



PROTECTING CONSUMERS SINCE 1997

2017 ANNUAL REPORT



Real Estate
Council of Ontario

Purpose, Mission & Values

A woman wearing a blue hijab and a grey blazer is looking at a filing cabinet. She has a gold watch on her left wrist and is pointing towards the cabinet with her right hand. The background is a plain, light-colored wall.

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.

CORE PURPOSE

To foster confidence and uphold integrity in real estate transactions.

MISSION

Excellence in the delivery of regulatory services that protect the public interest and enhance consumer confidence in the real estate profession.

VISION

Public trust and confidence in Ontario's real estate profession.

RESPONSIBILITY

Interpret, enforce and suggest modifications to regulations.

RELATIONSHIP

RECO has an exclusive contract with the Government of Ontario to administer the *Real Estate and Business Brokers Act, 2002* (REBBA) and must perform in a manner consistent with the government's expectations and the terms of the Administrative Agreement.

CORE VALUES

RECO is dedicated to organizational behaviour characterized by:

Fairness: Act impartially and equitably

Accountability: Administer REBBA competently in accordance with the law

Integrity: Be truthful and trustworthy

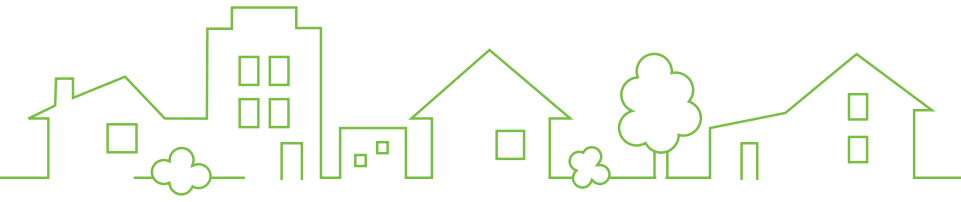
Respect: Treat all with courtesy



Table of Contents

- 6/** Chair's Message
- 8/** CEO's Message
- 10/** Registrar's Message
- 12/** 2017 Highlights
- 16/** By the Numbers
- 34/** Report on Objectives
- 48/** Financials
- 52/** Independent Auditors' Report
- 64/** Governance

Chair's Message



DELIVERING 20 YEARS OF CONSUMER PROTECTION



Mike Cusano

ON BEHALF OF THE BOARD OF DIRECTORS, I am pleased to present the Real Estate Council of Ontario's 2017 Annual Report.

The trading of real estate has been regulated since 1930 when *An Act for the Registration of Real Estate Brokers and Salesmen* came into effect. From that perspective, the creation of RECO in 1997 to regulate real estate salespeople, brokers and brokerages, and protect the public, is relatively recent.

As a broker, I know RECO has significantly improved the protection of Ontario's buyers and sellers in the two decades since its inception, and I'm very proud of the work that we continue to accomplish. In 2017, we reached important milestones in the areas of customer service, technological advancement, consumer and industry engagement, and the elevation of professional standards to enhance consumer protection. You can read about these accomplishments throughout this report.

Enhancing consumer protection

As the regulatory body that enforces the *Real Estate and Business Brokers Act, 2002* (REBBA) every day, RECO has a duty to use its expertise to provide thoughtful, well-informed advice to government on consumer protection improvements to REBBA.

In January 2017, RECO provided preliminary recommendations for enhanced consumer protection measures to the government. Soon after, in April 2017, the government announced its intention to pursue REBBA reform. This is an exciting opportunity to modernize the legislation, thereby making the marketplace safer for buyers and sellers.

I invite you to read more about the government's review of REBBA, and RECO's recommendations on page 12.

Reaching out to industry leaders

RECO has always made face-to-face interaction with the industry a priority by attending local events across the province. It's an important way to foster an engaged registrant base, learn about emerging issues and promote our shared responsibility for consumer protection and industry professionalism.

This year, we went one step further, by hosting a Town Hall tour that visited seven regions in Ontario. The tour focused on creating a constructive dialogue about key issues, including the REBBA review and Mandatory Continuing Education. Industry leaders were invited to attend in person, and all registrants were invited to watch the final Town Hall via webcast.

It was encouraging to see registrants speak passionately about these issues, and the discussions were very informative. Thank you to all who attended or tuned in.

Focusing on governance

To be an excellent regulator, RECO needs strong governance. The guidance of an increasingly strategic Board, focused on RECO's mission, is key to ensuring the organization remains strong and that we continue to effectively serve the public interest into the future.

In 2017, we focused heavily on director development through various initiatives, augmented by the creation of a new governance manual. The manual incorporates leading governance practices and provides further clarity on the strategic role of the Board.

The Board is also launching a comprehensive review of RECO's governance structure and model. The review will help ensure we are delivering the highest level of stewardship, transparency and accountability as the marketplace continues to evolve in the years to come.

Strategic direction

Providing strategic direction is the most important function of RECO's Board. With significant change in our environment since the last comprehensive planning exercise, it is time to do a full review of our strategic goals.

In 2018, we will hold a strategic planning session, which will set the path for our pursuit of regulatory excellence, and deliver the organization's next strategic plan. The enterprise risk and innovation management program, introduced in 2017, will also help shape the strategic planning exercise in 2018.

A new CEO

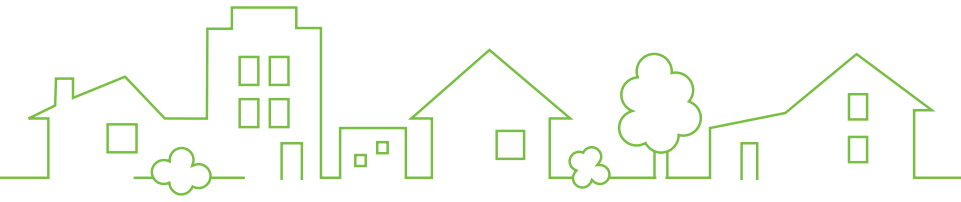
The year 2017 was a time of change and renewal at RECO, and it ended on a high note with the arrival of our new CEO, Michael Beard. As the former President and CEO of the Technical Standards and Safety Authority, Michael is a natural problem-solver, who brings with him a strong regulatory background, deep familiarity of the Delegated Administrative Authority model and knowledge of how to lead an organization with a wide array of stakeholders. On behalf of the Board of Directors, I would like to extend Michael a warm welcome.

In conclusion

As I look ahead to the next decades of real estate regulation, it is inspiring to be part of an organization that maintains a strong relationship with government, and has an engaged staff committed to public service and regulatory excellence. With a robust management team to help lead the way, RECO will work steadily to continue earning the public's trust, and continue to protect that public through a fair, safe and informed marketplace.

As a final note, it has been a great honour to serve as Chair, and I would like to extend a heartfelt thanks to my fellow Directors for their support.

CEO's Message



AN ORGANIZATION COMMITTED TO REGULATORY EXCELLENCE



Michael Beard

IN AN EVER-CHANGING REAL ESTATE MARKETPLACE, RECO continues to strive for regulatory excellence.

In the past year, RECO has been able to build strong momentum in several key ways. When I took the helm at the end of 2017, RECO had already:

- announced a partnership to create a new registration education program for aspiring real estate salespeople;
- taken action to improve complaints processing timelines and overall service standards, including a scorecard to demonstrate its commitment and accountability in this respect;
- provided the government with recommendations on how to modernize the rules that protect home buyers and sellers;
- connected with consumers through a dynamic and multi-faceted outreach campaign that spanned communities across Ontario; and
- executed a highly successful seven-city Town Hall tour with registrants.

These are impressive achievements, and we cannot stop here. RECO needs to keep moving forward.

In serving the public interest, we must always remember that the social, economic and political environment in which we operate is not static. Technology plays a large role in this: the public is more informed and expects information to be available instantaneously, and in the real estate marketplace, salespeople and brokers are evolving the way they conduct business. As such, RECO must be nimble and leverage technology so that we become a modern regulator. We need to anticipate change, and adapt so that we stay ahead of emerging trends and issues.

The ultimate measurement of our success as a regulator is public trust. Our focus is clear: the public must have confidence in RECO, and its regulation of real estate brokerages, brokers and salespeople in Ontario. Maintaining this trust requires us to strive for regulatory excellence on three fronts:

CONSUMER PROTECTION EXCELLENCE

For the past two decades, RECO has served the public interest by protecting consumers in the real estate marketplace. Achieving consumer protection excellence means: implementing and rigorously enforcing registration standards to ensure consumers receive knowledgeable, competent and professional service; ensuring regulatory processes and procedures support the reduction of consumer harm; and educating consumers about their rights and responsibilities in real estate transactions, while raising awareness of the benefits of a regulated industry.

ORGANIZATIONAL EXCELLENCE

An important focus for us is to become more flexible and responsive, and technology is invaluable in achieving this. We are using technology to automate our services, which makes us both easier to access and more environmentally responsible. Last year, we launched a major update to our online services portal (MyWeb) so that it is more intuitive and easier to navigate. We also conducted a third-party assessment of our IT policies, procedures and security. In 2018, we'll use findings from that assessment to implement a series of enhancements.

ENGAGEMENT EXCELLENCE

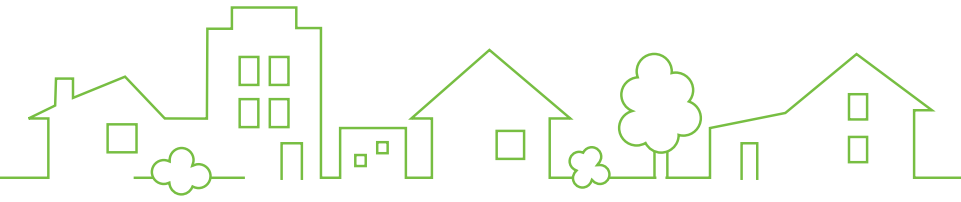
To be an effective regulator, RECO must work with stakeholders and stay up-to-date on emerging trends and issues in the industry. Achieving engagement excellence means reaching out to all stakeholders for insight and consultation, with a view to raising the bar for professional conduct and enhancing consumer protection. The industry has a shared role in increasing professionalism. When salespeople and brokers lead by example and encourage accountability among their peers, the integrity of the profession is strengthened.

Public trust

Public trust results from consumers knowing that RECO is effectively managed, fiscally responsible and operationally sound—and that we have the right people, processes and resources to achieve our goals.

Since being established two decades ago, RECO has continued to strive for excellence in the regulation of Ontario's real estate industry. Looking forward, I believe the momentum that propelled us into 2018 will continue throughout the year as we find new ways to protect consumers, become more nimble and encourage the highest standards of ethical and professional conduct in the industry. As a newcomer to the RECO family, I sincerely thank our Board for their guidance, and our staff for their contribution and warm welcome. Working together, I know we can achieve excellence in everything we do.

Registrar's Message



ENHANCING PROFESSIONALISM THROUGH STRONGER REGULATION AND EDUCATION



Joseph Richer

IN A TIME OF UNCERTAINTY IN THE REAL ESTATE MARKET, we remain focused on RECO's core mandate: protecting consumers and serving the public interest. I'm pleased to report that in 2017 we made excellent strides towards raising the bar for professionalism in the industry and improving our services.

Reforming REBBA to make the market fairer and safer

In 2017, RECO provided the Ontario government with recommendations on how to enhance the rules in the *Real Estate and Business Brokers Act, 2002* (REBBA). Primarily, RECO advocated for changes that would prevent or prohibit conflict-of-interest situations arising from multiple representation, and presented a number of additional suggestions that, if implemented, would strengthen consumer protection in Ontario.

To read more about RECO's recommendations for REBBA, please flip to page 12.

Engagement, accountability and transparency in the public interest

An engaged and informed registrant base will better serve their clients and bolster consumer protection. Face-to-face engagements with the industry allow us to discuss RECO's mandate and our respective accountabilities in terms of the public interest. Last fall, RECO toured the province and hosted a series of Town Hall events for industry leaders in Sudbury, Hamilton, Ottawa, Kitchener, Peterborough, London and Toronto. There was an excellent dialogue about the role continuing education and modernized legislation play in strengthening industry professionalism and better protecting home buyers and sellers.

Providing the public with direct access to disciplinary information has been an objective at RECO. In 2018, we will introduce summaries of our discipline decisions that will help users better understand the details of events and outcomes. We will also make those decisions more readily accessible on our website.

A new approach to education

Strong registration education provides new salespeople and brokers with the knowledge and confidence needed to trade in real estate, and to provide consistent, high-quality service to their clients. In April 2017, RECO announced the provider to develop and deliver a new education program for aspiring registrants in the province. The new program will launch on July 1, 2019, and it will incorporate leading practices and technologies so that learners are more job ready when they enter the industry. To read more about RECO's new program for registration education, please flip to page 13.

Improving RECO's service standards

In 2017, RECO carried forward its commitment to quality service and continual improvement, which included:

- Launching a new Client Services department;
- Working to reduce our complaint inventory to reduce processing times;

- Processing registration applications faster; and
- Creating a quarterly Service Standards Report Card to closely track the impact of our changes, hold ourselves to account and share our progress.

To learn more about the actions we have taken to improve RECO's service standards, please turn to our 2017 "By the Numbers" section on page 16.

Looking forward

I believe 2017 will be remembered at RECO as a year we advocated for substantive REBBA reform, meaningfully engaged registrants, promoted greater industry professionalism and improved RECO's service standards. This year of renewal will lead to greater optimization of our resources and technology as we modernize how we conduct enforcement in the public interest.

2017 Highlights



IMPROVING CONSUMER PROTECTION WITH REBBA REFORM

The *Real Estate and Business Brokers Act, 2002* (REBBA), which includes a Code of Ethics, is the legislation that governs trading in Ontario real estate. REBBA provides RECO with the rules to regulate salespeople, brokers and brokerages in the public interest, on behalf of the Ontario government.

RECO has worked continually with government over the years, recommending updates and improvements to the legislation in order to keep pace with an evolving marketplace. The year 2017 saw some exciting milestones in REBBA reform.

Addressing multiple representation

In January 2017, RECO recommended changes to address the conflict-of-interest problems associated with multiple representation in real estate transactions.

What is multiple representation?

Multiple representation occurs when a brokerage represents more than one client in a transaction. A common form of multiple representation is when a single salesperson represents both the buyer and seller in a transaction.

Later in the year, the government consulted broadly with Ontarians about restricting multiple representation. RECO submitted a response to the consultation, publicly available on its website, which reinforced support for changes that would improve consumer protection. In December, the government passed the *Strengthening Protection for Ontario Consumers Act*, which included measures to revise REBBA's current rules around multiple representation. In addition, fines for salespeople and brokers who violate the Code of Ethics increased from \$25,000 to \$50,000, and the maximum penalty for brokerages increased from \$25,000 to \$100,000.

Before new rules for multiple representation can be implemented, there is much work ahead: government will first complete additional public consultation and then draft detailed regulations. It is expected that changes will be in place in 2019.

Phase two: A broader review of REBBA and the Code of Ethics

There is also much to look forward to in 2018 as the government has committed to taking a broader look at REBBA changes that will enhance protection for Ontario consumers. RECO will be advocating for changes that will:

- expand the powers of its Discipline and Appeals Committee so that they can revoke or suspend registrations;
- enhance consumer protection. RECO has a number of proposals in this category, but one example is a review of the definition of terms like “trade” and “services”; and
- give RECO more rule-making authority to provide rules that are flexible and responsive to the evolving marketplace.

