



Kingdom of Bahrain

**Real Estate Regulatory
Authority**



RERA

Code of Conduct

**For Licensed Real
Estate
Practitioners**



VERSIONS

Date	Version	Change
1/3/2018	1.0	1 st version of RERA Code of Conduct for Real Estate Practitioners & Property Developers
23/12/2020	1.1	2 nd version of RERA Code of Conduct for Licensed Real Estate Practitioners with the changes below: <ol style="list-style-type: none">1. Changed the content of the code of conduct to include all the real estate practitioners licensed by RERA, as it was only including the real estate Developers and brokers.2. Added additional duties for the licensees according to best international practices such as integrity, independence, objectivity, compliance and promoting environmental values.

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Part 1 - Background

1.1. *Introduction*

The Real Estate Regulatory Authority (RERA) Code of Conduct came into effect on March 1, 2018, and updated on December 3 2020. The Code provides a guide to real estate Practitioners - Brokers, Sales Agents ,Developers ,Valuers , Property Managers and Owners Associations Managers on their obligations and responsibilities under Law 27, 2017 and subsequent Resolutions issued by RERA, while also demonstrating to the public the level of commitment and dedication they have to providing legally compliant services to all stakeholders in the real estate sector.

1.2. *Definitions used*

In this Code, unless the context otherwise requires: RERA Law 27, 2017 with respect to real estate regulation in Bahrain:

Applicant means a natural person or a corporate entity that engages in Real Estate Activity.

Application means an application by an Applicant to RERA to obtain a License or renewal of a License as determined by RERA from time to time.

Broker means a natural person seeking the conclusion of contracts relating to build and unbuilt property and land.

Brokerage means an agency business and seeking the conclusion of contracts related to build and unbuilt property and land as per the provisions of the Law.

CPD means continuous professional development obligations as determined by RERA including courses, seminars, training and blended learning sessions.

CPR Card means a valid national identity card issued by the Government.

Developer means the Master Developer and the Sub Developer of real estate project(s).

Government means the Government of the Kingdom.

Kingdom means the Kingdom of Bahrain.



Law means Law 27 of 2017 concerning the Promulgation of the Real Estate Sector Regulation Law and any supplemental laws or resolutions.

License means the authorization issued by the RERA permitting an Applicant to practice the relevant Real Estate Activity in accordance with the Law and relevant Resolution/Regulation.

Licensee means any Applicant that has obtained a License.

Compliance and AML Officer The person appointed by the Licensee to monitor the latter's compliance with all relevant Kingdom of Bahrain laws, RERA law and resolutions and the code of conduct.

MOICT means the Ministry of Industry Commerce and Tourism in the Kingdom or such other body as might take on its functions and powers at any time in the future.

Off-Plan Sale means the sale of divided property units based on the plans provided by the developer before the building is constructed or completed.

Professional liability insurance (PLI), also called professional indemnity insurance (PII) means a form of liability insurance which helps protect professional advice and service providing individuals and companies from bearing the full cost of defending against a negligence claim made by a client, and damages awarded in such a civil lawsuit. The cover focuses on alleged failure to perform on the part of, financial loss caused by, and error or omission in the service provided by the policyholder.

Real Estate Activity means either of the activities of Property Development, Brokerage [*Brokers*], Real Estate Valuation [*Real Estate Valuers*], Property Management [*Property Managers*], Owners Association Management [*Owners Association Managers*] or any other activity introduced by RERA from time to time.

Real Estate Valuation means the evaluation process and includes determining the market value of built and unbuilt property.

Property Manager: The natural or artificial person licensed to practice property management and operation. **Real Estate Valuer** means a natural person or corporate entity engaging in the evaluation process and including the determination of the market value of built and unbuilt property.

Real Estate Practitioners Brokers, Sales Agents, Developers, Valuers, Property Managers and Owners Association Managers licensed by RERA.

RERA means the Real Estate Regulatory Authority that has been established pursuant to the Law.

Sales Agent means a person employed, contracted or engaged by a Broker to sell built and unbuilt property and land.



Sub Developer means a natural person or corporate entity licensed to carry out property development activities and to which the Master Developer assigns, under a mutual agreement, the development of a stand-alone part of a property development project.

Service Provider is a person/company who can provide financial or other professional support to facilitate a real estate transaction.

Client any natural or legal person who deals or wants to deal with the Licensee.

