop a strategic business plan for 2019 to 2021 that clearly outlines the activities we plan to undertake to achieve our goals and the funding attributable to pursuing those activities.	+ The 2019-2021 Business Plan was filed with government in December 2018. It outlines planning objectives for 2019 consistent with RECO's new Strategic Plan, and identifies the resources necessary to achieve those objectives.

- + Continue to publish procurement, expense, governance and other policies to promote confidence in the governance and management of the organization.
 - + RECO is currently drafting new policies and revising old ones as part of the Policy Renewal Project—these will be published online as appropriate. Existing policies continue to be published in this manner.
-
- + Report publicly on the activities of our Board of Directors and its Committees in our annual report.
 - + The 2018 Annual Report is published in May 2019 and includes an update on Board activities with the Chair’s Message.

Measuring our success

Objectives for 2018–20	2018 Accomplishments
+ Our audited financials will be made available in our Annual Report.	+ Audited financials were included in the 2017 Annual Report.
+ Strategic Plan and Business Plan for 2019 to 2021, including three-year budget, published in early 2019.	+ Strategic Plan published in October 2018. Business Plan submitted to Ministry for review in December 2018.
+ Annual Report provides an update on all RECO activities and progress against plan.	+ The 2018 Annual Report will be published in May 2019. The report will show the progress RECO has made on the stated 2018 business objectives.
+ Governance Review completed; public report published in early 2019.	+ Governance Review completed in December 2018. Public report to be published in first quarter 2019.
+ Enhanced reporting related to Board and Committee activities and expenses.	+ Reference to the Director Expense Policy and Director Remuneration Policy noted in the Governance Section of the Annual Report and on RECO’s website. + Number of Board and Committee meetings noted in the Governance Section of the Annual Report.
+ Enterprise Risk Management Plan fully implemented and integrated into RECO strategic and operational planning.	+ RECO adopted the framework and developed the tools necessary for implementation and integration into the RECO strategic and operational planning cycle.



Financials

Management Discussion and Analysis

The Management Discussion and Analysis (MD&A) below provides a review of the financial condition and the results of operations for the Real Estate Council of Ontario (RECO) for the fiscal year ended December 31, 2018. This MD&A should be read in conjunction with the audited financial statements which follow. Management provides explanations for the results from operations, changes in balance sheet categories and cash flows. The MD&A also provides analysis of the operating performance of the organization now and its outlook for the future. Forward-looking statements reflect management's expectations regarding RECO's objectives, plan, goals, performance and opportunities. These statements are based on management's reasonable assumptions and beliefs in light of the information currently available to them. Where these assumptions fall short of future reality, objectives may be less than fully achieved.

General Operations

Overview of the Organization

RECO is responsible for administering the *Real Estate and Business Brokers Act, 2002* (REBBA) and associated regulations on behalf of the Ontario government. RECO protects the public interest and advances the principle of ensuring a fair, safe and informed marketplace that supports a competitive economy. RECO does this by: setting educational standards for entry that real estate salespeople, brokers and brokerages must meet; enforcing the rules that real estate salespeople, brokers and brokerages must follow to maintain registration; providing a complaint process where consumers

and members of the industry can report issues; educating the public on its rights and responsibilities in a real estate transaction; and, administering an insurance program that provides for protection of deposits made in real estate transactions.

RECO carries out its activities through a corporate governance structure. Under the terms of the Administrative Agreement between RECO and the Ministry of Government and Consumer Services, RECO as a corporate entity is responsible for ensuring that it has adequate resources, including financial resources, to carry out its mandate; that it maintains up-to-date written policies covering all areas of its business; that it develops and maintains appropriate performance measurements, governance, and financial management processes with sound internal controls to conduct its operations effectively and efficiently; and that it maintains an effective system for responding to and assisting in the resolution of consumer and other complaints related to the administration of REBBA.

RECO's strategy consistently focussed on the principles of investing in the professionalism of the industry and the reduction of burden on the day-to-day business of real estate. The 2018-2020 business plan laid out four priorities aligned with this strategy: Consumer Protection Excellence, Organizational Excellence, Engagement Excellence, and Governance Excellence.

Consumer Protection Excellence

CONSUMER KNOWLEDGE

A key element of consumer protection is nurturing a higher level of knowledge among consumers. RECO continues to participate in consumer trade shows and engage consumers through various media. During 2018, RECO completed a targeted digital outreach campaign focused on primary audiences, and began work on a three-year consumer awareness campaign. Preliminary research and planning occurred in late 2018, working toward launch in 2019.

REGISTRANT KNOWLEDGE

Consumer protection is further enhanced when real estate salespeople and brokers are knowledgeable and competent. RECO conducted a review of registration education in 2014, which included consultation with the real estate industry. Brokers and salespeople expressed a clear desire for a new approach to registration education so that new registrants would be more practice-ready on day one. Following a rigorous Request for Proposal (RFP) process, RECO selected Humber College and NIIT Canada to design, develop and administer the new registration education program.

With changes in the industry, the market, technology, and consumer preferences, RECO's commitment to continuing education is also important. RECO continues to enhance the Mandatory Continuing Education (MCE) program by delivering award-winning courses. In addition, RECO added three new elective options in 2018. In 2019, RECO plans to deliver a new RECO Real Estate Update course.

RECO also educates brokers and salespeople with Registrar's Bulletins, newsletter articles, and videos on compliance requirements.

COMPLAINT PROCESS

Consumer protection also requires an effective framework for dealing with non-compliant behaviour. In 2018, additional capacity and training was added to ensure we meet or exceed our service standards for complaints. To encourage compliant behaviour, RECO employs a progressive discipline approach, evaluating each complaint based on the specific circumstances.

Organizational Excellence

HUMAN RESOURCES

In a service-based organization, excellence is characterized by employees who are knowledgeable, engaged, and committed to the mission. To attract and retain the right people, an organization must be competitive in its compensation practices, provide opportunities for personal and professional development and recognize accomplishments. To ensure RECO continues to attract and retain capable and competent staff, RECO conducts periodic reviews of employee compensation, most recently in 2017. The 2017 review was conducted with the oversight of the Board, and was implemented in 2018.

In addition, RECO continues to analyze results from an employee engagement survey to target areas for improvement. In 2018, RECO increased its investment in staff training and development. The return on this investment will be seen in a higher level of engagement on the part of employees, and also in the knowledge and skills they can bring to advancing the goals established for the 2019-2023 strategic plan.

Having the right people at RECO is important, and an effective organizational structure is critical so that they can help RECO meet its strategic goals. Starting in 2015, RECO looked at how our organizational structure could be enhanced, with a customer-centric focus. RECO began implementing the new organizational structure in 2016, and completed this effort in 2018. The new structure has enabled us to improve our customer service.

TECHNICAL RESOURCES

RECO deployed a new registrant database to enable future consumer and registrant value-added features, improve data analytics capabilities, and to replace the legacy CRM system that was implemented in 2004.

To be effective and efficient, an organization needs a robust technological infrastructure. In 2018, RECO conducted a third-party assessment of IT policies, procedures and security protocols. Security enhancements flowing from the report, such as the creation of a user account policy, and decommissioning of legacy servers, will be implemented in 2019.