RECO is committed to working closely with government and providing advice on changes that will protect consumers while maintaining a healthy and competitive marketplace. We will also provide consumers and the industry with regular updates about the review and reform process.

Legislative reform is most effective when all involved engage in the process and express their interests. During the phase two review, RECO encourages the public and registrants alike to speak up for changes that will provide optimum protection for buyers and sellers, and strengthen the integrity of the process.

RECO'S NEW REGISTRATION EDUCATION PROGRAM: GIVING ASPIRING SALESPEOPLE AND BROKERS A STRONG START

Ontario's real estate landscape is evolving: consumers are more informed than ever, and technology is changing the way real estate salespeople and brokers conduct business.

To better meet the demands of tomorrow, RECO set out to create a new program that will help future registrants better serve client needs on day one of the job. Through specialized content development, real-life simulations and rigorous assessments, they will be equipped with more knowledge from the start.

In 2017, RECO forged a new partnership with Humber Institute of Technology & Advanced Learning (Humber College) and NIIT Canada to build a best-in-class registration education program for the future of the profession. Humber College, one of Canada's leading post-secondary institutions, is managing the delivery of the program, including instructor training and learner support. NIIT Canada, the Canadian arm of a global leader in award-winning education development, is using their leading-edge technology infrastructure to build a diverse set of course material and assessments.

Program highlights

1/ RICH CONTENT

NIIT Canada is working closely with over 30 subject matter experts. These are leaders in the industry who are drawing on extensive experience and thorough understanding of the Ontario marketplace and legislation to assist in the development of course content. This group will continue to grow with individuals who have specialized areas of expertise.

The new program will follow the flow of a real estate transaction to reinforce the knowledge and regulations that apply at each stage of a trade. In addition to theory examinations, learners will complete mandatory in-person residential and commercial simulation sessions to demonstrate how well they understand the content. The result will be new registrants who are even better prepared to trade on day one.

2/ DELIVERY OPTIONS

Aspiring registrants enrolled in the program will have options for learning: traditional eLearning, as well as eLearning supplemented by in-person classroom or virtual classroom facilitation support. Exciting and innovative learning technologies are being leveraged in the development of the new program. NIIT Canada is even drawing on top talents of programmers from the cinematography and video gaming industries for some of the eLearning design!

3/ KNOWLEDGE SHARING

Learners won't be the only ones to benefit from the rich content of the new program—it will be valuable for practicing salespeople and brokers too. How? The new program will have a knowledge management system that will be available for existing registrants to use. This new online databank of core program content will be indexed and searchable, allowing for just-in-time reference and access to support tools, like job aids, checklists and guides.

The new program will begin accepting learners in mid-2019. The existing program, delivered by the OREA Real Estate College, will continue until the end of 2020, allowing those who are already enrolled to complete their courses.

We look forward to the future of registration education. The new program will enable aspiring registrants to be more job-ready upon entering the profession, ultimately enhancing consumer protection in the Ontario real estate marketplace.

REGISTRANT SATISFACTION SURVEY SHOWS RECO MEETING ITS MANDATE WELL

Every two years, RECO conducts a survey to get detailed feedback about registrants' satisfaction with RECO's services. The feedback from the survey helps us to plan improvements so we can continue to meet our consumer protection mandate.

The survey is an opportunity for registrants to help us see what we're doing well, and identify how we can do things better.

In late 2017, an external market research firm conducted the survey on RECO's behalf.

The response to the survey was strong. Almost 10,000 registrants took the time to complete the survey. With a response rate of 13 per cent, the survey has a margin of error of 0.9 per cent (at 95 per cent confidence).

Topics of interest

We asked registrants which issues they're most interested in hearing more about. The top four topics were:

- upcoming changes to multiple representation;
- offer handling;
- professionalism; and
- representation agreements.

Professionalism in particular saw a big increase in support from registrants. With that in mind, RECO will communicate more about these topics in the coming year.

Delivery of RECO mandate

EXCELLENT SATISFACTION

- Insurance payment process

VERY SATISFIED

- Registration process
- Informing registrants of key industry issues

REASONABLY SATISFIED

- Consumer protection
- Delivery of consumer education
- Industry engagement
- Promotion of professional standards/ethics
- Inspections & investigations
- Mandatory Continuing Education
- Registration education
- Complaints handling

Customer service satisfaction

VERY SATISFIED

- Accuracy and reliability of information provided
- Courteousness of staff

REASONABLY SATISFIED

- Helpfulness of staff
- Timeliness of application processing
- Staff knowledge
- Prompt service to phone inquiries
- Prompt response to email inquiries

Ease of having voice heard

BORDERLINE SATISFIED

Overall satisfaction

Registrants rated their overall satisfaction with RECO at 68 per cent, which is ranked as reasonable satisfaction. This is higher than the 64 per cent benchmark for professional associations. These results reflect the great work by RECO staff, and we will continue to find ways to improve.



By the Numbers



RECO is committed to enforcing the law in the public interest and enhancing consumer confidence in the real estate profession. We work to fulfill this goal through the regulation of Ontario's more than 80,000 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).

RECO enforces that law and its associated regulations, which includes a Code of Ethics, on behalf of the government.

RECO works in the public interest by:

Enforcing the standards to obtain and maintain REGISTRATION as a brokerage, broker or salesperson;
Establishing EDUCATION standards for registration, articling, broker and continuing education;
Addressing inquiries, concerns and COMPLAINTS about the conduct of registrants and taking appropriate action;
Conducting INSPECTIONS of brokerages to ensure compliance with REBBA and to educate brokers of record;
Establishing and 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

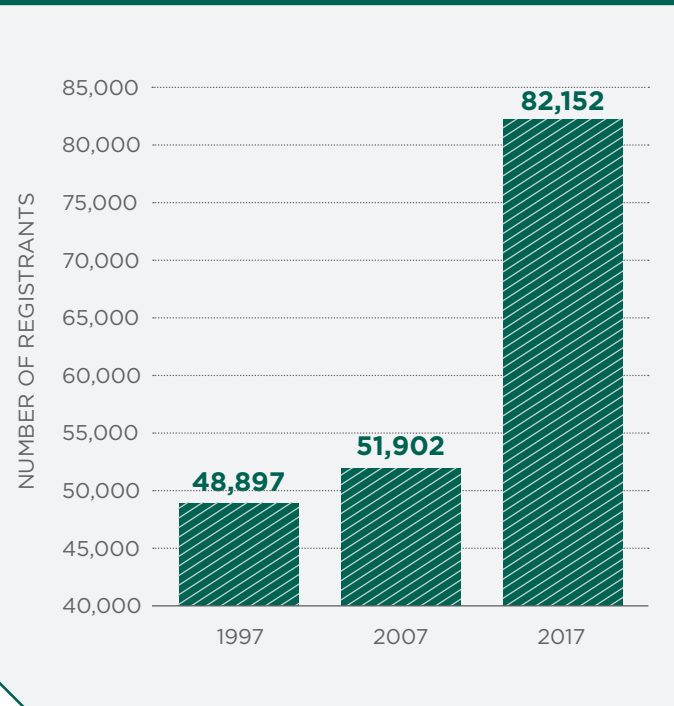
RECO enforces the standards to obtain and maintain registration as a brokerage, broker or salesperson.

RECO's Registrar determines who is eligible to become registered to trade in real estate in Ontario based on legislated requirements.

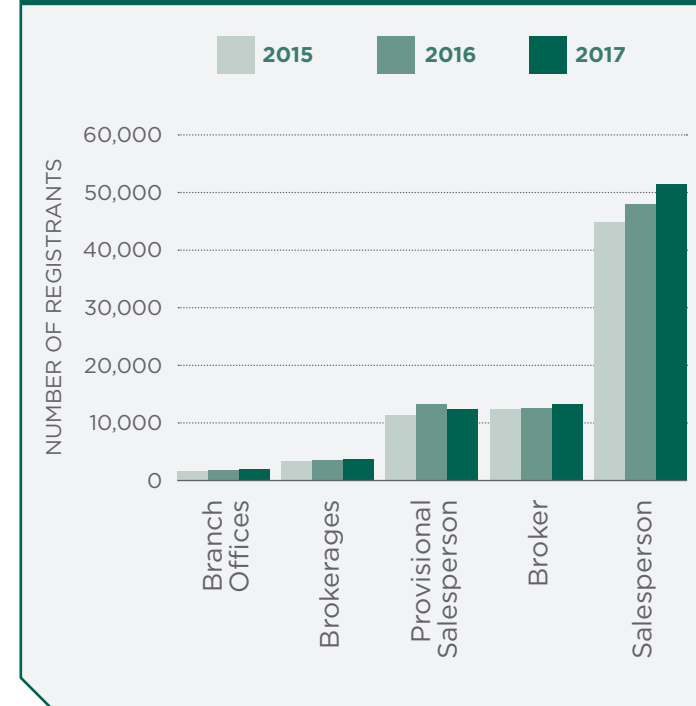
REGISTRANT GROWTH

By the end of 2017, there were more than 80,000 registrants in Ontario, an increase of 4 per cent over the previous year. Registration growth has slowed since the hot real estate market of 2016, when the registrant base grew by a record-breaking 7 per cent. Since 1997, registration numbers have grown by 68 per cent.

Historic Look at RECO Registrants
20-Year Comparison



Total Registrants by Category
3-Year Comparison



Total Registrant Transactions by Type
3-Year Comparison

	2015	2016	2017
Renewals	27,689	29,951	31,986
Transfers	8,983	9,769	9,874
New	6,541	7,675	5,952
Termination	4,524	3,912	3,963
Reinstatement	4,065	3,834	3,627
Revisions	3,875	4,118	3,848
Category Changes	652	742	833



EDUCATION

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

Registration Education

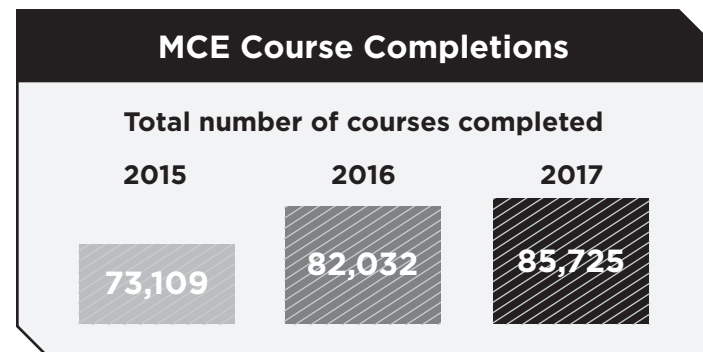
Before becoming registered as a salesperson, applicants must successfully complete an approved education program that teaches them about the fundamentals of trading in real estate and the rules they must follow.

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 Institute of Technology and Advanced Learning and NIIT Canada to build and deliver a new program. Turn to page 13 to learn more about what's ahead for Registration Education.

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 2017, RECO introduced two new RECO update courses: the 2017 Residential Update Course and the 2017 Commercial Update Course. The courses include key regulatory updates, as well as content on digital marketing and real estate fraud.



Surveys of those who completed courses in 2017 were positive. Of the 4,145 people who responded to the survey:

96%	indicated the content in the course they took was relevant to their individual real estate practice;
95%	indicated the activities in the course they took gave them the opportunity to apply their knowledge of the topics;
95%	indicated the content covered in the course they took was interesting and easy to follow;
94%	indicated the course they took was easy to navigate and understand;
90%	liked the pace of the course they took; and
95%	enjoyed that online learning allowed the flexibility of learning at their own convenience and pace.

By July 2017, every registrant had gone through the MCE program at least once. Following this milestone, RECO issued a request for proposals in 2017 to select an organization to conduct a comprehensive review of the program the following year. The goal is to assess how MCE is meeting the goals and objectives set for the program, and to identify modifications that can ultimately enhance the learning experience, deliver even better education to registrants and strengthen consumer protection.



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.

The year 2017 was unique for Complaints, Compliance & Discipline (CCD) for two primary reasons: RECO worked steadily to reduce an inventory of complaints, some of which dated back to 2014, and RECO launched Client Services to manage most inquiries on-the-spot, where possible.

Reducing RECO's inventory of complaints

Between 2014 and 2016, RECO experienced a 42 per cent growth in complaints opened, which resulted in a large inventory of complaints. Two possible factors for the increase may be the hot real estate market that the province experienced in 2016, as well as increased awareness of RECO as a result of consumer outreach efforts. In January 2017, RECO had over 1,600 open complaints. Growing complaint volumes also meant that processing times grew. At that time, processing a complaint took an average of 241 days.

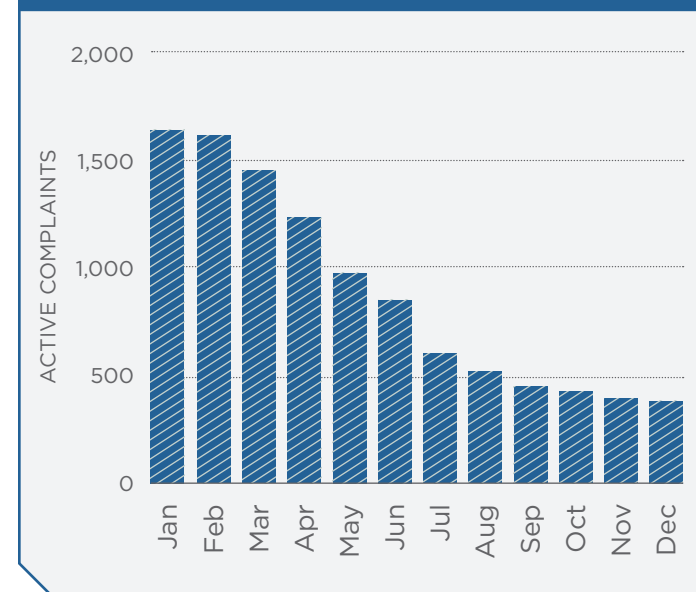
In 2017, RECO introduced new measures to manage and reduce the inventory, including an enhanced screening process to determine, from the start, if a complaint was frivolous, outside our jurisdiction or could be resolved informally. Our efforts to facilitate a dialogue between parties to a complaint, where possible, and encourage them to resolve issues together sooner and with less administrative effort have been very well received.

We also saw continued benefits from a more streamlined approach to **advertising complaints**, which we introduced in 2016. For years, advertising had been RECO's single largest complaint topic. Our strategy places greater accountability with brokerages, and provides support for those who need help with advertising compliance.

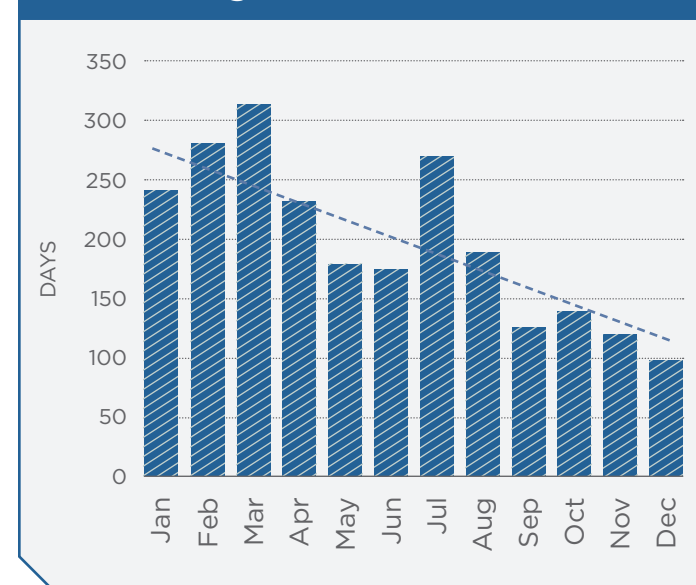
Employing all these initiatives proved successful.