1.3. *Code applies to all Real Estate Practitioners*

All real estate practitioners categories covered by Law 27 of 2017 who provide real estate related services in Bahrain must abide by this Code, and RERA's guidelines, including Brokers operating either as an individual or a company, developers operating as an individual or a company and sales agents operating as individuals and /or affiliates of brokers, Valuers operating as an individual or a company, Property Managers operating as an individual or a company, Owners Association Managers operating as an individual or a company.

Part 2 - General Duties

2.1. *Practicing Real Estate Activities According to the License Issued by RERA:*

Licensed Real Estate Practitioners are prohibited from conducting any Real Estate Activity other than what is stipulated in the license granted to them by RERA, including, but not limited to, "investing in other people's money" as this contradicts with Law No. (27) of the year 2017 and the Resolutions issued thereafter, and more specially Resolution No. (3) of the year 2019 on Obligations Related to Procedures of Money Laundering and Terrorism Financing Prevention in Licensed Real Estate Activities, as it also contradicts with the Laws, Resolutions and Regulations of The Central Bank of Bahrain.

2.2. *Acting in best interests of client*

When acting for a client, a real estate Practitioner must act in good faith and in the best interests of the client.



2.3. *Integrity and independence*

Real estate Practitioners must practice their activities with complete independence and integrity.

2.4. *Care, diligence and skill*

When acting for a client, a real estate Practitioner must exercise due care, diligence and skill.

2.5. *Honesty*

When acting for a client, a real estate Practitioner must be honest in all dealings with the client and other persons involved in a transaction.

2.6. *Objectivity*

Real estate Practitioner should, when acting in the interest of the customer, be objective in all transactions between the customer and other parties.

2.7. *Referrals and recommendations*

A real estate Practitioner who recommends a supplier to a client must disclose in writing to the client any of the following:

- Any significant relationship, connection or financial arrangement/commission or affiliation between the sales agent, broker, developer or other stakeholder.
- Any potential conflict of interest, and the nature of that potential conflict of interest, arising from this.

2.8. *Dealing with Confidential Information*

A real estate Practitioner must treat as confidential information obtained while acting for a client that has not been made public and that:

- Is by its nature confidential; or
- Was specified as confidential by the person who supplied it; or
- Is known by the real estate Practitioner to be confidential information.



Information to be treated as confidential must not, directly or indirectly, be disclosed by or to the real estate Practitioner/property developer to another person, unless:

- The disclosure of the information is required by law; or
- The client is fully informed of the proposed disclosure and agrees to it in writing.

2.9. *Dealing with Clients Instructions*

When acting for a client, a real estate Practitioner must:

- Deliver the service and provide the information within a reasonable time after receiving the instructions; and
- Act in accordance with the client's reasonable instructions which are detailed in the agreement to be signed by the real estate Practitioner and the client.

2.10. *Refraining from Misleading or deceptive conduct*

When acting for a client a real estate Practitioner must not engage in conduct that is misleading or deceptive or is likely to mislead or deceive within the constitutional laws of Bahrain.

2.11. *Refraining from Unconscionable conduct*

When acting for a client, a real estate Practitioner must not engage in unconscionable conduct within the constitutional laws of Bahrain.

2.12. *Fiduciary obligations*

A real estate Practitioner must comply with any obligation that may arise as result of any fiduciary relationship between a real estate Practitioner and a client.

2.13. *Compliance with Rules and Regulations*

A real estate Practitioner must comply with Law No (27) of 2017, RERA resolutions and the code of conduct, as well as all related and relevant laws and resolutions issued in the Kingdom of Bahrain.

2.14. *Promote Environmental Values*

Licensees are encouraged to promote environmental values and maintain a sustainable environment that works to preserve the environment.



2.15. *Participation*

Licensees are encouraged to ask their clients to participate by providing recommendations to improve their services.

2.16. *Conflicts of Interest*

A real estate Practitioner involved in a real estate transaction should maintain impartiality and integrity and should disclose to the client in writing any direct or indirect interests that conflicts with the requirements of the work.

A real estate Practitioner is 'related' to the client if

- He has an interest in the client or any of his businesses.
- If he was a first-degree relative.