Engagement Excellence

REGISTRANT ENGAGEMENT

An effective regulator reaches out to all stakeholders, stays tuned in to emerging trends and issues in the industry, and monitors new approaches to regulation. All stakeholders have an interest in enhancing consumer protection and the level of professionalism in the industry. In 2018, in addition to participating in speaking engagements and attending industry trade shows, RECO delivered several Town Hall events. The Town Hall tour enabled high-quality, face-to-face interaction with registrants in a venue that facilitated an open discussion of their ideas and their concerns.

When developing our 2019-2023 strategic plan, we considered this feedback, as well as data gathered from biennial registrant surveys.

OTHER STAKEHOLDERS

Our relationship with the Ministry of Government and Consumer Services allows us to provide unique, impartial advice on REBBA reforms that will support consumer protection and enhance RECO's ability to implement and enforce professional standards. Since inception, RECO has continuously provided direct feedback to the Ministry on improving the Act.

OTHER PARTIES

RECO continues to work with other Administrative Authorities to benchmark and share best practices confidentially. RECO also continued to maintain frequent contact with other regulatory bodies through participation in the Real Estate Regulators of Canada and the Council on Licensure Enforcement and Regulation.

Governance Excellence

STRATEGIC AND BUSINESS PLANNING

Good governance practices are characterized by clear strategies, disciplined operations, self-evaluation, risk management, and transparency and accountability. In 2018, a third-party review of RECO's governance structure, policies and processes was undertaken, with a report publicized in early 2019. Periodically, RECO management and the Board of Directors determines the strategic direction of the organization for the following three to five years, informed by trends in the industry, advances in regulatory thought, and stakeholder input. Management builds business and operational plans incorporating those strategic goals and provides a framework within the organization for successful execution. RECO's Strategic Plan for 2019-2023 is published on RECO's website.

ENTERPRISE RISK AND INNOVATION MANAGEMENT (ER&IM)

RECO successfully implemented the first phase of a comprehensive Enterprise Risk & Innovation Management (ER&IM) program initiated in 2017, which enhanced RECO's risk management capabilities beyond the requirements within the administration agreement. The ER&IM program is a continuous, proactive and dynamic process designed to identify, assess, communicate and manage potential risks and assess new opportunities that may impact RECO as the organization works towards achieving its strategic objectives. The program is based on ISO 31000 risk framework.

TRANSPARENCY AND ACCOUNTABILITY

Public trust exists when stakeholders see that RECO carries out its mandate under a strong policy structure, operates effectively, allocates resources responsibly, and maintains reserves that will provide funding for future strategic developments and/or to allow the flexibility to weather risks that may turn into issues. RECO uses its website and other media to report on its activities throughout the year, publishes its strategic and business plans, and produces an annual report detailing its performance against business objectives, together with audited financial statements.

Financial Results

COMPARATIVE INCOME STATEMENT

	2018	2017	Increase (Decrease)
	\$'000	\$'000	\$'000
Total revenues	24,710	22,535	2,175
Total operating expenses	22,825	19,457	3,368
Total governance-related expenses	491	737	(246)
Total expenses	23,316	20,194	3,122
Net income	1,394	2,341	(947)

Operational strength over the last two years has increased our reserves by \$3.7 million.

COMPARATIVE REVENUES

	2018	2017	Increase (Decrease)
	\$'000	\$'000	\$'000
Registration fees	16,217	14,579	1,638
Application review fees	2,317	1,864	453
Education	4,329	4,339	(10)
Other income	1,446	1,457	(11)
Interest income	401	296	105
Total revenues	24,710	22,535	2,175

Revenue growth was driven by a net increase in registrants year over year and from flow-through effects of the fee structure changes implemented in 2017.

Education revenues include registration education and Mandatory Continuing Education (MCE), and fluctuate based on enrollments. The increased registrants contributed to increased MCE enrollments which was offset by fewer registration education enrollments.

Interest income was higher primarily due to higher interest rates.

COMPARATIVE OPERATING EXPENSES

	2018	2017	Increase (Decrease)
	\$'000	\$'000	\$'000
Salaries and benefits	12,753	10,983	1,770
Government assessments	1,291	635	656
Outside services	3,826	3,228	598
Amortization of capital and intangible assets	1,044	993	51
Occupancy costs	1,581	1,621	(40)
Other operating	2,330	1,997	333
Total operating expenses	22,825	19,457	3,368

Salaries and benefits

As a service organization, salaries and benefits are RECO's largest expense, representing 56% of total operating costs.

Changes in 2018 salaries and benefits are the result of three initiatives: completion of the customer-centric structure initiated in 2017; substantial completion of the compensation review implementation discussed previously; and, strategic investment in the development of the new registration education program. These important initiatives contributed equally to the increase and each was supported by the Board prior to the start of 2018.

These initiatives were important in helping RECO achieve its strategic goals. Registration education is critical to consumer protection excellence. Implementing the customer-centric structure

and the compensation review helps RECO achieve organizational excellence; this is reflected through improved service delivery. The benefits of the increased capacity contributed to a 42% reduction in the complaints backlog, a 17% increase in inspections completed, and a 4% increase in consumer complaints handled in 2018, as well as advancing development of the new registration education program.

Government assessments

Government assessments include WSIB, EI, CPP, and EHT. The cost increases were largely the result of Workers Safety Insurance Board (WSIB) premium changes implemented in 2018, at the request of WSIB. These costs covered the period from mid-2017 to the end of 2018.

Outside services

Outside services costs increased for oversight work on the new registration education program and development of the new registrant database system.

This was partially offset by lower costs for communications activities, as the rollout of the next major campaign will occur in 2019.

Other outside services vary from year to year. The total investments in 2018, for those listed below, were comparable to those in 2017:

- + an independent assessment of the Mandatory Continuing Education (MCE) program;
- + assistance in the development of an Enterprise Risk & Innovation Management (ER&IM) program;
- + an independent review of RECO's governance structure, policies and practices;
- + a compensation review; and
- + an employee engagement follow-up.

Other operating

Other operating increases reflect higher investment in staff training and development as well as registration education project subject matter expert consulting costs.

GOVERNANCE RELATED EXPENSE

	2018	2017	Increase (Decrease)
	\$'000	\$'000	\$'000
Board per diems	132	235	(103)
Board meeting and travel expenses	83	161	(78)
Other governance-related costs	10	78	(68)
Election costs	18	20	(2)
Annual General Meeting	49	44	5
Ontario Government oversight fees	199	199	-
Total governance related expense	491	737	(246)

Governance costs dropped in 2018 as Board activities returned to historical levels following the recruitment of the CEO at the end of 2017.

Capital Expenditures

	2018	2017	Increase (Decrease)
	\$'000	\$'000	\$'000
Computer equipment	576	626	(50)
Computer software	30	55	(25)
Leasehold improvements and office furniture and equipment	15	552	(537)
Total capital expenditures	621	1,233	(612)

Overall capital expenditures decreased as a result of lower office furniture and equipment costs, following completion of the office reconfigurations in 2017.

Net Assets

Net assets are made up of reserve funds (restricted and unrestricted) and fixed assets (capital assets and intangible assets). As part of the organization's risk management strategy, and in line with the policy on financial reserves, the restricted reserve was increased by \$2 million to provide a reserve to cover approximately four months of expenses. The unrestricted reserve fund balance is intended to be used for strategic initiatives such as the new registration education program.