By the end of 2017, our complaints inventory was reduced by 75 per cent. As we worked through the inventory, the average number of days it took to close complaints increased, but ultimately processing times were reduced by 60 per cent.

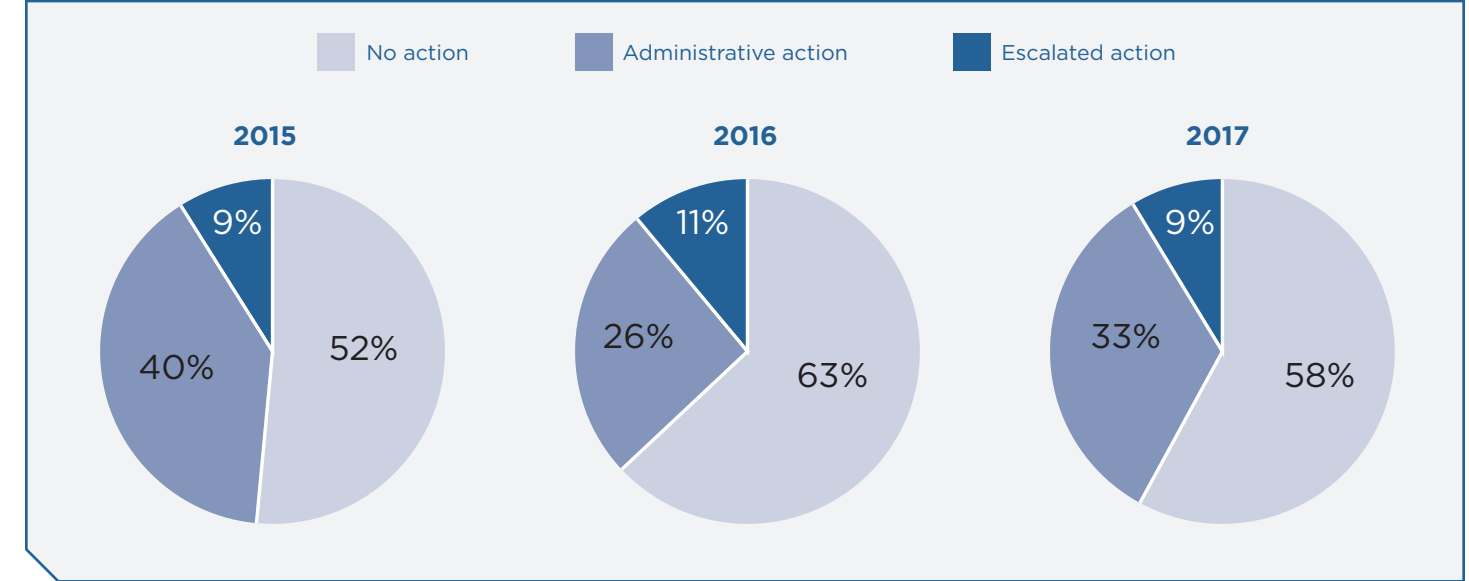
RECO's Complaints Inventory Decreased Throughout 2017, After Streamlining Measures Were Introduced



RECO's Complaints Processing Times Decreased Throughout 2017, After Streamlining Measures Were Introduced



How Complaints Were Resolved



For more information on RECO's discipline paths and outcomes, please flip to page 24.

Trends

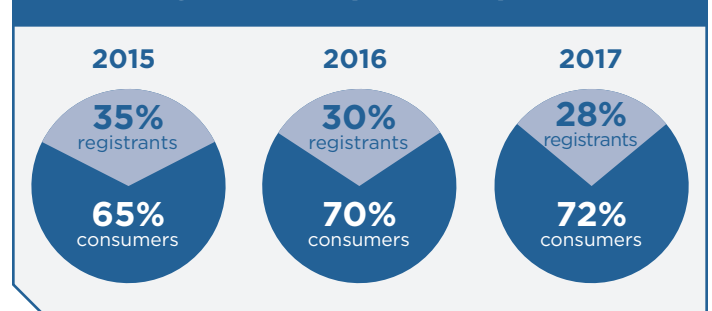
RECO regularly assists with inquiries from consumers and registrants that are related to compliance. In 2017, CCD experienced a 9 per cent decrease in inquiries, which can largely be attributed to the creation of Client Services, launched in September. Flip to page 28 for more information.

The percentage of complaints opened by consumers continues to grow year-over-year, while the percentage of complaints opened by registrants is decreasing.

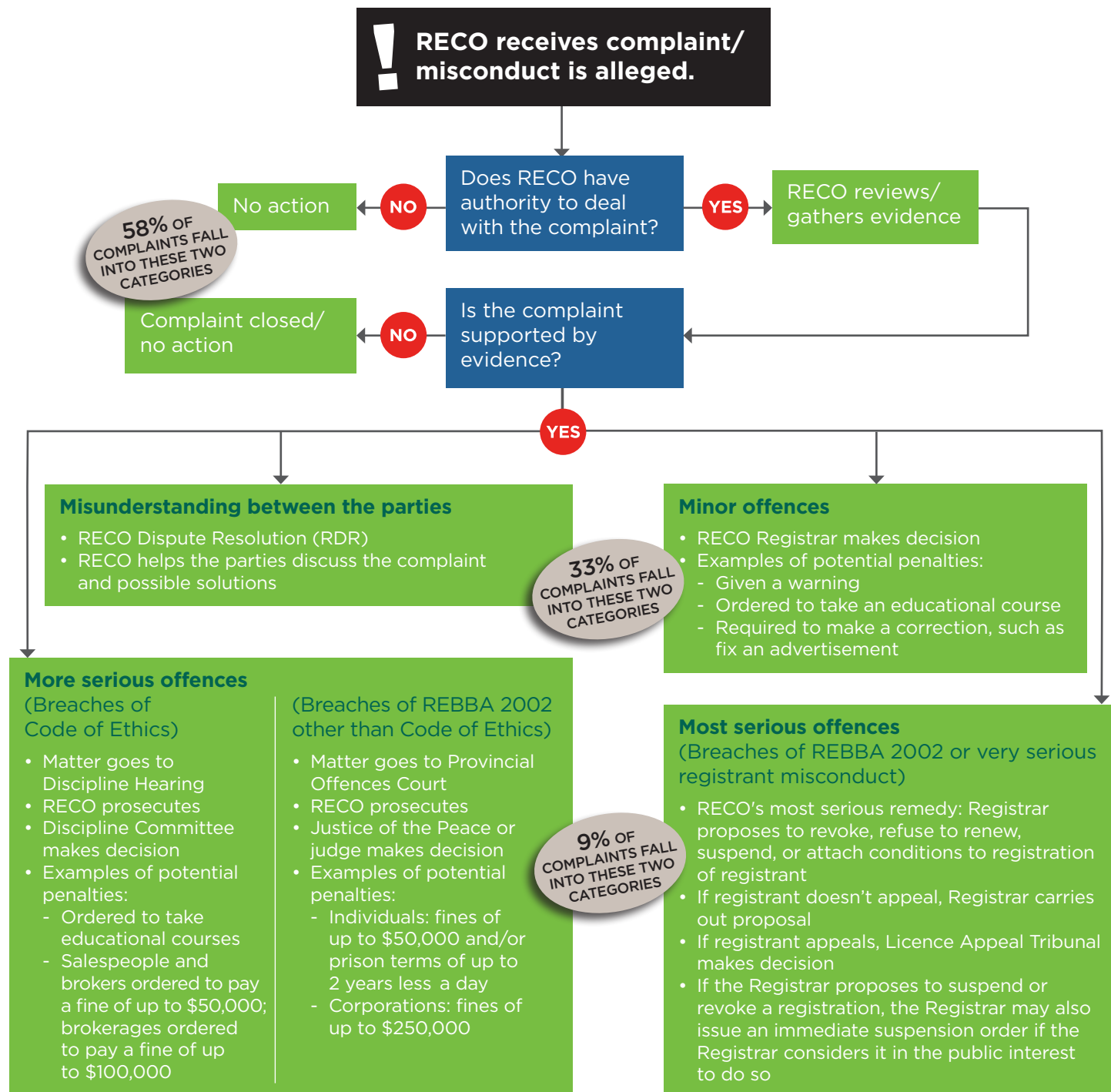
Number of Inquiries Received

	2015	2016	2017
Phone	20,019	19,050	15,970
Email	6,327	6,447	7,350
Total	26,346	25,497	23,320

Origin of Complaints Opened



Understanding RECO's Discipline Paths and Outcomes

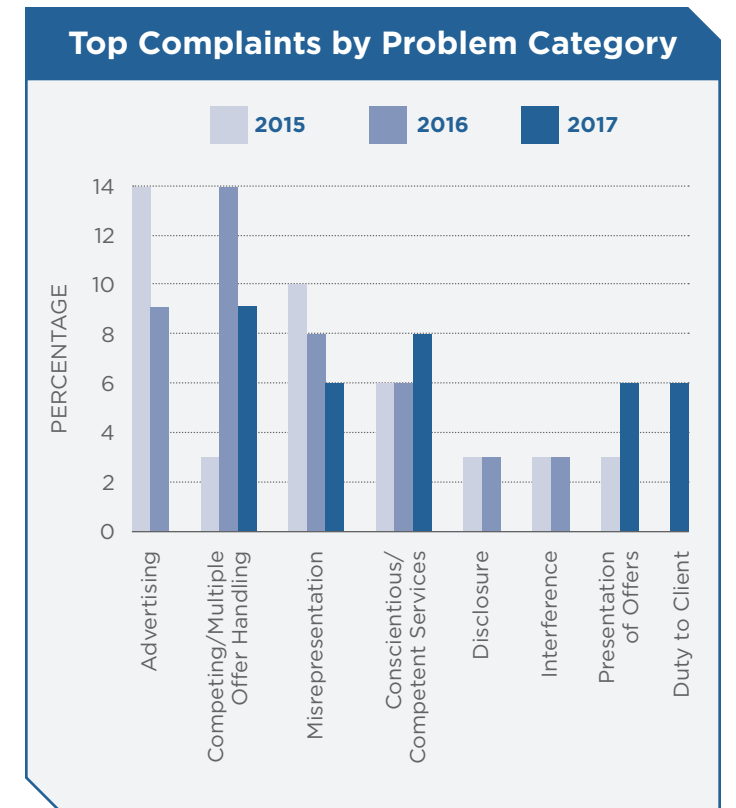


Top complaints

RECO closed 2,926 complaints over the course of 2017. RECO saw complaints about competing/multiple offer handling drop by about a third, compared to 2016. Complaints that related to a failure to provide conscientious and competent service increased by a third from the year prior.

Also notable is the change in advertising complaints. This used to be RECO's top complaint category, but in 2017 complaints of this nature dropped to less than 1 per cent. The drop may be attributed to RECO's new process for advertising complaints (page 22). Two other complaint areas dropped to less than 1 per cent of complaints in 2017: disclosure and interference.

In 2017, two new complaint types entered the top complaints list: presentation of offers and duty to client; each accounted for 6 per cent of all complaints. It is possible that the recent spotlight on multiple representation has brought a stronger focus on the presentation of offers and registrants' duty to clients.



INSPECTIONS AND INVESTIGATIONS

Inspections

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

RECO conducts inspections of brokerages to make sure they are conducting their business in accordance with the law. 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:

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

In 2017, routine inspections saw a decrease due to the department's contribution to RECO's complaints inventory reduction project. The Inspection department undertook the review and investigation of complaints to assist in managing the inventory.

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, in support of their compliant operation.

Breakdown of Inspections by Category

	2015	2016	2017
Routine	555	524	464
Reconciliation	385	332	347
Courtesy	129	135	138
Complaint	21	24	20

Survey results of those who had been through an inspection, show strong support for the inspection program:

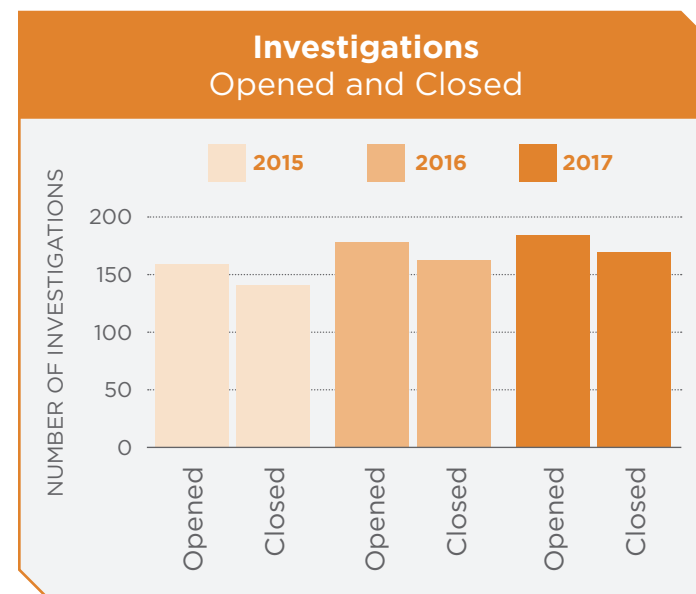
92%	were very satisfied with RECO inspectors' professionalism;
92%	were very satisfied with RECO inspectors' knowledge;
85%	were very satisfied with notice given by RECO inspectors; and
87%	were very satisfied with the overall RECO inspections process.

Investigations

RECO investigates alleged violations of REBBA and its associated regulations. These violations may be prosecuted in Provincial Offences Court, and some matters may result in the Registrar issuing a proposal to revoke the registration.

A listing of all convictions for 2017 can be found in RECO's Regulatory Digest at www.reco.on.ca/complaints-enforcement/regulatory-activities-decisions/regulatory-digest.

Over the last few years, RECO has seen a steady increase in the number of investigations opened and closed by each year's end.



Outcomes of 2017 Provincial Offences Act Investigations

99	Charges
38	Prosecutions
34	Convictions
150	# Months' Probation
0	Total Jail Time
\$429,700.00	Total Fines (to the municipality or other administrator of the Court)
\$69,156.10	Total 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 to refuse registration 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

	2015	2016	2017
Number of Proposals Issued to Refuse, Revoke or Suspend Registration	20	28	19
Number of Proposals Issued Due to Non-Payment of Insurance Premiums*	21	11	7

*The number of proposals issued due to non-payment of insurance premiums is a separate calculation from the number of proposals issued to refuse, revoke or suspend registration.

A list of refused and revoked registrations can be found in RECO's Regulatory Digest at www.reco.on.ca/complaints-enforcement/regulatory-activities-decisions/regulatory-digest.