Part 3 - Employees

3.1. *Supervision and control of employees*

- Real estate Practitioners/ property developers who carry on a business includes:
 - A sales agent who as an individual provides real estate services and is affiliated to a licensed broker or an employee of the licenced broker
 - A broker, sales agent, or property developer who operates a business as an individual
 - A broker or property developer who operates a business as a company or a corporate entity
 - A real estate Valuer who works as an individual.
 - Other real estate Practitioners providing services to the sector.
- Real estate Practitioners conducting a business must take all reasonable steps to ensure that every person employed/engaged/affiliated to/with the business whether paid or unpaid complies with:
 - RERA Law and Resolutions
 - RERA Code of Conduct as outlined in this document
 - The standards and regulatory professional requirements as mandated by RERA for the specific license category
 - Bahrain Valuation Standards (BVS) in the case of real estate Valuers



- Real estate Practitioners who operate a business and employ or engage personnel either on a paid, contractual or affiliation basis are responsible for the standard of Practitioners engagements carried out by those individuals.
- A sales agent has a duty of care to the broker / property developer and as an 'agent' of the broker/developer in the marketplace.
- A broker/ property developer or a valuer, who signs an affiliation agreement with a sales agent, is responsible for the supervision and standard of work of that sales agent.

Part 4 - Licensees Obligations mentioned in RERA resolutions

All licensees are required to review the resolutions issued by RERA related to their profession and ensure compliance with all articles stipulated in those resolutions. RERA Law and all Resolution issued are available on the website www.rera.gov.bh under the Regulations Tab on the Home Page.

4.1. *Practitioners licenses are mandatory*

Every real estate Practitioner deemed to require a license under Law 27 of 2017 and subsequently issued resolutions operating in the Kingdom of Bahrain must hold a Practitioner license issued by RERA

- Property cannot be sold or advertised without a license from RERA
- Application process and documents required are clearly outlined and must be submitted to the Real Estate Licensing System through the National Portal bahrain.bh.
- Fees apply and licenses are reviewed and renewed annually
- A register of approved license holders will be featured on the RERA website.

4.2. *RERA's decision is final*

RERA reserves the right to approve or decline a licence application.

4.3. *Certain inducements prohibited*

A real estate Practitioner must not knowingly induce or attempt to induce a person to breach:



- An appointment to act; or
- A contract of sale of any real estate or business,

4.4. *Advertising*

- A property developer must hold a Developer's License to obtain an advertising license. A property developer must have an advertising license to promote or advertise the sale of off plan properties. An advertising license must be obtained from RERA for each off-plan development project.
- In agreement with a property developer, a Broker may apply for an advertising license for an off-plan development project.

4.5. *Appointment to Act*

- Instruction to act for a client must be in writing and signed jointly by the Real estate Practitioner and the client.
- Engagement letters must clearly state fees, duties and conditions.
- Any change made to the appointment to act must be in writing and may be made by way of amendment to the original document that appointed the agent or sales representative.

4.6. *Material Facts*

- A real estate Practitioner must make all reasonable efforts to ascertain or verify all facts relevant to the transaction (the material facts) as would be ascertained by a prudent Practitioner.
- A real estate Practitioner must promptly communicate a material fact to any person who may be affected by the material fact and appears to be unaware of it.

4.7. *Client identification verification*

A real estate Practitioner who receives instructions to offer real estate for sale must:

- Provide the buyer with details of his/her RERA License or if a sales agent, details of his/her sale agent license number and details of the broker to whom he/she is affiliated. This information must be used in all communications with the client during the period of this transaction.



- As soon as is practical, after receiving the instructions and before a contract for that sale is executed, make all reasonable efforts to verify
 - The identity of client or person who claims to be representative/client
 - Ensure compliance with current Anti money laundering guidelines and legislation.

4.8. *AML Obligations:*

- Each Licensee shall appoint, an appropriate person from its specialized employees to act as a compliance and AML officer. In case of individual establishments, the owner may take the role of the Compliance and AML Officer.
- The Compliance Officer shall be responsible for ensuring the compliance with the law and all relevant resolutions, including the compliance with all requirements stipulated in Resolution 3 of 2019 regarding on Obligations Related to Procedures of Money Laundering and Terrorism Financing Prevention.

4.9. *Communicating with Clients*

When acting for a client a real estate Practitioner

- Must communicate information to the client as soon as possible.
- Include license number (and if a sales agent, license number of broker affiliation) in all client communications.
- Respond in a timely manner and uphold the professional standards outlined in the RERA code of conduct.