Funds not required immediately for operations are invested in guaranteed investment certificates in accordance with the investment policy approved by the Board of Directors.

	December 31, 2018	December 31, 2017	Increase (Decrease)
	\$'000	\$'000	\$'000
Unrestricted	3,509	3,707	(198)
Internally restricted operating reserve	8,000	6,000	2,000
Total reserve fund balances	11,509	9,707	1,802

Outlook for 2019

2019 is an exciting year for RECO. RECO has set in motion a bold new strategic plan for 2019-2023 that will focus on three goals: delivering innovative and progressive regulation; supporting an informed real estate market in Ontario; and, creating a resilient organization. Flowing from those goals are specific objectives to be achieved during the plan. These objectives include:

- + To progress on **delivering innovative and progressive regulation**, RECO will oversee the development and launch of the registration education program, complete the implementation of the ER&IM program, and expand its ability to monitor, analyze and respond to the external environment.
- + To progress on **supporting an informed real estate marketplace**, RECO will deliver a comprehensive consumer outreach program, and take opportunities to partner with the industry and consumer protection organizations in raising awareness.
- + To progress on **creating a resilient organization**, RECO will continue to strengthen its governance structure and policies. To assess long-term organizational funding for human and other operational resources, and capital requirements, RECO will develop and build on a sustainability framework to be integrated into RECO's planning cycle.

FINANCIAL OUTLOOK

	Budget	Actuals	
	2019	2018	Increase (Decrease)
	\$'000	\$'000	\$'000
Registration fees	16,548	16,217	331
Application review fees	2,183	2,317	(134)
Education	4,041	4,329	(288)
Other income	1,388	1,446	(58)
Interest income	400	401	(1)
Total revenues	24,560	24,710	(150)
Operating expenses			
Salaries and benefits	13,765	12,753	1,012
Payroll assessments	1,161	1,291	(130)
Outside services	5,969	3,826	2,143
Amortization of capital and intangible assets	1,239	1,044	195
Occupancy costs	1,576	1,581	(5)
Other operating	2,482	2,330	152
Total operating expenses	26,192	22,825	3,367
Total governance-related expenses	575	491	84
Total expenses	26,767	23,316	3,451
Net Income/(Loss)	(2,207)	1,394	(3,601)

Revenues are expected to decrease in 2019 due to slower growth in registrants (registration fees), fewer new and reinstating registrants (review fees), a reduction in registration education enrollments during the transition to the new education program (education), and fewer transfers (other income).

Expenses are expected to increase by \$3.5M, or 15% to yield meaningful advances on the key objectives of RECO's Strategic Plan 2019-2023.

Deliver innovative, progressive regulation

Approximately 4% of this 15% represents additional investment in the oversight of the registration education program and enhancements to the Mandatory Continuing Education (MCE) program, all part of delivering innovative, progressive regulation.

Support an informed real estate marketplace

Approximately 2% of this 15% represents additional investment to support an informed real estate marketplace through increased outreach programs.

Create a resilient organization

Approximately 5% of this 15% represents investments to improve the functionality of the registrant database system and to transition from software licensing to software as a service. These measures are important to creating a resilient organization.

Approximately 4% of this 15% applies to ongoing business maintenance:

- + 3% due to the full year impact of the new organizational structure, which was implemented from 2016 to 2018.
- + 1% resulting from a number of general items such as capital expenditure amortization and investment in training and development.

Insurance Program

Overview

RECO's principal objective is to facilitate insurance coverage for consumer deposits (protection of consumers), for errors and omissions insurance (protection of consumers and registrants), and for commission protection insurance (protection of registrants). Net assets of the Insurance Program Funds are restricted for use in the Insurance Program.

Insurance Program receipts are derived from the premiums, the contributions to the program stability fund, the contributions to the insurance administration fund plus the applicable taxes. They are held in trust and segregated from general operating funds. Insurance receipts are amortized to income over the period of the insurance policy.

Financial Results of Insurance Program

NET INCOME BY FUND

	2018	2017	Increase
	\$'000	\$'000	\$'000
Insurance Premium Fund	-	-	-
Program Stability Fund	1,770	1,288	482
Insurance Administration Fund	448	372	76
Net income	2,218	1,660	558

INSURANCE PREMIUM FUND

All premiums collected under the plan are paid over to the insurer. As a result, net income for the fund is nil. The premium portion at \$373 was the same for 2017 and 2018; however, premium revenue and expenses increased by \$978k or 3%, due to growth in registrants.

PROGRAM STABILITY FUND

The fund is intended to protect registrants against future significant increases in insurance premiums, or for other events that may impact registrants such as changes in program coverage. Insurance fees are allocated to the stability and administration revenues. The administration fund required less allocation of revenues in 2018 which resulted in an increase in stability fund revenues. That increase, together with increased registrants, resulted in an increase of \$413k in revenue. The remaining fund increase was due to interest income. No expenses are charged to this fund.

INSURANCE ADMINISTRATION FUND

Insurance administration revenues increased by \$213k due to increased registrants coupled with a 1% increase in insurance fees. Miscellaneous income, representing suspension fees, decreased by \$30k offset by interest income of \$34k. Insurance claim volumes increased 11% in 2018 over the prior year. This plus increased registrant transaction costs (credit card fees and postage) resulted in an overall increase of \$141k in administration costs.

Fund Balances

	December 31, 2018	December 31, 2017	Increase
	\$'000	\$'000	\$'000
Insurance Premium Fund	54	54	-
Program Stability Fund	22,043	20,273	1,770
Insurance Administration Fund	1,484	1,036	448
Total insurance program Fund Balances	23,581	21,363	2,218

The positive net income on the stability and administration funds contributed to growth in the combined insurance program fund balances at the end of 2018.



Independent

Auditors' Report

To the Board of Directors of
Real Estate Council of Ontario

Opinion

We have audited the financial statements of Real Estate Council of Ontario (the Entity) which comprise:

- + the statement of financial position as at December 31, 2018
- + the statement of operations for the year then ended
- + the statement of changes in fund balances for the year then ended
- + the statement of cash flows for the year then ended
- + and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements, present fairly, in all material respects, the financial position of the Entity as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “**Auditors' Responsibilities for the Audit of the Financial Statements**” section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. Other information comprises:

- + the information, other than the financial statements and the auditors' report thereon, included in the Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditors' report thereon, included in the Management's Discussion and Analysis as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in

accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

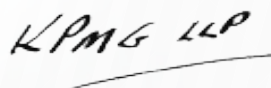
As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- + Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- + Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- + Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- + Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- + Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- + Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Chartered Professional Accountants,
Licensed Public Accountants