All registrants may be searched for disciplinary activity using the search feature on the top right corner of RECO's homepage (www.reco.on.ca), which allows you to check the registration of a salesperson, broker or brokerage.

Discipline and Appeals Hearings

RECO's Discipline and Appeals Committees are statutory tribunals subject to the *Statutory Powers Procedure Act*. Complaints involving alleged breaches of the Code of Ethics may be referred to the Discipline Committee for a hearing.

In 2017, 86 matters were referred to the Discipline Committee, up from 56 in 2016. The increase reflects the higher number of complaints that RECO processed in 2017, in order to reduce the complaints inventory. Once a matter is referred to the Discipline Committee, the committee's decision usually occurs in a subsequent year.

In 2017, the Discipline Committee issued 46 decisions and had one appeal. Please note that matters that are withdrawn are not included in these two totals.

Amendment to REBBA

On March 27, 2017, an amendment was made to O. Reg. 579/05 in relation to the insurance program. The changes are as follows:

- Definitions of terms in section 11 of the regulation have been made easier to understand;
- "Professional liability insurance" as a defined term in the regulation has replaced "Errors and Omissions insurance";
- Insurance coverage limits have been expressed as minimums to allow for more flexibility in coverage; and
- Unpaid insurance deductibles must now be paid in full, along with insurance premiums to complete registrations.

Client Services

In 2017, RECO launched a new Client Services department, a single contact point with specially-trained staff to address most inquiries on-the-spot. From the department's launch in September 2017 to year-end in December, Client Services managed more than 52,000 inquiries.

Since Client Services' launch, two key RECO service levels have improved significantly:

Wait times when visiting RECO's office in-person have decreased by 50 per cent; and

Wait times when contacting RECO by phone are down 54 per cent.

Total Inquiries Received

(September–December 2017)

Walk-in
371

Fax
1,949

Email
14,228

Phone call
35,965

Total: 52,513

RECO's New Service Standards Report Card

In October 2017, RECO introduced a report card that outlines the levels of service consumers and registrants can expect, and how we are meeting those standards. This report card is already helping us by tracking the impact of the changes we've made, measuring our success, and providing the public with regular updates on our progress.






We're proud of the achievements we've made this past year, but our work isn't finished. As we remain committed to transparency and accountability, we will continue to report RECO's service standards in 2018, and enhance them.

View the 2017 Service Standards Report Card on the next page and other report cards here: www.reco.on.ca/about/service-standards



DECEMBER 2017

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. RECO's target is to meet or exceed the registration application standards for at least 80 per cent of the applications processed.

SERVICE	TARGET	2017	STATUS
 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 specialized assistance is unavailable because no appointment was made.	5 minutes	Jan.–Dec.: 1.5 minutes	✓
 Contacting RECO by phone The wait time when calling RECO's main number is less than two minutes.	2 minutes	Jan.–Dec.: 0.54 minutes	✓
 Registration application processing New Salesperson Applications: • processed within 10 business days	> 80%	Jan.–Dec.: 95%	✓
Salesperson/Broker Renewal Applications: • processed within eight business days	> 80%	90%	✓
Reinstatement Applications for Brokers and Salespersons: • processed within 10 business days	> 80%	98%	✓
 Complaints—average time to close Complaints that are not escalated are closed on average in less than 120 days		December: 99 days	✓
 Complaints—average age of open files The average age of complaints that are open will remain below 80 days		December: 70 days	✓

INSURANCE

RECO establishes and 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 in RECO's Insurance Program, which consists of three valuable insurance coverages:

- **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.
- **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.
- **Commission Protection coverage** protects registrants from loss of commission caused by fraud, misappropriation of funds or insolvency of a brokerage.

CLAIMS STATISTICS AND TRENDS

Consumer Deposit Insurance Policy

From inception of the Program on September 1, 2000, to December 31, 2017, there have been 77 Occurrences under the Consumer Deposit coverage. Payment of claims (settlements and expenses) under this coverage is estimated to reach \$5,402,763.

Commission Protection Insurance Policy

From inception of the Program on September 1, 2000, to December 31, 2017, there have been 150 Occurrences under the Commission Protection coverage. Payment of claims (settlements and expenses) under this coverage is estimated to reach \$6,692,443.

Errors and Omissions Insurance Policy

From inception of the Program on September 1, 2000, to December 31, 2017, there have been 14,726 claims reported. The estimated total cost of claims settlements and expenses under this coverage is estimated to reach \$147,914,059*.

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

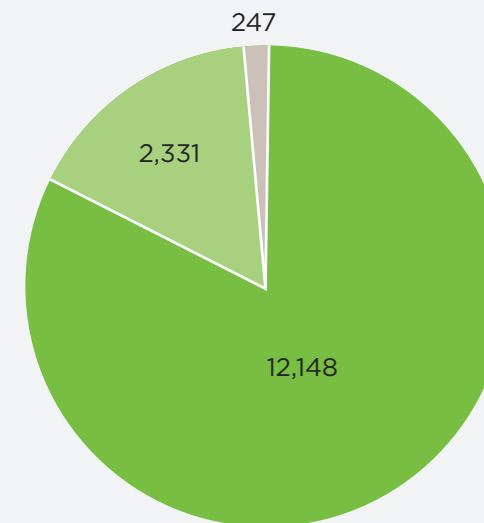


Key statistical highlights include:

- The majority of activity in the Program arises out of claims under the Errors and Omissions insurance coverage.
- A total of 14,726 claims have been reported, of which 1,730 remain open. The program has therefore managed and closed a total of 12,996 claims on behalf of registrants to date.
- Residential claims outnumber commercial claims by a margin 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 margin of 7:1.
- The number of claims involving transactions that exceed \$250,000 in value comprise approximately 64 per cent of all claims reported, versus 61 per cent in last year's annual report.
- There were 1,309 claims reported in the 12 months ended December 31, 2017, compared with 1,079 claims reported during the same 12-month period one year earlier.

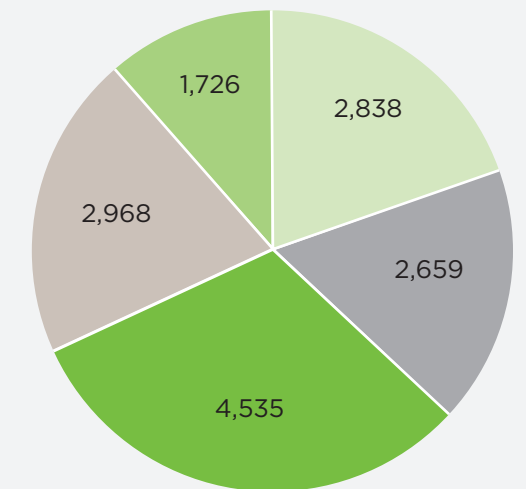
Claims by Transaction Type

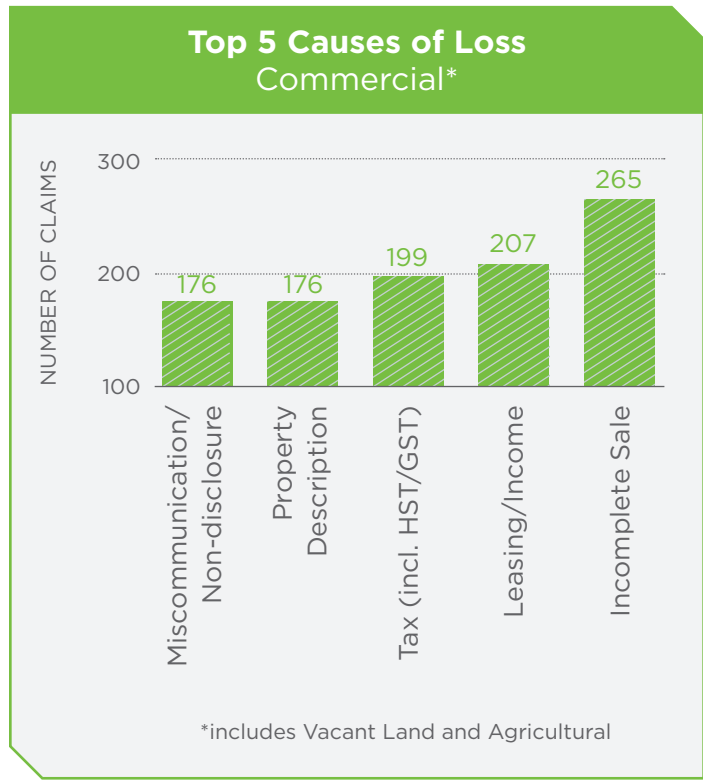
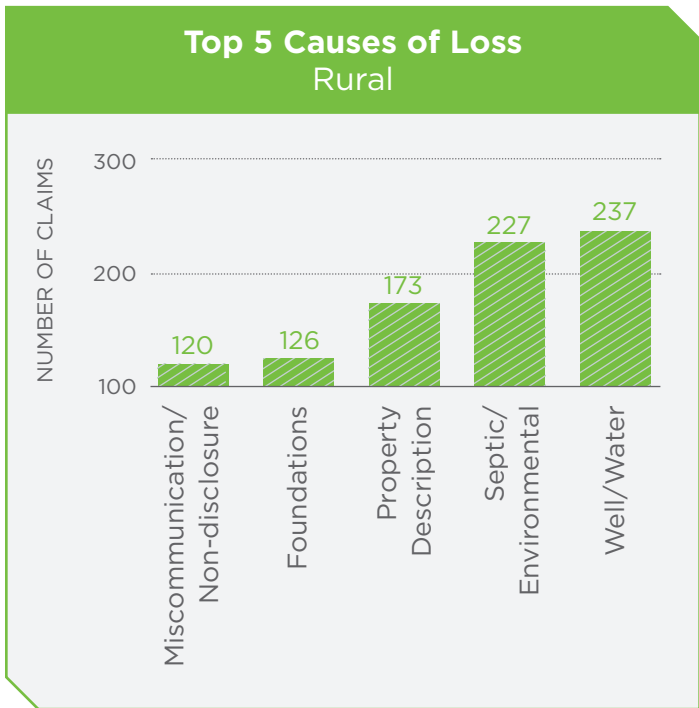
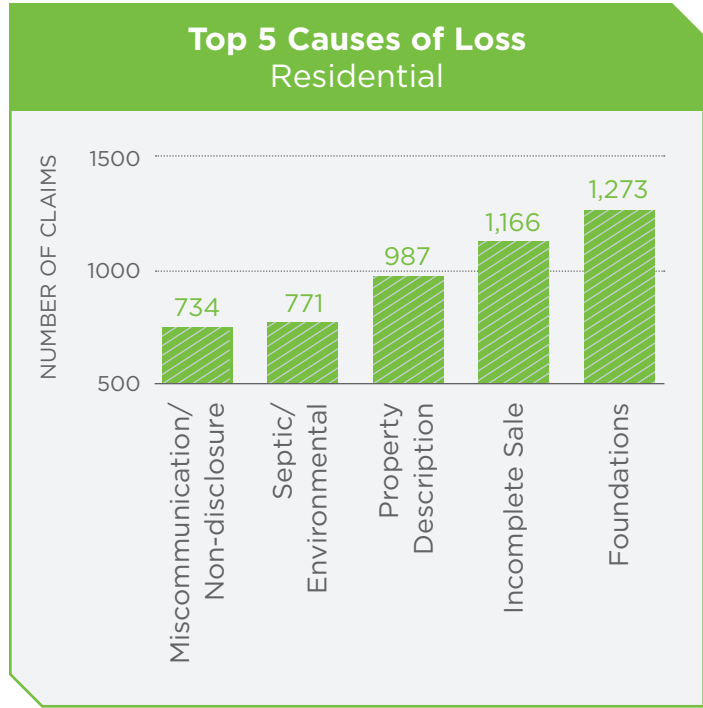
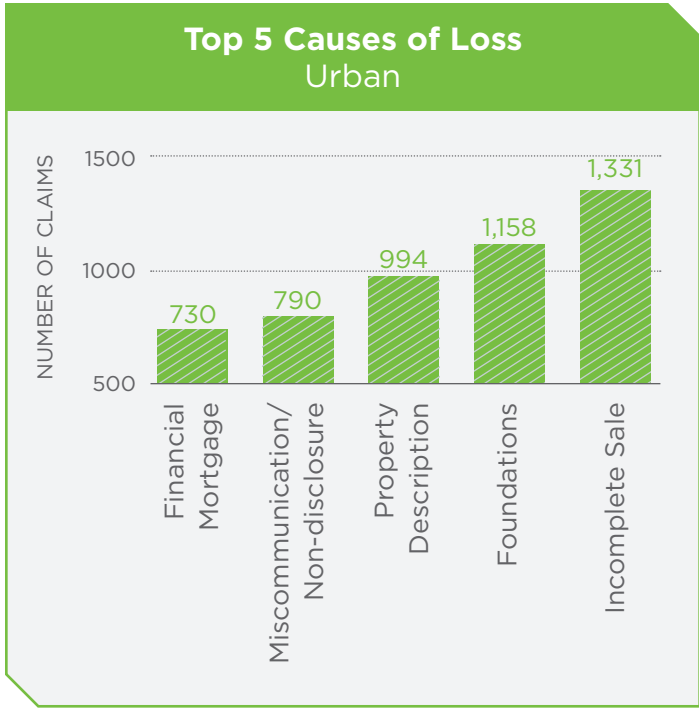
Residential Commercial* Unknown and Other
*includes Vacant Land (503) and Agricultural (103)



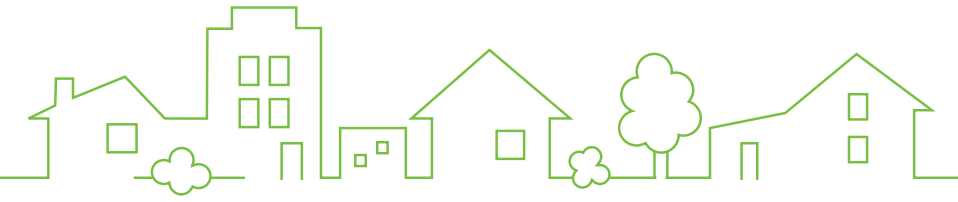
Claims by Value of Transaction

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





Report on Objectives



More and more consumers will understand RECO's role in consumer protection and the value of working with a regulated real estate professional

Increase public awareness of RECO, its role and the value of working with a registrant

Objectives for 2017-19

2017 Accomplishments

Connecting with consumers

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| <ul style="list-style-type: none"> Participate in consumer shows across province to increase face-to-face interactions with Ontarians, targeting new Canadians in addition to first-time home buyers, up-sizers and downsizers Continue to seek opportunities to deliver consumer education presentations Deliver consumer protection and education outreach each year (in 2017, continue RECO's <i>Be Home Smart</i> campaign and launch web series on "how to keep a cool head in a hot market") | <ul style="list-style-type: none"> Continued and expanded <i>Be Home Smart</i> campaign launched in 2016 Met face-to-face with approximately 70,000 Ontarians at baby, bridal and boomer shows, shows that reached new Canadians, as well as community festivals. Answered their questions and provided them information about rights and responsibilities when buying and selling Delivered consumer education presentation for first-time home buyers at Ottawa Bridal Show and Kitchener-Waterloo Bridal Show Developed and presented an educational game show at two community events. Contestants were asked a series of questions about key buying and selling pitfalls |
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Educating consumers about the value of a regulated industry and their rights and responsibilities in a real estate transaction

