RECBC REAL ESTATE COUNCIL OF BRITISH COLUMBIA

Identifying & Addressing Risks in an Active Market

Bruce McCoubrey, Professional Standards Advisor, RECBC

March 31, 2021

Agenda

1 RECBC'S EXPECTATIONS

2 REAL ESTATE PROFESSIONAL RISKS

3 CONSUMER RISKS

4 IMPACTS TO THE BROKERAGE

RECBC EXPECTATIONS

RECBC REAL ESTATE COUNCIL OF BRITISH COLUMBIA

Expectations for professional practice

- Meet fiduciary and client obligations
- Identify, avoid or disclose conflicts of interest
- Disclose **ALL** the information needed to make informed decisions
- Reasonable efforts to discover relevant facts respecting the real estate
- Ethical decision making
- Meet all AML obligations
- Use professional judgement
- Report professional misconduct

RISKS FOR REAL ESTATE PROFESSIONALS

RECBC REAL ESTATE COUNCIL OF BRITISH COLUMBIA

Know your client

- Client identity and 'authority to sell’
- Have thorough discussions about needs, wants and motivations
- Deposits and Financing Issues
- Identify vulnerable clients e.g *cognitive impairment, english as second language*
- Gauge Clients Appetite for Risk
- Do they have experience transacting in an active market

  E.g. multiple offers, bully offers, subject free offers etc

RECBC REAL ESTATE COUNCIL OF BRITISH COLUMBIA

Eliminating *Know Your Client* meetings may result in:

- Inadequate time to meet AML obligations
- Missing red flags
- Not being able to identify when the client is part of a vulnerable group
- Not taking the necessary time to adequately explain processes and documents to clients
- Making errors when drafting contracts
- Not delivering documents and/or deposits promptly to the brokerage
- Taking unnecessary risks by "guessing" how to solve problems

RECBC REAL ESTATE COUNCIL OF BRITISH COLUMBIA

Explain all terms & conditions

REVIEW

ANSWER QUESTIONS

PAY ATTENTION TO BODY LANGUAGE

CONSUMER RISKS

You are the first and best protection for a consumer

RECBC REAL ESTATE COUNCIL OF BRITISH COLUMBIA

“Hot” markets can result in:

RASH DECISIONS

FEELING PRESSURED

SUBJECT FREE OFFERS

RECBC REAL ESTATE COUNCIL OF BRITISH COLUMBIA

Money laundering or fraud risk

- Look for money laundering red flags
- Don’t overlook some red flags around ownership
- Learn to recognize a suspicious transaction and report it to FINTRAC
- Mortgage fraud: Buyers overstating income, fraudulent employment letters etc.

IMPACTS TO THE BROKERAGE

RECBC REAL ESTATE COUNCIL OF BRITISH COLUMBIA

Errors can lead to:

COMPLAINTS

Complaints to RECBC which could result in compliance investigations

LAWSUITS

Lawsuits by consumers against both the real estate professional and brokerage

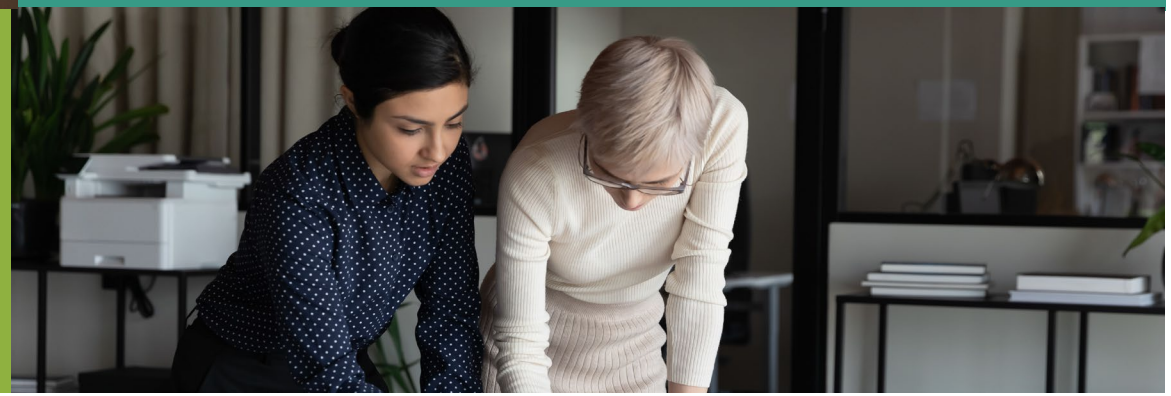
RECBC REAL ESTATE COUNCIL OF BRITISH COLUMBIA

INVESTIGATIONS & SANCTIONS

Investigations and sanctions by FINTRAC for failing to comply fully with *PCMLTFA* obligations

REPUTATIONAL HARM

Reputational harm to the real estate professional, brokerage, and industry



RECBC REAL ESTATE COUNCIL OF BRITISH COLUMBIA

Tools to reduce risk

- RECBC Knowledge Base
- Disclosure Forms App
- PSA's
- Video Conferencing Software
- Brokerage Policies & Procedures
- Report from Council
- Continuing Education

AUDIENCE QUESTIONS

Thank you

For information on practice issues, contact RECBC's Professional Standards Advisors

advisor@recbc.ca