Vaughan, Canada
March 21, 2019

Real Estate Council of Ontario

Statement of Financial Position

December 31, 2018, with
comparative information for 2017

	OPERATIONS FUND		INSURANCE PROGRAM FUND		TOTAL	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current assets:	\$	\$	\$	\$	\$	\$
Cash	882,937	1,292,163	212,225	564,987	1,095,162	1,857,150
Short-term investments (note 2)	30,040,208	25,807,988	26,583,711	23,415,223	56,623,919	49,223,211
Accounts receivable	989,492	879,900	131,653	102,621	1,121,145	982,521
Prepaid insurance premiums	-	-	19,401,471	18,608,224	19,401,471	18,608,224
Deposits and prepaid expenses	467,222	460,399	-	-	467,222	460,399
	32,379,859	28,440,450	46,329,060	42,691,055	78,708,919	71,131,505
Capital assets (note 3)	2,293,776	2,422,900	-	-	2,293,776	2,422,900
Intangible assets (note 4)	2,278,328	2,571,997	-	-	2,278,328	2,571,997
	36,951,963	33,435,347	46,329,060	42,691,055	83,281,023	76,126,402
LIABILITIES AND ACCUMULATED FUND BALANCES						
Current liabilities:						
Accounts payable and accrued liabilities (notes 3 and 6)	2,211,899	1,748,253	30,830	18,448	2,242,729	1,766,701
Accrued insurance premiums	-	-	311,013	233,147	311,013	233,147
Government fee payable (note 5)	165,000	165,000	-	-	165,000	165,000
Deferred lease inducement (note 6)	95,268	95,268	-	-	95,268	95,268
Deferred registration fees (note 7(a))	13,327,530	12,010,365	-	-	13,327,530	12,010,365
Deferred insurance fees (note 7(b))	-	-	22,405,330	21,075,762	22,405,330	21,075,762
	15,799,697	14,018,886	22,747,173	21,327,357	38,546,870	35,346,243
Deferred lease inducement (note 6)	214,353	309,621	-	-	214,353	309,621
Deferred registration fees (note 7(a))	4,887,879	4,451,103	-	-	4,887,879	4,451,103
	20,901,929	18,779,610	22,747,173	21,327,357	43,649,102	40,106,967
Accumulated fund balances:						
Investment in capital assets and intangible assets (notes 3 and 4)	4,540,929	4,948,459	-	-	4,540,929	4,948,459
Restricted insurance program fund balances (Schedule 2)	-	-	23,581,887	21,363,698	23,581,887	21,363,698
Internally restricted operating reserve	8,000,000	6,000,000	-	-	8,000,000	6,000,000
Unrestricted	3,509,105	3,707,278	-	-	3,509,105	3,707,278
	16,050,034	14,655,737	23,581,887	21,363,698	39,631,921	36,019,435
Commitments and contingencies (notes 9, 10 and 11)						
	36,951,963	33,435,347	46,329,060	42,691,055	83,281,023	76,126,402

See accompanying notes to financial statements.

Real Estate Council of Ontario Statement of Operations

Year ended December 31, 2018, with comparative information for 2017	OPERATIONS FUND		INSURANCE PROGRAM FUND		TOTAL	
	2018	2017	2018	2017	2018	2017
Revenue:	\$	\$	\$	\$	\$	\$
Registration fees (note 7(a))	16,217,004	14,578,586	-	-	16,217,004	14,578,586
Application review fees	2,316,800	1,864,020	-	-	2,316,800	1,864,020
Insurance fees (Schedule 2)	-	-	32,909,801	31,304,679	32,909,801	31,304,679
Education (note 8)	4,328,672	4,339,160	-	-	4,328,672	4,339,160
Other income	1,445,924	1,456,706	129,939	160,425	1,575,863	1,617,131
	24,308,400	22,238,472	33,039,740	31,465,104	57,348,140	53,703,576
Expenses and expenditures:						
Council expenditures (Schedules 1 and 2)	23,315,794	20,193,872	31,257,432	30,137,960	54,573,226	50,331,832
Operating income before interest income	992,606	2,044,600	1,782,308	1,327,144	2,774,914	3,371,744
Interest income	401,691	296,232	435,881	332,406	837,572	628,638
Net income	1,394,297	2,340,832	2,218,189	1,659,550	3,612,486	4,000,382

See accompanying notes to financial statements.

Real Estate Council of Ontario Statement of Changes in Fund Balances

Year ended December 31, 2018, with comparative information for 2017					2018	2017
	Investment in capital assets and intangible assets	Restricted insurance program fund balances	Internally restricted operating reserve	Unrestricted	Total	Total
	\$	\$	\$	\$	\$	\$
	(Schedule 2)					
Balance, beginning of year	4,948,459	21,363,698	6,000,000	3,707,278	36,019,435	32,019,053
Net income	-	2,218,189	-	1,394,297	3,612,486	4,000,382
Interfund transfer	-	-	2,000,000	(2,000,000)	-	-
Purchase of capital and intangible assets	620,709	-	-	(620,709)	-	-
Amortization of capital and intangible assets	(1,043,502)	-	-	1,043,502	-	-
Capital equipment lease payments	15,263	-	-	(15,263)	-	-
Balance, end of year	4,540,929	23,581,887	8,000,000	3,509,105	39,631,921	36,019,435

See accompanying notes to financial statements.

Real Estate Council of Ontario Statement of Cash Flows

Year ended December 31, 2018, with comparative information for 2017	OPERATIONS FUND		INSURANCE PROGRAM FUND		TOTAL	
	2018	2017	2018	2017	2018	2017
	\$	\$	\$	\$	\$	\$
Cash flows from (used in) operating activities:						
Registration fee receipts	17,970,945	16,411,097	-	-	17,970,945	16,411,097
Application review fee receipts	2,369,500	1,864,020	-	-	2,369,500	1,864,020
Education receipts	4,263,644	4,295,328	-	-	4,263,644	4,295,328
Insurance premium fees receipts	-	-	30,945,051	29,387,642	30,945,051	29,387,642
Insurance program stability fees receipts	-	-	1,800,881	1,312,791	1,800,881	1,312,791
Insurance administration fees receipts	-	-	1,493,437	1,417,959	1,493,437	1,417,959
Other receipts	1,445,924	1,429,841	130,004	159,737	1,575,928	1,589,578
Insurance premiums paid	-	-	(30,693,065)	(29,627,795)	(30,693,065)	(29,627,795)
Cash paid to suppliers and employees	(21,948,175)	(18,824,129)	(1,267,432)	(1,136,869)	(23,215,607)	(19,960,998)
	4,101,838	5,176,157	2,408,876	1,513,465	6,510,714	6,689,622
Cash flows from (used in) investing activities:						
Interest received	357,128	269,743	406,850	317,038	763,978	586,781
Purchase of capital assets	(590,770)	(1,178,648)	-	-	(590,770)	(1,178,648)
Purchase of intangible assets	(29,939)	(54,803)	-	-	(29,939)	(54,803)
	(263,581)	(963,708)	406,850	317,038	143,269	(646,670)
Cash flows used in financing activities:						
Capital equipment lease payments	(15,263)	(13,841)	-	-	(15,263)	(13,841)
Net increase in cash and cash equivalents	3,822,994	4,198,608	2,815,726	1,830,503	6,638,720	6,029,111
Cash and cash equivalents, beginning of year	27,100,151	22,901,543	23,980,210	22,149,707	51,080,361	45,051,250
Cash and cash equivalents, end of year	30,923,145	27,100,151	26,795,936	23,980,210	57,719,081	51,080,361
Cash and cash equivalents is represented by:						
Cash	882,937	1,292,163	212,225	564,987	1,095,162	1,857,150
Short-term investments	30,040,208	25,807,988	26,583,711	23,415,223	56,623,919	49,223,211
	30,923,145	27,100,151	26,795,936	23,980,210	57,719,081	51,080,361

See accompanying notes to financial statements.