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| <ul style="list-style-type: none"> Continuing to update and improve website to reinforce it as a go-to source for real estate consumer protection information in Ontario Continuing to engage with consumers through earned, paid and social media | <ul style="list-style-type: none"> Updated website regularly with timely information for both registrants and consumers Provided helpful information for consumers and registrants via Twitter, Facebook and LinkedIn |
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How we will measure success

Measuring success

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| <ul style="list-style-type: none"> Conduct consumer survey each year to gauge awareness level of RECO; maintain or improve awareness level of 37 per cent Increase exposure of RECO messages on social media, news stories and paid ads | <ul style="list-style-type: none"> Consumer survey showed consumer awareness of RECO increased from 37 per cent to 39 per cent Reach of RECO messages: 1.9 million on social media, 7.5 million in news stories, and 51.7 million in paid ads |
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Be the source of consumer-protection education and information for real estate transactions

Objectives for 2017-19

2017 Accomplishments

Deliver consumer protection information

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| <ul style="list-style-type: none"> Continue to enhance educational content on website and promote through earned, paid and social media | <ul style="list-style-type: none"> Fresh consumer information posted on RECO's website weekly. Updated targeted landing pages (for new home buyers, up-sizers and downsizers) to reflect changing market conditions |
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Assure consumer transparency and strong disciplinary mechanisms are in place when registrant standards are not met

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| <ul style="list-style-type: none"> Continue to produce <i>Regulatory Digest</i> Review RECO policy and practices related to publishing regulatory outcomes, with a view to enhanced transparency and ease of access to disciplinary information | <ul style="list-style-type: none"> Produced <i>Regulatory Digest</i> so consumers and registrants could see summary of RECO regulatory actions Issued four public advisories to warn consumers about freeze orders and individuals putting the public at risk by trading without registration Explored website enhancements to make it easier for the public to find our regulatory actions, which will be implemented in 2018 |
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Public outreach

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| <ul style="list-style-type: none"> Continue to reach out to local media as part of <i>Be Home Smart</i> consumer outreach campaign Continue to use <i>Toronto Star's</i> "Ask Joe" column to help educate consumers and make them aware of the benefits of working with a regulated real estate professional | <ul style="list-style-type: none"> Actively targeted and engaged with local media around province ahead of <i>Be Home Smart</i> campaign stops to discuss consumer protection in various Ontario real estate markets Produced weekly "Ask Joe" column in the <i>Toronto Star</i>, providing timely and newsy consumer protection advice to home buyers and sellers |
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How we will measure success

Measuring success

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| <ul style="list-style-type: none"> Disseminate at least 15,000 copies of <i>Reconnect</i>, as well as 2,500 copies of home buying and selling brochure Continue to grow social media community; increase followers and engagements with consumers on Facebook and Twitter Increase visits to customized consumer website pages Continue to respond to media inquiries concerning consumer issues and other developments in the sector | <ul style="list-style-type: none"> Disseminated 34,611 copies of RECO's consumer newsletter, <i>Reconnect</i>, which included key information about the complaints process and RECO's role that consumers would previously receive from the home buying and selling brochure Increased followers on social media channels to 11,725 on Facebook (6.7 per cent increase over 2016), 4,513 on LinkedIn (36.5 per cent increase over 2016), and 7,329 on Twitter (12.9 per cent increase over 2016) 20,422 visits to customized consumer website pages driven by online ads Expanded consumer advertising budget to include broadcast; obtained 4.4 million TV and radio impressions Participated in 77 media stories about real estate consumer protection |
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Registrants will come to experience and rely on RECO as a valued partner in a vibrant real estate industry and their own success

Increase registrants' understanding of RECO and its role

Objectives for 2017-19

2017 Accomplishments

Increase registrant engagement in the process of enhancing standards and promoting professionalism

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| <ul style="list-style-type: none"> • Continue to educate registrants about compliance issues and RECO's consumer protection role through bulletins, articles and videos • Continue to improve communications for registrants while urging them to share RECO materials with clients; update toolkit of consumer education materials with timely resources • Create two professionalism videos each year, as well as "how to" videos to assist registrants in navigating RECO processes; create additional videos on an as-needed basis • To maximize participation, conduct two webinars with CEO and Registrar or other senior RECO representatives for brokers of record and executive officers of local boards and associations | <ul style="list-style-type: none"> • Published 30 articles in 12 editions of <i>For the RECO</i>, RECO's registrant newsletter e-blast • Promoted toolkit of consumer education materials that registrants can co-brand and share with their clients • Broadcast webinar in spring 2017 with Registrar and Chair for industry leaders: brokers of record and executive officers of local boards and associations • In fall 2017, reached out to industry leaders via Town Hall tour to discuss issues related to a shared goal of enhancing consumer protection and professionalism. Tour visited seven communities across the province. Final meeting in Toronto was webcast to all registrants and the public. The Town Hall tour was held in lieu of RECO's second planned webinar |
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How we will measure success

Measuring success

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| <ul style="list-style-type: none"> • Continue to issue timely articles in <i>For the RECO</i> monthly e-blast • Continue face-to-face interactions with registrants at trade shows and speaking opportunities • Conduct ongoing analysis of e-blast analytics to assess opportunities for growth in registrant engagement | <ul style="list-style-type: none"> • Participated at 12 registrant trade shows, delivered presentations at 18 events and had face-to-face interactions with registrants at events with an estimated attendance of 10,650 • 102 e-blasts sent to registrants in 2017, and received 1,400,026 opens. Of this total, <i>For the RECO</i> e-blasts received 438,874 opens |
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Enhance the knowledge and competence of real estate professionals

Objectives for 2017-19

2017 Accomplishments

Enhancing consumer protection and professionalism through continuing education

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| <ul style="list-style-type: none"> • Continue to advance Mandatory Continuing Education (MCE): development of two update courses and four new electives underway for 2017 • Courses will feature case studies to highlight current topics and challenges facing the industry; registrants will be encouraged to think critically about their business dealings with a mind towards compliance | <ul style="list-style-type: none"> • Launched residential and commercial versions of the 2017 Update Course • Issued RFP to engage a third-party organization to review the MCE program. Selected firm will provide options for enhancement and opportunities to leverage emerging technologies, in order to ensure the program meets its intended objectives • Commenced development of Waterfront Properties, Home Inspections and Commercial Leasing MCE elective courses for Q1 2018 launch |
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Ensure real estate professionals are practice-ready from the outset

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| <ul style="list-style-type: none"> • Engage provider to develop and deliver new Registration Education Program, incorporating leading adult learning methodologies and simulations and begin development of new program • Continue the delivery of the current program until 2020 to allow for transition period | <ul style="list-style-type: none"> • In April 2017, RECO announced the consortium of Humber College Institute of Technology & Advanced Learning (Humber College) and NIIT Canada will be the future provider of registration education for aspiring real estate salespersons and brokers in the province • Development began on the new Registration Education Program, with Humber College and NIIT Canada, with launch scheduled for July 2019 |
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How we will measure success

Measuring success

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| <ul style="list-style-type: none"> • Continue to measure registrant satisfaction with MCE content • By July 2017, all eligible registrants will have taken the new MCE program; RECO will conduct a comprehensive review of the program to assess how well it is meeting the objectives outlined when the program was launched | <ul style="list-style-type: none"> • 96 per cent of registrants who responded to a survey indicated the content in the MCE course they took was relevant to their individual real estate practice • Issued RFP to initiate comprehensive review of MCE program |
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RECO will take on increasingly important and leading roles in the advancement of the public interest and the integrity of the real estate profession

Be proactive in supporting government and enhancing consumer protection

Objectives for 2017-19

2017 Accomplishments

Work with government to enhance consumer protection

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| <ul style="list-style-type: none"> • Continue to work with the Ministry to ensure policy priorities are shared and mutually desirable goals are achieved • Provide recommendations to the Ministry to enhance consumer protection in real estate transactions • Work with the Ministry to modernize insurance requirements and improve consumer and registrant protection • Provide input related to legislation and regulation development for new Delegated Administrative Authorities (DAA) • Continue participation in the Ministry of Energy's Home Energy Rating and Disclosure Stakeholder Working Group | <ul style="list-style-type: none"> • Met regularly with Ministry of Government and Consumer Services staff to discuss initiatives underway at RECO and current and emerging issues • Participated in the Ministry of Energy's Home Energy Rating and Disclosure Stakeholder Working Group • Provided advice to the Ministry of Government and Consumer Services related to enhancing consumer protection in real estate transactions, particularly with respect to an individual representing more than one party to a trade in real estate |
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Continued collaboration with Ontario's Administrative Authorities and Canadian real estate regulators

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| <ul style="list-style-type: none"> • RECO legal team to participate in 2017 Legal CPD Conference with fellow administrative authorities • Continue to participate in the Administrative Authority Collaboration Council, as well as participate in functional sub-group meetings • RECO management to participate in regulatory conferences, including RERC and Council on Licensure, Enforcement and Regulation events | <ul style="list-style-type: none"> • RECO legal team participated in 2017 Legal CPD Conference with fellow administrative authorities, where they shared information on current and emerging legal and regulatory issues • Continued to work closely with other Administrative Authorities to share information about key issues • Participated in the Collaboration Council and sub-groups for information technology and human resources • Actively worked with Canadian regulators organized as the Real Estate Regulators of Canada (RERC) to share information on leading practices, including models for addressing multiple representation and related issues |
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Support government consumer protection initiatives

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| <ul style="list-style-type: none"> • Continue to support CPO initiatives and co-branding • Continue to attend Ministry and Administrative Authority Communications Committee events | <ul style="list-style-type: none"> • Produced Consumer Protection Ontario (CPO)-branded newsletters and brochures • Active member of Ministry and Administrative Authority Communications Committee |
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How we will measure success

Measuring success

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| <ul style="list-style-type: none"> • Participate in stakeholder working group meetings, Collaboration Council meetings and Ministry and Administrative Authorities Communications Committee meetings • Participate in collaborative opportunities with other administrative authorities • Submitted recommendations for REBBA reforms to the Ministry | <ul style="list-style-type: none"> • Submitted recommendations to the Ministry of Government and Consumer Services for REBBA reforms • Participated in stakeholder working group meetings, Collaboration Council meetings and Ministry and Administrative Authority Communications Committee meetings • Participated in collaborative opportunities with other administrative authorities • Disseminated CPO materials at consumer shows • Provided advice to the Ministry related to enhancing consumer protection |
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Expansion and delivery of French-language services

Objectives for 2017-19

2017 Accomplishments

Enhanced French-language services

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| <ul style="list-style-type: none"> • Continue to broaden French-language offerings, including ongoing translation of newsletters and brochures and attending select consumer shows with French-speaking ambassadors on hand • Will translate the most frequently visited and essential pages of RECO's website (for example, landing pages and complaint information), and continue to distribute French version of <i>Reconnect</i> | <ul style="list-style-type: none"> • RECO's current policy is to respond in French to all communications received in French • Distributed French versions of <i>Buying and Selling Your Home</i> brochure and <i>Reconnect</i>, RECO's consumer newsletter • Constructed French-language website for launch in 2018 |
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How we will measure success

Measuring success

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| <ul style="list-style-type: none"> • Will continue to respond in French to all communications received in French • In 2017 fiscal year, RECO will increase French-language translation services, as well as identify bilingual positions required to expand delivery of these services | <ul style="list-style-type: none"> • In 2016, RECO received 57 inquiries in French and provided information on RECO's French service delivery • Identified and retained external resources required for translation services • Translated the most frequently visited and essential pages of RECO's website as part of French website build |
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RECO staff will work closely together, aligning collective efforts and providing more opportunities for innovation and improvement

Ensure a qualified, skilled, stable, and sustainable workforce

Objectives for 2017-19

2017 Accomplishments

Enhance employee engagement to keep staff informed and effective

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| <ul style="list-style-type: none"> Employee Engagement Steering Committee and sub-committees will continue to meet; Committee and sub-committees will empower staff to develop their own proposed solutions to make RECO even better Hold twice-yearly town hall meetings for all staff, an opportunity to provide input and learn about new RECO initiatives Continue to hold regular seasonal and team-building events for staff Continue to share and manage knowledge through updates to internal intranet site | <ul style="list-style-type: none"> Continued work with the Employee Engagement Steering Committee. Gathered feedback from staff around three key topics: organizational vision, professional development, innovation Increased training budgets for staff development Structured the HR team to include an HR training and development administrator as point-of-contact for recruiting, training, coaching, counseling and career development Conducted three town hall meetings for staff Held regular team-building events for staff Continued to leverage the internal intranet portal to share information around the organization Encouraged use of internal instant messaging systems to promote knowledge sharing and information exchange Ensured staff remained engaged and up-to-date with developments, including implementation of RECO's CEO succession plan |
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Attract, retain and motivate proficient employees by rewarding individual achievement, contribution and excellence, and provide incentives to further enhance performance, thereby improving service standards

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| <ul style="list-style-type: none"> Continue to provide regular performance feedback and annual performance reviews Provide new opportunities for professional growth and career advancement; cross-training where appropriate Conduct third-party compensation review For all staff, will continue to conduct ongoing customer service and systems training, <i>Accessibility for Ontarians with Disabilities Act</i> (AODA) training and IT security training | <ul style="list-style-type: none"> Provided regular performance feedback and annual performance reviews Provided professional development and enhanced training for all staff related to their positions Selected a vendor to do a compensation review and analysis to determine if RECO's salaries are competitive with the market, with report to come in 2018 For all staff, conducted ongoing customer service and systems training, AODA training and IT security training Restructured the organization to introduce new career progression opportunities |
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How we will measure success

Measuring success

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| <ul style="list-style-type: none"> Conduct employee engagement survey (through a third party) and assess results against previous years; improve response and engagement levels Maintain or improve employee turnover rate Increased investment in professional development and job training | <ul style="list-style-type: none"> Executed recommendations from 2016 employee engagement survey to improve organizational vision, professional growth and innovation Nine per cent turnover rate of staff Continued to provide professional development opportunities and job training |
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Shape a culture of excellence throughout the organization