4.10. *Commissions and Expenses*

- Commission rates charged are the subject of negotiation between the real estate Practitioner and the client.
- A real estate Practitioner may not recover expenses incurred unless agreed in writing and receipts are provided if agreed.
- A real estate Practitioner is not entitled to charge a fee/commission unless his work has led to the conclusion of a contract/sale in the case of brokers /sales agents.
- A real estate Practitioner shall not be entitled to a commission to recover any expenses if he has acted in a way that is harmed one of the contracting parties or has given untrue information or evidence about the property.
- A real estate Practitioner must not demand or receive reimbursement of an expense for advertising, sign boards, printed materials and promotions unless:



- The client has agreed in writing to pay the expense; and
- The agreement specifies a maximum amount that the real estate Practitioner may demand or receive by way of reimbursement; and
- The maximum amount is stated on the letter of engagement with the client

4.11. Real Estate Developer Obligations:

- Keep and maintain, for seven years, records of licenses issued for the real estate projects including the project name, location, services, ancillary facilities, unit numbers and sizes and the proportion of sales in the project.
- Keep RERA informed of the completed stages of the real estate development project and report any cause that may delay the completion in such a way as may be determined by the RERA.
- Provide the RERA with monthly sales schedule at the end of each month in such manner as it may determine.
- Submit a comprehensive report to RERA on sales at the end of each financial year.
- Submit a comprehensive report to RERA upon the completion of the project including all real estate unit sale transactions and names of buyers, provided that the names of buyers shall be changed if more than one sale is made in the early stages of the project until the delivery of these units.

4.12. Developer Sales Process

A real estate Practitioner selling units off-plan must allow prospective buyers the time to make an informed decision and provide disclosure information on the development to include development financials, forecasts on maintenance charges, articles of association and information that better informs the prospective buyer of their rights and obligations.

Developers must agree to first enter into a 'reservation agreement' with the prospective buyer whereby the unit selected is reserved exclusively by the prospective buyer. This prospect in turn has seven days to review the information and must then enter into a 'binding' agreement' with the developer to proceed with the sale. If the prospective buyer does not respond in that period – then the developer has the right to sell the unit to another buyer.

The developer shall provide the buyers and third parties with correct and accurate information and it shall not offer any false or misleading promises especially in the marketing or advertising campaigns for development projects.

Without an excuse acceptable to RERA, the developer may not, refuse to deliver the final contract of the unit to the buyer and it shall comply with all the provisions prescribed in Resolution.



4.13. *Escrow Accounts – Off-plan developments*

Developers are required to establish an escrow account for each development project.

- The account must be managed by an escrow agent authorized by the Central Bank of Bahrain and approved by RERA.
- Brokers cannot accept direct payments in off-plan developments. Monies for payments must be made payable to the escrow account manager and not the broker, developer or other party.
- The licensed real estate developers are required to complete all real estate transactions through the project's escrow account. An escrow account is not required at Market Research Advertising License stage.
- with the exception of real estate developers, who are obliged to lodge all funds, including cash to a project specific escrow account, Licensees may not complete any cash transactions exceeding BD 2,000 except through the banking system.

4.14. *Real Estate Broker and Sales Agents Obligations:*

- Real estate brokers and sales agents shall maintain a real estate transactions register Which contains the information and details required by RERA and returned to RERA on a quarterly basis unless stated otherwise.

4.15. *Real Estate Valuer Obligations:*

- Quarterly Report: The valuer shall provide the Real Estate Regulatory Authority with a quarterly report, a requirement for renewal of the annual license – stating the details of all his/her transactions during the year on the form prepared by the Real Estate Regulatory Authority and shall guarantee the confidentiality of the client's personal details.
- Maintenance of Records: The valuer shall maintain the records of all his/her transactions including the real estate project details, value, valuation method, invoices, accounts, records, data and any other relevant licensing documents for a period of no less than five years.



4.16. *Owners Associations Manager Obligations:*

- Compliance with all the conditions stipulated in the resolution in a way that helps the owner's association manager to perform his duties in a transparent manner.

4.17. *Property Manager Obligations:*

- The real estate manager shall practice real estate management and operation business pursuant to the provisions of the Resolution and the code of conduct and it shall carry out its work with integrity and honesty.
- The property manager shall submit a regular report to the RERA before submitting a renewal application.