Notes to Financial Statements

The Real Estate Council of Ontario (“RECO”) is a not-for-profit organization, incorporated by letters patent under the Canada Corporations Act on January 24, 1997. On July 8, 2014, a Certificate of Continuance under the Canada Not-for-Profit Corporations Act was issued to RECO. RECO is exempt from tax under the Income Tax Act (Canada).

On May 5, 1997, RECO received delegated responsibility to administer the Real Estate and Business Brokers Act (the “Act”). RECO’s mandate is to protect consumers and to administer the regulatory requirements of Ontario’s real estate profession. On March 31, 2006, the *Real Estate and Business Brokers Act, 2002* (“REBBA 2002”) was proclaimed.

Consumer deposit insurance, errors and omissions insurance and commission protection insurance are mandatory under REBBA 2002. Payments required under REBBA 2002 are designated to three funds within the Insurance Program Fund: the Insurance Premium Fund, the Program Stability Fund and the Insurance Administration Fund.

The Insurance Premium Fund is a restricted fund that is used to hold the insurance premiums that will be remitted to the insurer. The Program Stability Fund is a restricted fund that may be used to offset future increases in the premiums charged by the insurer. This fund may also be used to reduce the present level of premiums. The Insurance Administration Fund is a fund used to pay the administrative costs associated with the operation of the program.

On May 19, 2016, the Board of Directors approved the creation of an internally restricted operating reserve through an initial transfer of \$2,000,000 from the unrestricted accumulated fund balance. The purpose of the internally restricted operating reserve fund is to cover unforeseen operating shortfalls. Additions to or drawings from the internally restricted operating reserve fund are at the discretion of the Board of Directors.

1. Significant accounting policies:

(a) Basis of preparation:

The financial statements have been prepared in accordance with Canadian accounting standards

for not-for-profit organizations (“ASNPO”) as issued by the Canadian Accounting Standards Board.

(b) Revenue recognition:

RECO follows the deferral method of accounting for revenue. RECO derives its revenue primarily from fees charged to register as a real estate salesperson, a real estate broker, and a real estate brokerage, fees charged to review applications, fees charged for mandatory continuing education, amounts receivable under an education services agreement (the “Education Services Agreement”) with the Ontario Real Estate Association (“OREA”), and fees charged for the administration of the insurance program.

Registration proceeds are for a two-year period. Revenue is recognized evenly over this two-year period consistent with the period in which services are to be rendered. Amounts related to future years are recorded as deferred registration fees.

Fees charged to review applications and for mandatory continuing education are recognized as they are earned.

Amounts received under the amended Education Services Agreement are recognized as they are earned. One-time amounts received under the preceding Education Services Agreement were recognized evenly over the period of the agreement. Details related to the amended and preceding agreements are set out in note 8.

Insurance proceeds are for the one-year period of the insurance policy, which runs from September 1 of the current year to August 31 of the following year. Amounts related to the following year are recorded as deferred revenue. Other amounts receivable are recognized in the year received.

(c) Financial instruments:

Financial instruments are recorded at fair value on initial recognition. Freestanding derivative instruments that are not in a qualifying hedging relationship and equity instruments that are quoted in an active market are subsequently measured at fair value. All other financial instruments are subsequently recorded at cost or amortized cost, unless management has elected to carry the instruments at fair value. RECO has not elected to carry any such financial instruments at fair value.

Transaction costs incurred on the acquisition of financial instruments measured subsequently at fair value are expensed as incurred. All other financial instruments are adjusted by transaction costs incurred on acquisition and financing costs, which are amortized using the straight-line method.

Financial assets are assessed for impairment on an annual basis at the end of the fiscal year if there are indicators of impairment. If there is an indicator of impairment, RECO determines if there is a significant adverse change in the expected amount or timing of future cash flows from the financial asset. If there is a significant adverse change in the expected cash flows, the carrying value of the financial asset is reduced to the highest of the present value of the expected cash flows, the amount that could be realized from selling the financial asset or the amount RECO expects to realize by exercising its right to any collateral. If events and circumstances reverse in a future period, an impairment loss will be reversed to the extent of the improvement, not exceeding the initial carrying value.

(d) Capital assets:

Capital assets are recorded at cost, less accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Computer equipment	30%
Office furniture and equipment	20%
Leasehold improvements	Over the term of the lease
Office equipment, subject to capital lease	Over the term of the lease

(e) Intangible assets:

Intangible assets include a management information system and other computer software and are recorded at cost, less accumulated amortization. Amortization of intangible assets is provided on a straight-line basis over the estimated useful lives of the assets at the following annual rates:

Management information system	10%
Computer software	30%

(f) Impairment of capital and intangible assets:

When a capital or intangible asset no longer has any long-term service potential, the excess of its net carrying value is recognized as an expense in the statement of operations. There were no impairment charges recognized for capital and intangible assets in 2018 and 2017.

(g) Lease inducements:

Lease inducements are amortized on a straight-line basis as a reduction of rent expense over the term of the lease.

(h) Use of estimates:

The preparation of RECO's financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses and expenditures during the year. Significant items subject to such estimates and assumptions include the valuation of certain receivables and accrued liabilities. Actual results could differ from those estimates.

2. Short-term investments:

Short-term investments consist of guaranteed investment certificates ("GICs") with interest rates ranging from 1.2% to 3.0% (2017 - 1.0% to 1.8%) and maturities ranging from January 2019 to June 2020 (2017 - January 2018 to May 2020).

3. Capital assets:

	2018		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer equipment	2,986,092	2,117,274	868,818
Office furniture and equipment	2,737,943	2,474,099	263,844
Leasehold improvements	3,096,984	1,965,405	1,131,579
Office equipment, subject to capital lease	77,046	47,511	29,535
	8,898,065	6,604,289	2,293,776

	2017		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer equipment	2,409,954	1,806,353	603,601
Office furniture and equipment	2,732,930	2,399,853	333,077
Leasehold improvements	3,096,984	1,655,706	1,441,278
Office equipment, subject to capital lease	77,046	32,102	44,944
	8,316,914	5,894,014	2,422,900

RECO has commitments under the terms of a capital lease for office equipment. The following is a schedule of future minimum lease payments under the capital lease expiring December 1, 2020 together with the balance of the obligation under the capital lease, which is included in accounts payable and accrued liabilities:

	\$
2019	19,246
2020	14,435
	33,681
Less amount representing interest at 9%	2,506
	31,175

4. Intangible assets:

	2018		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Management information system	2,479,306	297,517	2,181,789
Computer software	1,474,094	1,377,555	96,539
	3,953,400	1,675,072	2,278,328

	2017		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Management information system	2,479,306	83,677	2,395,629
Computer software	1,444,155	1,267,787	176,368
	3,923,461	1,351,464	2,571,997

5. Administrative agreement:

An administrative agreement exists between RECO and the Ministry of Consumer Services (the "Agreement"). Amounts payable under the Agreement are recognized in the year incurred. In the current year, \$198,707 (2017 - \$198,707) was incurred as an expense. Amounts for future years will be as determined by the Ministry of Consumer Services.