Objectives for 2017-19

2017 Accomplishments

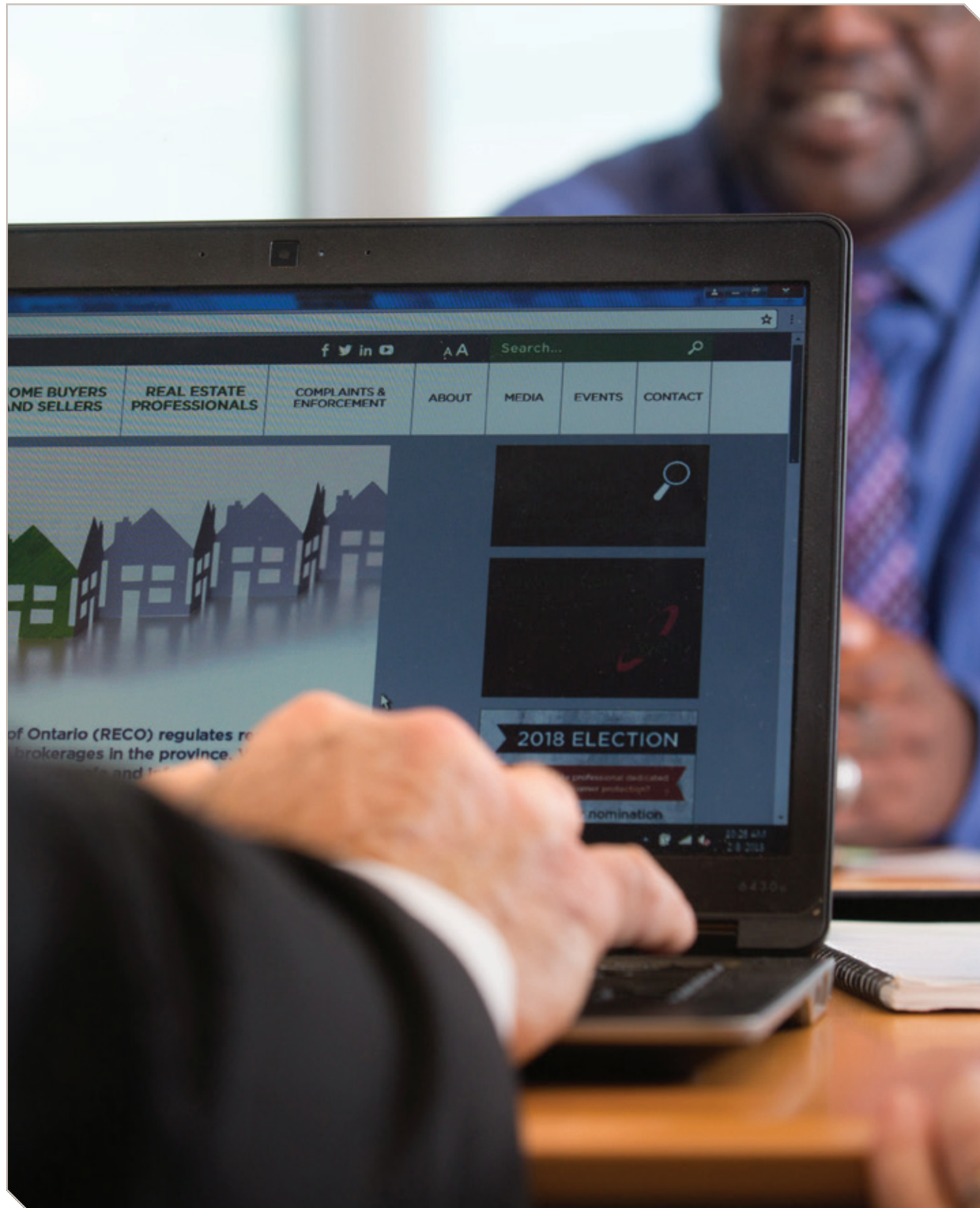
Focusing on innovation and improvement

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| <ul style="list-style-type: none"> Continue assessment and improvement of customer service standards Continue to train staff, with a focus on meeting service standards, goals and timeliness Board of Directors to participate in regulatory governance training for Board members Continue surveys for Inspections and Complaints to measure quality of service levels and impact of change, and use results to guide further development | <ul style="list-style-type: none"> Established new measures and Service Standards for complaints processing and began posting Service Standards Report Card regularly on RECO's website Four Directors attended the Council on Licensure, Enforcement & Regulation (CLEAR) conference and regulatory governance training in September 2017 Board of Directors received training on topics including conflict of interest, strategic planning and good governance Continued inspections and complaints quality assurance surveys to measure quality of service levels and impact of changes made |
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How we will measure success

Measuring success

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| <ul style="list-style-type: none"> Continue to provide training opportunities for staff Enhance service standards Conduct reviews of regulatory processes and public notice policy, and create action plans based on outcomes Maintain or improve survey results for overall satisfaction with Inspections and Complaints processes | <ul style="list-style-type: none"> Enhanced training opportunities for staff Published Service Standards Report Card with progress in meeting key targets By December 2017 RECO was meeting all service standard targets and committed to publishing a report card quarterly on RECO's website Created position for HR Training and Development Administrator Inspections survey results showed 87 per cent overall satisfaction with the program |
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RECO will reach for the highest levels of efficiency, effectiveness and quality in its processes and systems

Ensure reliable systems and processes for core business activities

Objectives for 2017-19	2017 Accomplishments
Enhancing systems and security	
<ul style="list-style-type: none"> • Full rollout of RECOserv will occur in 2017; this will deliver a stable, modern and more capable system for RECO's core business activities, including registrant information and case management • Upgrade RECO intranet to the most current version for improved usability and performance • Put in place improved intrusion prevention systems to safeguard RECO's data from potential cyber-security threats; continue staff training • Continue to improve the MyRECO certificate app by adding new features and functionality • Replace key aging internal infrastructure, including: <ul style="list-style-type: none"> – a new network area storage solution to improve performance accessing network files and virtual servers, as well as provide the capacity to meet projected needs – servers in RECO's primary and disaster recovery sites to improve performance of systems that will, at the same time, reduce power consumption – updated wireless access solution to improve Wi-Fi access for internal staff as well as visitors to RECO offices 	<ul style="list-style-type: none"> • Launched an improved online self-serve portal for registrants (MyWeb) and launched a new internal case management system (RECOserv) • Trained staff on use of the new case management system • Completed annual cyber-security awareness training for all staff to help employees recognize and respond appropriately to real or potential cyber-security threats, including phishing • Implemented a new intrusion detection system to safeguard RECO's data from cyber-security threats • Replaced aging internal infrastructure, including a new electronic file storage solution to improve performance accessing network files and virtual servers, as well as provide the capacity to meet projected needs • Updated wireless access solution to improve Wi-Fi access for internal staff as well as visitors to RECO offices • Implemented internal instant messaging tool to promote knowledge sharing and information exchange
How we will measure success	
<ul style="list-style-type: none"> • RECO's 2017-2019 performance target for business continuity: fewer than three failures and less than four hours to full resolution for any system outages • RECO's 2017-2019 performance target for safeguarding data: zero incidents resulting in lost or destroyed data 	<ul style="list-style-type: none"> • Service standards for system availability were met • Did not experience any incidents that resulted in lost or destroyed data
Measuring success	

Embrace principles of continuous quality improvement throughout the organization

Objectives for 2017-19

2017 Accomplishments

Ongoing improvements to the complaints-handling process

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| <ul style="list-style-type: none"> • Continue to review complaints- and inquiry-handling processes to enhance service standards • Expect steady rise in use of dispute resolution as staff will continue to encourage the parties to be part of the solution, rather than to have a decision imposed on them • Continue to develop enforcement team's skillset through enhanced training • Continue progressive discipline approach with registrants by embracing educational over punitive stance for initial minor infractions | <ul style="list-style-type: none"> • Trained and empowered staff to have greater discretion in their analysis of complaints, including consultation with parties to resolve complaints • Created and filled new supervisory positions to improve service levels and provide new advancement opportunities for staff • Continued using dispute resolution in complaints handling • Implemented a more effective complaint intake and assessment system in order to more effectively prioritize complaints and facilitate quicker complaint outcomes |
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Focusing on quality and efficiency

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| <ul style="list-style-type: none"> • Continue to survey consumers and registrants about their experience with the complaints and inspections processes and use results to drive process and service improvements • Continue to leverage technology to deliver more online services and increase efficiency • Implement incremental changes to enhance service delivery and streamline processes | <ul style="list-style-type: none"> • Launched a Client Services department, bringing together inquiries about registration, insurance complaints, compliance and education to improve quality and efficiency of customer service delivered • Client Services delivered an average phone waiting time of 54 seconds • Continued to conduct complaints and inspections quality assurance surveys and used results to mentor staff and improve service quality |
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Identifying, monitoring and mitigating risks

- | | |
|---|---|
| <ul style="list-style-type: none"> • RECO will develop a risk management plan that will: <ul style="list-style-type: none"> – state RECO's objectives; – identify and assess risks to the achievement of objectives; – document a risk mitigation strategy; – establish and maintain a system of internal controls to minimize risk; and – document policies and procedures to manage risk | <ul style="list-style-type: none"> • RECO has documented its risks, formalized its risk register and completed an assessment of existing risks. An internal enterprise risk and innovation management group has been established to maintain and monitor the risk register and risk mitigation strategies. Additional work will take place in 2018 |
|---|---|

Improve service quality and relationships with consumers and registrants

- | | |
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| <ul style="list-style-type: none"> • Improvements to processing times will continue with the launch of RECOserv. By end of 2017, RECO is targeting eight business days for renewal applications to allow for internal checks and verifications • Through RECOserv, streamlining of processes will allow RECO to improve other functions, including resolution of complaint files • Registrants and consumers will experience RECOserv through a new and improved MyWeb • Continue to enhance processes to improve timeliness for complaints processing, and evaluate success based on established benchmarks • Through a combination of the implementation of a new database and portals, internal initiatives, enhanced training and additional staffing, RECO expects to see progressive improvement in 2017 and even greater gains in years beyond in online service experiences and available data • Staged launch of a one-stop portal for information on all areas of RECO's regulatory activities will make information more accessible | <ul style="list-style-type: none"> • Met eight-day target for registration renewal applications, with further improvements planned • Used RECOserv to improve data sharing between departments to improve efficiency • Added more touch points during complaints process, including phone calls, to ensure all parties know they are being heard, and to make sure they understand the process • Completed launch of a new online self-serve portal for registrants (MyWeb) • Individual registration renewal applications became online-only in order to increase efficiency • Introduced electronic reminders for brokerage registration renewal to reduce the risk of brokerages not renewing on time |
|--|--|

How we will measure success

Measuring success

- | | |
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| <ul style="list-style-type: none"> • Further decrease in advertising complaints expected • Increased use of dispute resolution expected • Inspectors to complete 700 site inspections and 350 reconciliation inspections in 2017 • Implement independent surveys of brokerages to identify brokerage profiles • Increase participation in all RECO surveys • RECOserv will allow for better data collection, which will permit goal setting for numerous functions • Monitoring service delivery against established targets; seeking opportunities to develop additional standards • Full implementation of new organizational structure expected to be completed by the end of 2017 • Conduct biennial registrant survey in late 2017, and use it to carry on program of continual improvements | <ul style="list-style-type: none"> • Advertising complaints process introduced in 2016 led to a further drop in advertising complaints, down 67 per cent in 2017 • Completed 60 dispute resolutions on open complaints • Completed 192 dispute resolutions to settle matters between parties earlier, as part of RECO's new complaints screening process • Completed 622 site inspections and 347 reconciliation inspections. Target reduced due to temporary allocation of inspection resources to help reduce complaints inventory • Work started on survey of brokerages to build brokerage profiles, with launch set for 2018 • Launch of RECOserv for case management led to improved data collection • Reduced complaint file count by 76 per cent and reduced processing times of complaints by 60 per cent • Successfully met target of eight business days for renewal applications • As part of new organizational structure, completed rollout of Client Services department. Also created a General Counsel & Corporate Secretary division under the CEO. Client Services provides single intake point for inquiries whereby most inquiries are managed on-the-spot, or are directed to appropriate department for further action • Completed recruitment for CEO Advisory Group, a 14-member group to discuss current trends in the sector and RECO initiatives. Hosted two meetings for the group • Completed biennial registrant survey. Results will guide improvements |
|--|--|



RECO will maintain high standards of accountability and financial stewardship on behalf of the government and citizens of Ontario

Allocate funds responsibly to support strategic and operational priorities and ensure the long-term financial stability and endurance of the organization

Objectives for 2017-19	2017 Accomplishments
Establishing strategic and operational priorities	
<ul style="list-style-type: none"> Environmental scans, stakeholder interviews and other research will be conducted to inform the strategic planning discussions RECO will undertake its strategic planning session to establish its 2018-2020 Strategic Business Plan Operational plan(s) and the budget to support the new Strategic Business Plan will be developed in 2017 	<ul style="list-style-type: none"> In the absence of a CEO, the strategic planning session scheduled for May 2017 deferred to April 2018. Interim strategic business plan for 2018-2020 developed, focusing on excellence in real estate regulation Operational plans to support the interim strategic business plan developed for each department; new and enhanced metrics for measuring performance identified
Ensuring long-term financial stability	
<ul style="list-style-type: none"> Continue to build reserves to an appropriate level to mitigate financial risk Monitor long-term revenues and expenses using a variety of financial forecast models Maintain funding for core business activities as a key priority Ensure the organizational structure is flexible and responsive to changes in the external environment 	<ul style="list-style-type: none"> Continued to invest in the accumulated fund balance and began a project to explore risks to RECO's sustainability into the future, with a goal of mitigating any risk to financial sustainability Increased the Operating Reserve by \$4 million to \$6 million Initiated project to explore a 10-year horizon for forecasting revenues and expenses with view to identifying areas for cost savings and developing strategy for future revenue generation Continued to leverage technology to gain processing efficiencies
How we will measure success	Measuring success
<ul style="list-style-type: none"> Available capacity and resources to achieve objectives set out in the business plan 	<ul style="list-style-type: none"> Increased operating reserve to ensure capacity and resources are available

Ensure accountability and transparency

Objectives for 2017-19	2017 Accomplishments
Accountability and transparency	
<ul style="list-style-type: none"> Continue to adhere to RECO's published expense and purchasing policies that are consistent with the spirit and intent of government policies and practices Review policies and practices related to the publication of disciplinary activities to assess the appropriate level of information to provide in order to protect the public Board of Directors will develop new Strategic Planning and Renewal, and Operational Planning and Budget Policies Board of Directors will develop and publish a formal Director Remuneration Policy RECO will report on the activities of the Board and Board Committees in its annual report, including the number of meetings held Continue to conduct Board, Board Chair and individual Director assessments on an annual basis; integrate a competency framework in the 2018 nomination process Adopt a new and more extensive Board Governance Manual 	<ul style="list-style-type: none"> Followed expense and procurement policies consistent with spirit and intent of government policies and practices Audited financial statements for fiscal 2017 published in Annual Report Transitioned to new auditors, beginning in fiscal 2017 Initiated comprehensive review of RECO's Public Notice Policy, identifying leading practices. Work will continue in 2018 Director Remuneration Policy developed and published on RECO's website Activities of Board Committees are included in this report in the "Governance" section 2018 Board director nomination process modified to ensure voters have comparable information about candidates for election to assist them in making informed choices Board of Directors adopted new Governance Manual, including several new policies and practices, in keeping with leading governance practices Board of Directors determined comprehensive governance review would take place in 2018
How we will measure success	Measuring success
<ul style="list-style-type: none"> Budget for 2018-2020 will be included in the Strategic Business Plan for 2018-2020 Publish Annual Report reporting on RECO activities Audited financial statements are made available; Annual Report provides an update on RECO's activities during the fiscal year and its progress against plan 	<ul style="list-style-type: none"> Budget for 2018-2020 will be included in the Business Plan for 2018-2020 Annual Report provides information about RECO's activities in 2017 Audited financial statements are included in this report

Financials



Management Discussion and Analysis

This management discussion and analysis provides supplementary information for stakeholders and other readers of the financial statements of the Real Estate Council of Ontario (RECO). The analysis should be read in conjunction with the audited financial statements that follow.

RECO has two reporting categories: General Operations and the Insurance Program.