6. Deferred lease inducement:

RECO received lease inducements to enter into a long-term lease. Inducements include the reimbursement by the lessor of certain expenditures for leasehold improvements by RECO and graduated rental increases. These inducements are amortized on a straight-line basis as a reduction of rental expense over the term of the lease. The liability of \$103,207 related to graduated rental increases is recorded in accounts payable and accrued liabilities (2017 - \$134,963). The liability related to the reimbursement of leasehold improvements is recorded as deferred lease inducement, as follows:

	\$
Balance, December 31, 2017	404,889
Amortized to rental expense 2018	95,268
Balance, December 31, 2018	309,621
Amounts to be amortized in 2019	95,268
Amounts to be amortized in 2020 and subsequent years	214,353
	309,621

7. Deferred revenue:

(a) Operations Fund:

Deferred revenue represents registration fees received that relate to subsequent periods. The movements in the deferred revenue balance during the year were:

	\$
Balance, December 31, 2017	16,461,468
Registration fees received in 2018	17,970,945
Less amounts recognized as revenue in 2018	16,217,004
Balance, December 31, 2018	18,215,409
Amounts to be recognized as revenue in 2019	13,327,530
Amounts to be recognized as revenue in 2020	4,887,879
	18,215,409

(b) Insurance Program Funds:

Deferred revenue represents insurance payments received that relate to the next fiscal year. The movements in the deferred revenue balance during the year were:

	Insurance Premium Fund	Premium Stability Fund	Insurance Administration Fund	Total
	\$	\$	\$	\$
Balance, December 31, 2017	19,276,775	865,642	933,345	21,075,762
Amounts received in 2018	30,945,051	1,800,881	1,493,437	34,239,369
Less amounts recognized as revenue in 2018	29,977,684	1,482,264	1,449,853	32,909,801
Balance, December 31, 2018 and amounts to be recognized as revenue in 2019	20,244,142	1,184,259	976,929	22,405,330

8. Education revenue:

Education revenue includes fees charged for mandatory continuing education and amounts receivable under the Education Services Agreement.

The Education Services Agreement between the Registrar appointed under REBBA 2002, RECO and OREA became effective August 1, 2008. In this agreement, the Registrar designated OREA as the sole fiduciary designate to provide the services, functions and responsibilities described in the agreement for a five-year period. The agreement was extended to July 31, 2018.

On January 11, 2016, the agreement was amended to allow for an end date of December 31, 2020 and included changes in the fee structure as follows:

- + For the period commencing January 1, 2016 to March 31, 2016, OREA agreed to pay \$50,000 on February 1, 2016 and 5% per annum of all course revenue, education materials and other revenue of the OREA Real Estate College up to March 31, 2016, to be paid quarterly.
- + For the period commencing April 1, 2016, OREA agreed to pay \$42 per enrollment, minus reimbursements, for student contracts for vocational programs signed on or after April 1, 2016 to be paid quarterly, and \$32 per enrollment, minus reimbursements, for student contracts for vocational programs signed prior to April 1, 2016 to be paid quarterly.

On March 30, 2017, RECO entered into an agreement with the consortium of Humber College and NIIT Canada as the future provider of registration education. The agreement calls for RECO to receive \$2,000,000 annually beginning on the last day of the six-month anniversary of the program launch date. RECO is also entitled to 5% of all course revenue in excess of \$20,000,000 within a calendar year.

9. Commitments:

In addition to the capital lease obligation described in note 3, RECO has minimum operating lease commitments under leases for premises and equipment. The future estimated payments are as follows:

	\$
2019	734,261
2020	734,261
2021	734,261
2022	183,565
	2,386,348

RECO is also committed to make insurance premium payments of \$1,153,685. These payments are due on August 31, 2019.

10. Funds held in trust:

RECO holds in trust consumer deposits transferred by brokers as dormant trust funds. As at December 31, 2018, these deposits amounted to \$5,139,081 (2017 - \$4,697,841). These amounts have not been included in the financial statements as RECO does not control or benefit from these funds.

11. Contingencies:

RECO is involved in various claims and litigation both as plaintiff and respondent. In the opinion of management, the resolution of claims against RECO will not result in a material effect on the financial position of RECO. Any settlements will be reflected in the statement of operations if the likelihood of loss is more likely than not and the amount can be reasonably determined. Any awards will be recognized as the matters are resolved.

12. Financial instruments:

The main risks to which RECO's financial instruments are exposed are interest rate risk, market risk and credit risk. It is management's opinion that RECO is not exposed to significant foreign exchange risk or cash flow risk. There has been no change to the risk exposure from 2017.

(a) Interest rate risk:

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in market interest rates. RECO is exposed to interest rate risk through its short-term investments. RECO's primary objective with respect to its investments in short-term investments is to ensure security of principal amounts invested and provide a high degree of liquidity.

(b) Market risk:

Market risk arises from the possibility that changes in market prices will affect the value of the financial instruments of RECO. RECO manages its risk by investing only in highly liquid and short-term GICs.

(c) Credit risk:

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially subject RECO to credit risk consist principally of cash and short-term investments. RECO places its cash and short-term investments with high quality institutions to mitigate this risk.

RECO is exposed to credit risk on accounts receivable from OREA. RECO's accounts receivable risk is considered to be low, as receivables are recognized only if it is reasonably certain the monies will be received.

13. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year. The reclassification has no effect on previously reported results or fund balances.

Real Estate Council of Ontario

Schedule 1 - Schedule of Council Expenditures

Year ended December 31, 2018, with comparative information for 2017

	2018	2017
	\$	\$
Operating Expenses:		
Executive management	620,563	465,557
Secretariat	5,238,912	5,263,141
Regulatory	6,797,852	5,130,698
Operations	6,867,448	5,331,644
Facilities cost	1,581,385	1,620,505
	21,106,160	17,811,545
Board of Directors and Committees:		
Board of Directors	150,970	289,377
Director Development Committee	7,120	5,748
Governance Committee	19,318	37,314
Audit and Risk Committee	3,824	3,318
Finance Committee	14,826	10,757
CEO Selection and Evaluation Committees	19,261	49,285
Other governance-related costs	10,101	78,367
	225,420	474,166
Other Corporate:		
Amortization of capital assets	719,894	741,253
Amortization of intangible assets	323,608	251,517
Credit card charges and fees	409,039	370,394
Ontario government oversight fees (note 5)	198,707	198,707
Corporate insurance	178,219	181,855
Annual general meeting	48,986	44,205
Elections	18,246	20,126
Audit fees	39,515	36,411
National and international regulators' groups	48,000	63,693
	1,984,214	1,908,161
	23,315,794	20,193,872

Real Estate Council of Ontario

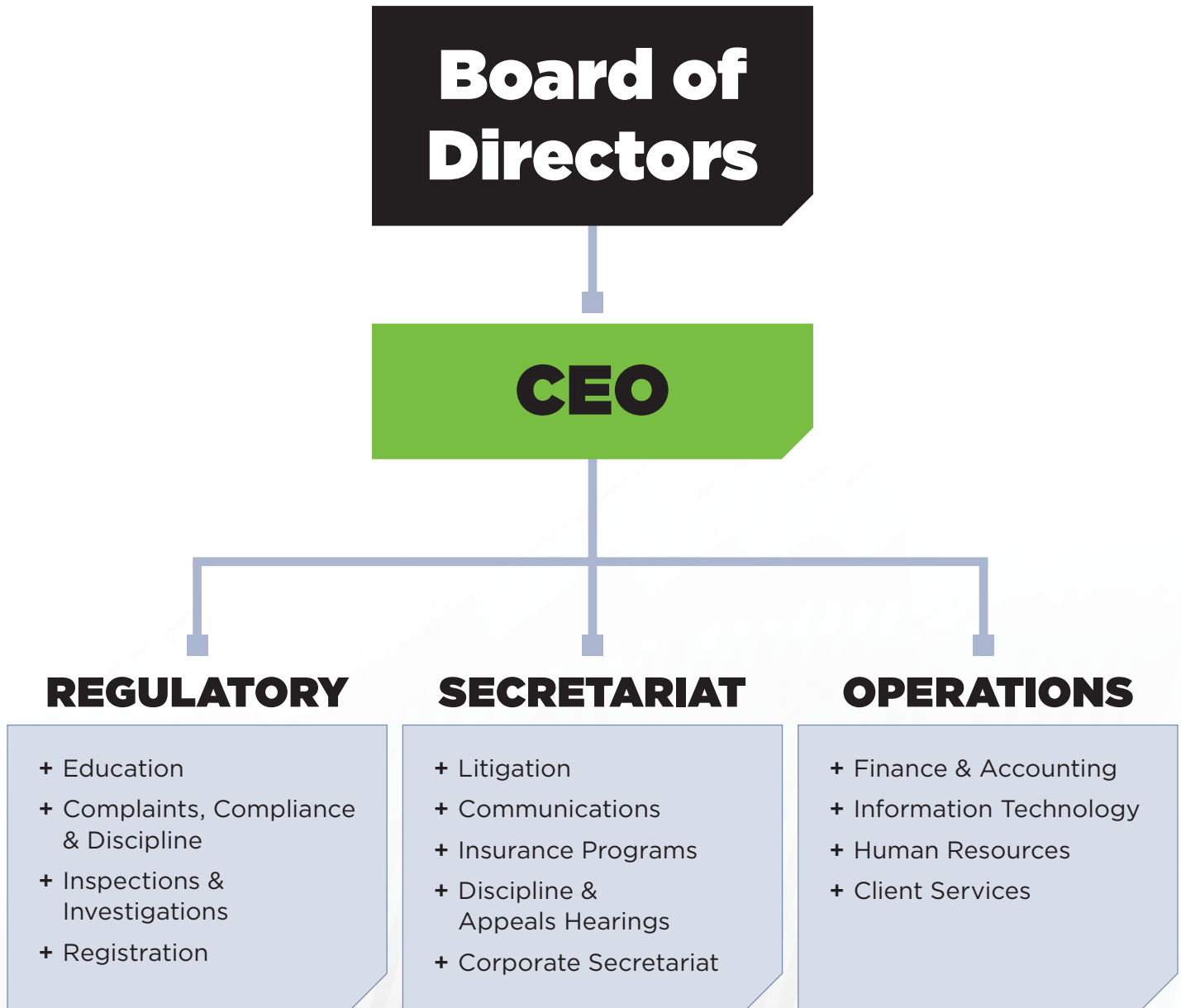
Schedule 2 - Schedule of Insurance Program Fund Balances

Year ended December 31, 2018, with comparative information for 2017

				Total	
	Insurance Premium Fund	Premium Stability Fund	Insurance Administration Fund	2018	2017
	\$	\$	\$	\$	\$
Revenue:					
Insurance fees recognized	29,977,684	1,482,264	1,449,853	32,909,801	31,304,679
Other income	-	-	129,939	129,939	160,425
	29,977,684	1,482,264	1,579,792	33,039,740	31,465,104
Expenses:					
Insurance department	-	-	633,741	633,741	538,096
Insurance committee	-	-	7,792	7,792	11,558
Credit card charges and fees	-	-	626,120	626,120	576,928
Audit fees	-	-	12,095	12,095	11,865
Insurance premium expense	29,977,684	-	-	29,977,684	28,999,513
	29,977,684	-	1,279,748	31,257,432	30,137,960
Operating income before interest income	-	1,482,264	300,044	1,782,308	1,327,144
Interest income	-	287,681	148,200	435,881	332,406
Net income	-	1,769,945	448,244	2,218,189	1,659,550
Accumulated fund balances, beginning of year	54,369	20,273,488	1,035,841	21,363,698	19,704,148
Accumulated fund balances, end of year	54,369	22,043,433	1,484,085	23,581,887	21,363,698

Governance

Organizational Structure





Standing (L to R): Ashwani Bhardwaj, Frank Dattilo, Bill Yetman, Steve Boxma, Glenda Brindle, Michael Appleton
 Sitting (L to R): Tony Ma, Lucy Impera, Bettianne Hedges, Jody Lavoie, Michael Beard, Bill Johnston

Board of Directors

The Real Estate Council of Ontario (RECO) is governed by a 12-member Board of Directors, including nine elected members registered under the *Real Estate and Business Brokers Act, 2002* (REBBA) and three non-registrant members appointed by the Minister of Government and Consumer Services. RECO's Board of Directors is responsible for providing progressive and collective leadership to RECO. In 2018, the Board held eight meetings.

The day-to-day management of RECO is the responsibility of the CEO in accordance with the policies and budget established by the Board of Directors. The powers and duties imposed under REBBA are carried out by the Registrar. The management team and staff support the delivery of programs and services for consumers and registrants. As of December 31, 2018, RECO had 151 full-time employees.

Chair

JODY LAVOIE, Broker (Elected Director)
 RE/MAX Hallmark Realty Group, Brokerage
 Ottawa
 End of Term: May 2019

Vice-Chair

BILL YETMAN (Appointed Director)
 Yetman Consulting
 End of Term: February 2020

Elected Directors

MICHAEL APPLETON, Salesperson
 Royal LePage Real Estate Services Ltd., Brokerage
 Toronto
 End of Term: May 2021

STEVE BOXMA, Broker
 Royal LePage Team Realty, Brokerage
 Manotick
 End of Term: May 2020

GLENDA BRINDLE, Broker
 Royal LePage Team Realty, Brokerage
 Ottawa
 End of Term: May 2021

FRANK DATTILO, Broker of Record
 Dattilo Realty Inc., Brokerage
 Windsor
 End of Term: May 2021

BETTIANNE HEDGES, Broker
J M Edwards Associates Inc., Brokerage
Burlington
End of Term: May 2020

BILL JOHNSTON, Broker
Bosley Real Estate Ltd., Brokerage
Toronto
End of Term: May 2020

TONY MA, Broker of Record
Homelife Landmark Realty Inc., Brokerage
Markham
End of Term: May 2019