General Operations

REVENUES

General operating receipts are derived primarily from registration fees required under the *Real Estate and Business Brokers Act, 2002* (REBBA), which are amortized to income over the two-year period of each registration. Fees charged to review applications are recognized as they are earned. Operating revenue also includes amounts receivable under the Education Services Agreement with the Ontario Real Estate

Association (OREA) for the provision of the Pre-registration, Articling and Broker Educational Program. In August 2013, RECO launched the RECO Mandatory Continuing Education (MCE) Program for delivering MCE requirements directly to registrants. Fees for RECO's MCE program are recognized as they are earned. Other sources of revenue include transfer fees, fines assessed by disciplinary panels, miscellaneous revenues and interest, all of which are recognized as they are earned.

Recognized operating revenues increased by \$3,345,439 or 17.7 per cent. Registration fees were higher by \$721,112 due to an increase in registrants along with a fee increase that became effective on January 1, 2017. RECO also implemented an application review fee to recuperate costs associated with processing new applications and reinstatements, totaling \$1,864,020 for 2017. Proceeds from the Education Services Agreement increased by \$588,913 due largely to a significant increase in enrollments at OREA. MCE program revenues were higher by \$125,972 due to the increase in the number of members advancing from provisional to permanent status. Other revenues, which include transfer fees, disciplinary penalties and miscellaneous items, were higher by \$45,422.

CATEGORY	2017	2016	Higher/ (Lower)	Per cent
Registration fees	14,578,586	13,857,474	721,112	5.2%
Application review fees	1,864,020	-	1,864,020	N/A
Pre-registration education	3,027,828	2,438,915	588,913	24.1%
MCE program	1,311,332	1,185,360	125,972	10.6%
Other revenues	1,456,706	1,411,284	45,422	3.22%
Total Revenues	22,238,472	18,893,033	3,345,439	17.7%

EXPENSES

Total expenses increased by \$2,563,303 or 14.5 per cent. Departmental expenses increased by \$1,908,089 or 14.8 per cent, from \$12,861,196 in fiscal 2016 to \$14,769,285 in fiscal 2017. The increase to departmental costs resulted from additional resources required to address increased volumes and backlogs and changes made to the organizational structure that focused on delivering better customer service. Board and committee per diems and training and meeting costs

were higher by \$99,865, with additional support provided by the Board for CEO selection and transition. Other corporate expenses, which include expenses such as communications activities, consulting costs, election costs, the government fee under the Administrative Agreement and amortization, were higher by \$446,752. This was primarily due to the timing of communication activities, increased participation in national and international regulators' groups and other corporate categories.

CATEGORY	2017	2016	Higher/ (Lower)	Per cent
Departmental expenses	14,769,285	12,861,196	1,908,089	14.8%
Facilities	1,620,505	1,511,908	108,597	7.2%
Board & Committees	329,947	230,082	99,865	43.4%
Other corporate	3,474,135	3,027,383	446,752	14.8%
Total Expenses	20,193,872	17,630,569	2,563,303	14.5%

INTEREST INCOME

Interest earned increased by \$41,226, from \$255,006 in fiscal 2016 to \$296,232 in fiscal 2017, largely due to an increase in amounts invested.

NET CURRENT ASSETS

Net current assets, which exclude deferred liabilities, were \$26,527,197 at December 31, 2017, compared to \$22,716,669 at December 31, 2016.

NET INCOME AND ACCUMULATED FUND BALANCE

Net income includes operating revenues and interest income, less expenses, and was \$2,340,832 in fiscal 2017, compared to \$1,517,470 in fiscal 2016. This income resulted in an accumulated fund balance of \$14,655,737, compared to \$12,314,905 in fiscal 2016.

For the Operations Fund, as a delegated administrative authority, RECO's principal objective is to manage these net assets in a manner that allows it to continue to meet the requirements of the administrative agreement with the Ministry of Government and Consumer Services, which includes a requirement to ensure it has adequate resources to comply with the agreement, REBBA and the *Safety and Consumer Statutes Administration Act, 1996*.

In 2016, the Board approved the creation of an Internally Restricted Operating Reserve through an initial transfer of \$2 million from the Unrestricted Accumulated Fund Balance. In 2017, the Board approved additional transfers of \$4 million, bringing the balance to \$6 million at December 31, 2017. The purpose of the Internally Restricted Operating Reserve Fund is to cover unforeseen operating shortfalls.

Insurance Program

OVERVIEW

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 required to be held in trust and segregated from general operating funds. Insurance receipts are amortized to income over the period of the insurance policy.

PREMIUM FUND

Recognized premium revenues increased by \$2,217,168 or 8 per cent, from \$26,782,344 in fiscal 2016 to \$28,999,512 in fiscal 2017. Though there was a decrease in the premium charged for 2017, the total increase in the number of subscribers resulted in an overall increase for the year. Because all premiums collected are paid to the insurer, recognized premium expense equals revenues.

PROGRAM STABILITY FUND

Recognized contributions to the program stability fund increased by \$155,582 or 17 per cent, from \$912,905 in fiscal 2016 to \$1,068,487 in fiscal 2017. This was due to an increase in the amount of the contribution and the number of subscribers. No expenses are charged to this fund.

INSURANCE ADMINISTRATION FUND

Recognized contributions to the insurance administration fund increased by \$191,803 or 18 per cent, from \$1,044,877 in fiscal 2016 to \$1,236,680 in fiscal 2017. Miscellaneous income increased by \$40,132. Insurance administration expenses increased overall by \$33,151 or 3 per cent. Increases occurred in credit card discounts and processing costs due to the increase in the number of subscribers.

NET CURRENT ASSETS

Net current assets, excluding deferred revenues and prepaid premiums, were \$23,831,236 at December 31, 2017, compared to \$21,912,143 at December 31, 2016.

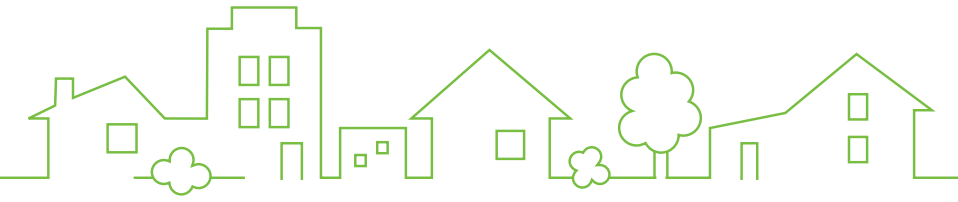
NET INCOME AND ACCUMULATED FUND BALANCE

All premiums collected under the program are payable to the insurer. As a result, net income for the premium fund is always nil. Net income for the program stability fund was \$1,287,874 for fiscal 2017, compared to \$1,113,968 for fiscal 2016. Net income in the insurance administration fund was \$371,676 for fiscal 2017, compared to \$163,451 for fiscal 2016. At December 31, 2017, the accumulated fund balances were: \$54,369 in the premium fund; \$20,273,488 in the program stability fund; and \$1,035,841 in the insurance administration fund.

For the Insurance Program Funds, 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) for the benefit of registrants. Net assets of the Insurance Program Funds are restricted for use in the Insurance Program.



Independent Auditors' Report



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To the Board of Directors of Real Estate Council of Ontario

We have audited the accompanying financial statements of Real Estate Council of Ontario, which comprise the statement of financial position as at December 31, 2017, the statement of operations, changes in fund balances and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making

those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

OPINION

In our opinion, the financial statements present fairly, in all material respects, the financial position of Real Estate Council of Ontario as at December 31, 2017 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.

COMPARATIVE INFORMATION

The financial statements of Real Estate Council of Ontario as at and for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 23, 2017.

Chartered Professional Accountants,
Licensed Public Accountants

March 22, 2018
Vaughan, Canada

KPMG LLP, is a Canadian limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. KPMG Canada provides services to KPMG LLP.



Real Estate Council of Ontario Statement of Financial Position

December 31, 2017, with
comparative information for 2016

	Operations Fund		Insurance Program Fund		Total	
	2017	2016	2017	2016	2017	2016
ASSETS						
Current assets:	\$	\$	\$	\$	\$	\$
Cash	1,292,163	1,917,901	564,987	1,436,722	1,857,150	3,354,623
Short-term investments (note 2)	25,807,988	20,983,642	23,415,223	20,712,985	49,223,211	41,696,627
Accounts receivable	879,900	809,578	102,621	87,253	982,521	896,831
Prepaid insurance premiums	-	-	18,608,224	18,054,053	18,608,224	18,054,053
Deposits and prepaid expenses	460,399	568,176	-	-	460,399	568,176
	28,440,450	24,279,297	42,691,055	40,291,013	71,131,505	64,570,310
Capital assets (note 3)	2,422,900	1,985,775	-	-	2,422,900	1,985,775
Intangible assets (note 4)	2,571,997	2,768,441	-	-	2,571,997	2,768,441
	33,435,347	29,033,513	42,691,055	40,291,013	76,126,402	69,324,526
LIABILITIES AND ACCUMULATED FUND BALANCES						
Current liabilities:						
Accounts payable and accrued liabilities	1,748,253	1,397,628	18,448	17,558	1,766,701	1,415,186
Accrued insurance premiums	-	-	233,147	307,259	233,147	307,259
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))	12,010,365	10,708,420	-	-	12,010,365	10,708,420
Deferred insurance fees (note 7(b))	-	-	21,075,762	20,262,048	21,075,762	20,262,048
	14,018,886	12,366,316	21,327,357	20,586,865	35,346,243	32,953,181
Deferred lease inducement (note 6)	309,621	404,889	-	-	309,621	404,889
Deferred registration fees (note 7(a))	4,451,103	3,947,403	-	-	4,451,103	3,947,403
	18,779,610	16,718,608	21,327,357	20,586,865	40,106,967	37,305,473
Accumulated fund balances:						
Investment in capital assets and intangible assets (notes 3 and 4)	4,948,459	4,693,937	-	-	4,948,459	4,693,937
Restricted insurance program fund balances (Schedule 2)	-	-	21,363,698	19,704,148	21,363,698	19,704,148
Internally restricted operating reserve	6,000,000	2,000,000	-	-	6,000,000	2,000,000
Unrestricted	3,707,278	5,620,968	-	-	3,707,278	5,620,968
	14,655,737	12,314,905	21,363,698	19,704,148	36,019,435	32,019,053
Commitments and contingencies (notes 9, 10 and 11)						
	33,435,347	29,033,513	42,691,055	40,291,013	76,126,402	69,324,526

See accompanying notes to financial statements.

Real Estate Council of Ontario Statement of Operations

Year ended December 31, 2017, with
comparative information for 2016

	Operations Fund		Insurance Program Fund		Total	
	2017	2016	2017	2016	2017	2016
Revenue:	\$	\$	\$	\$	\$	\$
Registration fees (note 7(a))	14,578,586	13,857,474	-	-	14,578,586	13,857,474
Application review fees	1,864,020	-	-	-	1,864,020	-
Insurance premium fees (note 7(b))	-	-	28,999,512	26,782,344	28,999,512	26,782,344
Premium stability fees (note 7(b))	-	-	1,068,487	912,905	1,068,487	912,905
Insurance administration fees (note 7(b))	-	-	1,236,680	1,044,877	1,236,680	1,044,877
Education (note 8)	4,339,160	3,624,275	-	-	4,339,160	3,624,275
Other income	1,456,706	1,411,284	160,425	120,293	1,617,131	1,531,577
	22,238,472	18,893,033	31,465,104	28,860,419	53,703,576	47,753,452
Expenses and expenditures:						
Council expenditures (Schedules 1 and 2)	20,193,872	17,630,569	30,137,960	27,887,641	50,331,832	45,518,210
Operating income before interest income	2,044,600	1,262,464	1,327,144	972,778	3,371,744	2,235,242
Interest income	296,232	255,006	332,406	304,641	628,638	559,647
Net income	2,340,832	1,517,470	1,659,550	1,277,419	4,000,382	2,794,889

See accompanying notes to financial statements.

Real Estate Council of Ontario Statement of Changes in Fund Balances

Year ended December 31, 2017, with
comparative information for 2016

	Investment in capital assets and intangible assets	Restricted insurance program fund balances	Internally restricted operating reserve	Unrestricted	2017	2016
					Total	Total
	\$	\$	\$	\$	\$	\$
		(Schedule 2)				
Balance, beginning of year	4,693,937	19,704,148	2,000,000	5,620,968	32,019,053	29,224,164
Net income	-	1,659,550	-	2,340,832	4,000,382	2,794,889
Interfund transfer	-	-	4,000,000	(4,000,000)	-	-
Purchase of capital and intangible assets	1,233,451	-	-	(1,233,451)	-	-
Amortization of capital and intangible assets	(992,770)	-	-	992,770	-	-
Capital equipment lease payments	13,841	-	-	(13,841)	-	-
Balance, end of year	4,948,459	21,363,698	6,000,000	3,707,278	36,019,435	32,019,053

See accompanying notes to financial statements.

Real Estate Council of Ontario Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	Operations Fund		Insurance Program Fund		Total	
	2017	2016	2017	2016	2017	2016
	\$	\$	\$	\$	\$	\$
Cash flows from operating activities:						
Registration fee receipts	16,411,097	14,843,010	-	-	16,411,097	14,843,010
Application review fee receipts	1,864,020	-	-	-	1,864,020	-
Education receipts	4,295,328	3,368,390	-	-	4,295,328	3,368,390
Insurance premium fees receipts	-	-	29,387,642	28,941,659	29,387,642	28,941,659
Insurance program stability fees receipts	-	-	1,312,791	953,343	1,312,791	953,343
Insurance administration fees receipts	-	-	1,417,959	1,151,448	1,417,959	1,151,448
Other receipts	1,429,841	1,411,284	159,737	120,774	1,589,578	1,532,058
Insurance premiums paid	-	-	(29,627,795)	(28,667,149)	(29,627,795)	(28,667,149)
Cash paid to suppliers and employees	(18,824,129)	(17,083,942)	(1,136,869)	(1,105,862)	(19,960,998)	(18,189,804)
	5,176,157	2,538,742	1,513,465	1,394,213	6,689,622	3,932,955
Cash flows from investing activities:						
Interest received	269,743	250,098	317,038	306,925	586,781	557,023
Purchase of capital assets	(1,178,648)	(234,501)	-	-	(1,178,648)	(234,501)
Purchase of intangible assets	(54,803)	(1,014,169)	-	-	(54,803)	(1,014,169)
	(963,708)	(998,572)	317,038	306,925	(646,670)	(691,647)
Cash flows from financing activities:						
Capital equipment lease payments	(13,841)	(12,551)	-	-	(13,841)	(12,551)
Net increase in cash and cash equivalents	4,198,608	1,527,619	1,830,503	1,701,138	6,029,111	3,228,757
Cash and cash equivalents, beginning of year	22,901,543	21,373,924	22,149,707	20,448,569	45,051,250	41,822,493
Cash and cash equivalents, end of year	27,100,151	22,901,543	23,980,210	22,149,707	51,080,361	45,051,250
Cash and cash equivalents is represented by:						
Cash	1,292,163	1,917,901	564,987	1,436,722	1,857,150	3,354,623
Short-term investments	25,807,988	20,983,642	23,415,223	20,712,985	49,223,211	41,696,627
	27,100,151	22,901,543	23,980,210	22,149,707	51,080,361	45,051,250

See accompanying notes to financial statements.