VACANT SEAT

Appointed Directors

ASHWANI BHARDWAJ
Ashmay Conveyancing
End of Term: August 2019

LUCY IMPERA
Pera-Dia International Inc.
End of Term: April 2020

Management

OFFICE OF THE CEO
MICHAEL BEARD
Chief Executive Officer

REGULATORY
JOSEPH RICHER
Registrar

KELVIN KUCEY
Deputy Registrar, Regulatory Compliance

LISA KEY
Director, Education

GAIL MCGUIRE
Manager, Registration Education

BRIAN PRENDERGAST
Manager, Inspections & Investigations

GLEN THOMAS
Manager, Complaints, Compliance & Discipline

ANGELA VOLPE
Manager, Registration

LISA WALL
Manager, Education

SECRETARIAT
LOGAN ATKINSON
General Counsel & Corporate Secretary

GEORGE DRAMETU
Director, Litigation (Interim)

RUTH GARRETT
Director, Insurance Programs

CATHERINE JACKSON
Director, Communications (Interim)

ANDRIA CORDOVEZ MULET
Manager, Board Operations

RAQUEL SMITH
Manager, Discipline and Appeals Hearings

KRISTINA WILSON
Manager, Communications

OPERATIONS
CHARLIE YOUNGER
Chief Operations Officer (Interim)

GLORIA FOUGERE
Director, Finance & Accounting

ADAM FREYSENG
Director, Client Services

SYLVIA MAUTI
Director, Human Resources

MIKE PRIME
Director, Information Technology

TIM BATES
Manager, Accounting

VASKO MARKOVSKI
Manager, Application Development

BOARD COMMITTEES		COMMITTEE MEETINGS
Audit & Risk Committee	The Committee assists the Board of Directors in meeting its fiduciary and governance responsibilities with respect to RECO's financial statements and audit, and processes related enterprise risk management.	2
Director Development Committee	The Committee supports Directors to maximize their contribution in the best interest of RECO through robust orientation, onboarding and development.	2
Finance Committee	The Committee assists the Board of Directors in fulfilling its governance responsibilities with respect to financial planning, funding/revenue strategies, approval of budgets, financial monitoring and financial policies.	5
Governance Committee	The Committee ensures RECO develops and implements an effective approach to corporate governance, which enables the business and affairs of RECO to be carried out, directed and managed in a manner that fulfils its obligations. The Committee ensures the appropriate governance principles, structures and procedures are in place to allow the Board and Committees to function effectively.	6
Insurance Committee	The Committee monitors the registrant insurance program (which consists of errors and omission insurance, consumer deposit insurance and commission protection insurance) on an ongoing basis, including claims data, policy wording and administration. It also monitors the insurance program funds created as part of the RECO insurance program, including the Program Stability Fund, Premium Fund and Administration Fund.	3

STATUTORY COMMITTEES*	
Discipline Committee	The Committee conducts hearings pertaining to alleged breaches of the Code of Ethics referred to it by the Registrar. Discipline panels determine whether or not registrants have complied with the Code of Ethics.
Appeals Committee	The Committee hears, considers, and decides appeals related to Discipline Committee decisions.

*Members of the Board of Directors cannot be appointed to the Discipline Committee or the Appeals Committee.

OTHER	
Registrar's Education Advisory Committee	The Committee provides advice to the Registrar on education-related matters. The Committee may also make recommendations regarding potential changes to educational requirements or policies related to education providers and approved subject areas in both the registration education and continuing education programs.
Industry Advisory Group	The Industry Advisory Group is established to: provide RECO with observations and advice related to existing or emerging issues in the real estate sector; identify potential enhancements in service delivery; and, to provide input related to such other matters as RECO may request from time to time.

Looking

Forward

Real estate is on the verge of change, and RECO is ready

In this report, we have talked a lot about how Ontario's real estate marketplace is changing. And we've talked about how RECO is working to become the modern regulator that consumers expect.

Nobody can predict the future, but we can strive to be resilient and flexible, to regulate effectively, no matter what the next five years bring.

As the marketplace evolves, our strategic plan, *Modern Regulation for a Dynamic Marketplace* is our "north star," guiding us toward modern regulation in three key ways:

Data-driven decision-making is at the core of RECO's work. We will use data to monitor our operating environment, allowing us to be nimble as we identify and anticipate trends, and adapt accordingly.

Risk management provides a framework for RECO to anticipate potential risks that would impact RECO's ability to reach its strategic goals, as well as opportunities for innovation—and thereby remain an effective regulator.

Sustainability will guide RECO's effective use of its financial resources, staff and infrastructure to carry out day-to-day operations while implementing important changes.

These are three prerequisites to long-term success, setting the stage for RECO to make bold moves so that we can anticipate and keep pace with an ever-evolving marketplace.

Important developments on the horizon

A modern education program for the salespeople of tomorrow

We are hard at work with our partners, NIIT Canada and Humber College, on the future of pre-registration education. The program's core design is focussed on giving new salespeople the knowledge and skills to be practice-ready on day one. There are three important features of the program:

1. Learning paths that follow the flow of a real estate transaction, weaving in key legal elements while giving learners a mix of theory and practical knowledge.
2. Multiple learning options: all learners will take e-learning to obtain foundational knowledge, with the option of working with a facilitator online or in-person for extra support.
3. A thorough testing regime that goes beyond written theory exams. Learners will go through week-long simulation sessions where they apply their knowledge to real-life scenarios, while being coached by experienced real estate professionals.

Enhancements to Mandatory Continuing Education

After a thorough review of RECO's Mandatory Continuing Education (MCE) program, we are now at work on developing enhancements:

- + An in-person learning option, for those who prefer to learn that way. This option will be designed to meet the learner needs and interests identified through consultation, including focus groups.

- + New technical measures to confirm that registrants are taking e-learning courses personally.
- + Support for more devices, such as tablets and smartphones.

REBBA reform is a once-in-a-generation opportunity

The Ontario Government is taking a comprehensive look at reforms to the *Real Estate and Business Brokers Act, 2002* (REBBA). REBBA is the core legislation that helps ensure a fair, safe and informed real estate marketplace for all Ontarians.

This is a rare opportunity to make substantive changes that reflect the modern reality of real estate, while building in flexibility to incorporate emerging technology, evolving business models and growing consumer expectations.

As RECO looks at how to become a more modern regulator, modernizing our foundational legislation is a very exciting prospect. We look forward to working with the government and real estate associations to ensure REBBA continues to provide a framework for a fair real estate marketplace into the future.



Where do you see RECO in five years?

“”

There is going to be a big push in technological innovation, using data-driven decisions for everything from discipline to insurance to registration.

*Jody Lavoie,
RECO Chair*

“”

I see RECO being a model of a progressive regulator that improves the consumer and registrant experience while also enhancing consumer protection.

*Charlie Younger,
RECO COO (Interim)*





“”

RECO will be a leader in the regulatory community, in consumer protection and transparency, and in measuring success as a regulator.

*Joseph Richer,
RECO Registrar*

“”

I see RECO as being on the forefront of change, making bold moves to ensure consumer protection does not waver in an evolving environment.

*Michael Beard,
RECO CEO*

“”

We're going to be at a whole new level when it comes to data-driven decisions and risk-based decision-making, and that's going to allow us to get really creative about how we move the organization forward.

*Logan Atkinson,
RECO General Counsel &
Corporate Secretary*

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