Real Estate Council of Ontario Notes to Financial Statements

Year ended December 31, 2017

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: 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 million 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 are at the discretion of the Board.

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 the 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 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 to match the period in which services are to be rendered. Amounts related to future years are recorded as deferred revenue.

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.

1/ Significant accounting policies (continued)

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 at the following annual rates on a straight-line basis:

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 on a straight-line basis over the estimated useful life of the asset as follows:

Management information system	10%
Other 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 2017 and 2016.

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 and the accompanying notes requires management to make estimates and assumptions that affect the amounts in the financial statements and the disclosure in the accompanying notes. Actual results could differ from the estimates used in preparing the financial statements. Significant estimates include the valuation of certain receivables and accrued liabilities.

2/ Short-term investments

Short-term investments consist of guaranteed investment certificates ("GICs") with interest rates ranging from 1.0 per cent to 1.8 per cent (2016: 0.7 per cent to 1.8 per cent).

3/ Capital assets

	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

	2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Computer equipment	1,792,070	1,519,244	272,826
Office furniture and equipment	2,398,428	2,261,032	137,396
Leasehold improvements	2,873,551	1,358,351	1,515,200
Office equipment, subject to capital lease	77,046	16,693	60,353
	7,141,095	5,155,320	1,985,775

3/ Capital assets (continued)

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:

	\$
2018	19,246
2019	19,246
2020	14,435
	52,927
Less amount representing interest at 9%	6,489
	46,438

4/ Intangible assets

	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

	2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Management information system	2,479,306	-	2,479,306
Computer software	1,389,352	1,100,217	289,135
	3,868,658	1,100,217	2,768,441

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 (2016: \$194,957) was incurred as an expense. Amounts for future years will be as determined by the Ministry of Consumer Services.

6/ Deferred lease inducement

The deferred lease inducement represents the reimbursement by the lessor of certain expenditures for leasehold improvements made by RECO and graduated rental increases as inducements to enter into a long-term lease. These inducements are amortized on a straight-line basis as a reduction of rental expense over the term of the lease.

	\$
Balance, December 31, 2016	500,157
Amortized to rental expense 2017	95,268
Balance, December 31, 2017	404,889
Amounts to be amortized in 2018	95,268
Amounts to be amortized in 2019 and subsequent years	309,621
	404,889

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, 2016	14,655,823
Registration fees received in 2017	16,384,231
Less amounts recognized as revenue in 2017	14,578,586
Balance, December 31, 2017	16,461,468
Amounts to be recognized as revenue in 2018	12,010,365
Amounts to be recognized as revenue in 2019	4,451,103
	16,461,468

7/ Deferred revenue (continued)

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, 2016	18,888,645	621,337	752,066	20,262,048
Amounts received in 2017	29,387,642	1,312,792	1,417,959	32,118,393
Less amounts recognized as revenue in 2017	28,999,512	1,068,487	1,236,680	31,304,679
Balance, December 31, 2017, and amounts to be recognized as revenue in 2018	19,276,775	865,642	933,345	21,075,762

8/ Education revenues

Education revenues include fees charged for Mandatory Continuing Education and amounts received under the Education Services Agreement.

An 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 cent per annum of all course revenues, education materials and other revenues 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.

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:

	\$
2018	751,847
2019	734,261
2020	734,261
2021	734,261
2022	183,565
	3,138,195

RECO is also committed to make insurance premium payments of \$901,698. These payments are due on August 31, 2018.

10/ Funds held in trust

RECO holds in trust consumer deposits transferred by brokers as dormant trust funds. As at December 31, 2017, these deposits amounted to \$4,697,841 (2016: \$5,211,283). 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 these 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.

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 net assets.



Real Estate Council of Ontario Schedule 1: Schedule of Council Expenditures

Year ended December 31, 2017, with comparative information for 2016

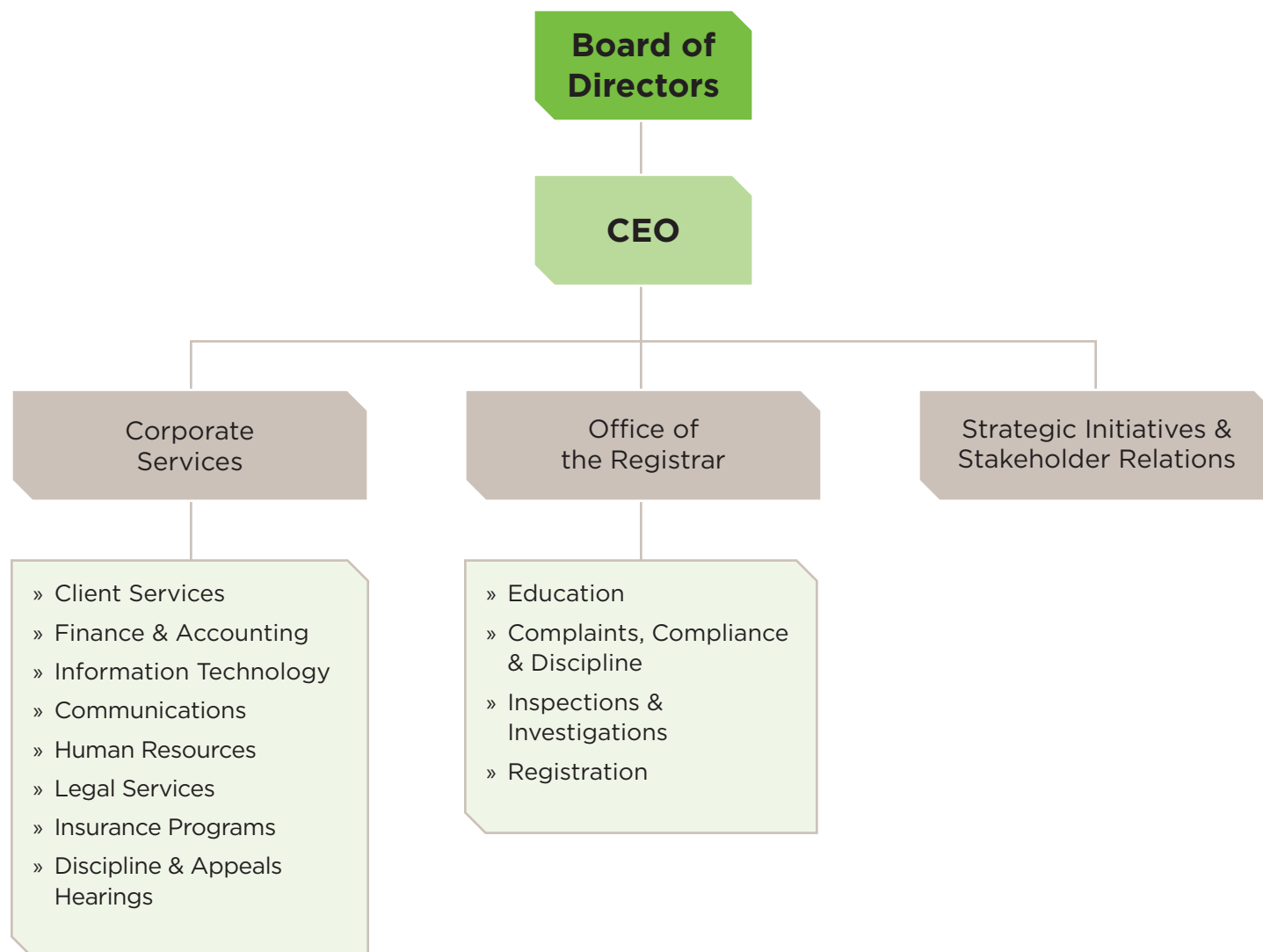
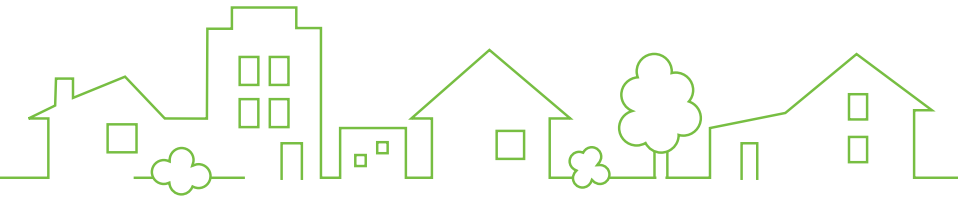
	2017	2016
	\$	\$
OPERATING EXPENSES		
Executive management	750,984	809,266
Regulatory	597,542	653,202
Registration department	648,175	629,675
Education department	1,678,477	1,786,750
Inspections and investigations	1,205,038	1,170,442
Complaints and compliance department	997,553	865,749
Corporate services	348,728	324,246
Legal services department	2,778,031	2,105,158
Communications department	639,662	561,563
Hearings department	188,975	144,123
Client services	1,837,636	1,317,572
Human resources	278,666	218,145
Finance and accounting department	749,333	649,106
Information systems department	2,070,485	1,626,199
Facilities cost	1,620,505	1,511,908
	16,389,790	14,373,104
BOARD OF DIRECTORS AND WORKING GROUPS		
Board of Directors' per diems	136,625	59,250
Board of Directors' travel and meeting costs	86,900	82,497
Director Development Committee	5,748	4,145
Legislation and Regulation Committee	-	1,652
Governance Committee	37,314	36,707
Audit and Risk Committee	3,318	4,429
Finance Committee	10,757	19,370
CEO Selection and Evaluation Committees	49,285	22,032
	329,947	230,082
OTHER CORPORATE		
Amortization of capital assets	741,253	790,468
Amortization of intangible assets	251,517	155,718
Communications activities	1,007,965	535,693
Credit card charges and fees	370,394	306,314
Government fee (note 5)	198,707	194,957
Hearings activities	162,980	104,609
Consulting costs	232,156	439,674
Directors' and officers' liability insurance	181,855	182,511
Annual general meeting	52,120	45,345
Strategic planning	100,065	66,391
Elections	20,126	127,636
Audit fees	36,411	30,234
National and international regulators' groups	113,237	45,806
Discipline and Appeals Committee	5,349	2,027
	3,474,135	3,027,383
	20,193,872	17,630,569

Real Estate Council of Ontario Schedule 2: Schedule of Insurance Program Fund Balances

Year ended December 31, 2017, with comparative information for 2016

				Total	
	Insurance Premium Fund	Premium Stability Fund	Insurance Administration Fund	2017	2016
	\$	\$	\$	\$	\$
Revenue:					
Insurance fees recognized	28,999,512	1,068,487	1,236,680	31,304,679	28,740,126
Other income	-	-	160,425	160,425	120,293
	28,999,512	1,068,487	1,397,105	31,465,104	28,860,419
Expenses:					
Legal and audit	-	-	32,853	32,853	16,855
Insurance staffing	-	-	277,454	277,454	245,343
Insurance Committee	-	-	11,558	11,558	16,015
Miscellaneous	-	-	3,480	3,480	10,957
Printing costs	-	-	26,329	26,329	12,788
Credit card charges and fees	-	-	576,927	576,927	541,374
Processing and mailing costs	-	-	209,847	209,847	261,965
Insurance	28,999,512	-	-	28,999,512	26,782,344
	28,999,512	-	1,138,448	30,137,960	27,887,641
Operating income before interest income	-	1,068,487	258,657	1,327,144	972,778
Interest income	-	219,387	113,019	332,406	304,641
Net income	-	1,287,874	371,676	1,659,550	1,277,419
Accumulated fund balances, beginning of year	54,369	18,985,614	664,165	19,704,148	18,426,729
Accumulated fund balances, end of year	54,369	20,273,488	1,035,841	21,363,698	19,704,148

Governance



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 2017, the Board held 10 meetings. The Director Expense Policy and the Director & Committee Remuneration Policy may be found on RECO's website.

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, 2017, RECO had 136 full-time employees.

Last year's Annual Report indicated that RECO had 118 full-time employees. In fact, as of December 31, 2016, RECO had 123 full-time employees.

CHAIR

Mike Cusano, Broker
RE/MAX Escarpment Realty Inc., Brokerage
Hamilton
End of Term: June 2018

VICE-CHAIR

Timothy Barber, Broker
RE/MAX Finest Realty Inc., Brokerage
Amherstview
End of Term: June 2018



L to R: Ashwani Bhardwaj, Bettianne Hedges, Bill Yetman, Jody Lavoie, Michael Beard, Steve Bailey, Mike Cusano, Timothy Barber, Lucy Impera, Steve Boxma, Bill Johnston, Michael Appleton, Tony Ma

ELECTED DIRECTORS

Michael Appleton, Salesperson
Royal LePage Real Estate Services Ltd., Brokerage
Toronto
End of Term: June 2018

Steve Bailey, Broker
RE/MAX Real Estate Centre, Brokerage
Cambridge
End of Term: June 2019

Steve Boxma, Broker
Royal LePage Team Realty Inc., Brokerage
Manotick
End of Term: June 2020

Bettianne Hedges, Broker
RE/MAX Real Estate Centre Inc., Brokerage
Cambridge
End of Term: June 2020

Bill Johnston, Broker
Bosley Real Estate Ltd., Brokerage
Toronto
End of Term: June 2020

Jody Lavoie, Broker
RE/MAX Hallmark Realty Group, Brokerage
Ottawa
End of Term: June 2019

Tony Ma, Broker
Homelife Landmark Realty Inc., Brokerage
Markham
End of Term: June 2019

APPOINTED DIRECTORS

Ashwani Bhardwaj | Ashmay Conveyancing
End of Term: August 2019

Lucy Impera | Pera-Dia International Inc.
End of Term: June 2020

Bill Yetman | Yetman Consulting
End of Term: February 2020

MANAGEMENT

OFFICE OF THE CEO

Michael Beard
CEO

Sandra Gibney
Director, Strategic Initiatives & Stakeholder Relations

Andria Cordovez Mulet
Manager, Board Operations

REGULATORY

Joseph Richer
Registrar

Kelvin Kucey
Deputy Registrar, Regulatory Compliance

Brian Prendergast
Manager, Inspections & Investigations

Glen Thomas
Manager, Complaints, Compliance & Discipline

Lisa Key
Director, Education

Lisa Wall
Manager, Education

Angela Volpe
Manager, Registration

CORPORATE SERVICES

Mike Prime
Vice-President, Corporate Services (Interim)

Gloria Fougere
Director, Finance & Accounting

Tim Bates
Manager, Accounting

Adam Freyseng
Director, Client Services

Ruth Garrett
Director, Insurance Programs

James Geuzebroek
Director, Communications

Sylvia Mauti
Director, Human Resources

Vacant
Director, Information Technology

Vasko Markovski
Manager, Application Development

Lisa Silcox
Director, Legal Services

Raquel Smith
Manager, Discipline and Appeals Hearings

BOARD COMMITTEES

COMMITTEE MEETINGS

Audit & Risk Committee	The Committee assists the Board of Directors in meeting its fiduciary responsibilities by overseeing the audit process and assessing enterprise risk.	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 advises the Board of Directors on financial-related matters, policies and the annual budget.	3
Governance Committee	The Committee develops, recommends to the Board of Directors, implements and assesses effective corporate governance principles.	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.	2

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.
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