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LAW NO. (27) OF 2017
PROMULGATING THE REAL ESTATE SECTOR REGULATION LAW

We, Hamad Bin Isa Al Khalifa, King of the Kingdom of Bahrain,

After perusal of the Constitution,

and the Civil and Commercial Procedures Act, promulgated by Legislative Decree No. (12) of 1971, as amended,
and the Legislative Decree No. (14) of 1971 with respect to Notarization,

and the Legislative Decree No. (3) of 1972 with respect to Judicial Fees, as amended,

and the Legislative Decree No. (14) of 1973, with respect to the Regulation of Advertisements,

and the Penal Code, promulgated by Legislative Decree No. (15) of 1976, as amended,

and Legislative Decree No. (21) Of 1976 with respect to regulating the Real Estate Brokerage profession,

and Law for the Regulation of Buildings, promulgated by Legislative Decree No. (13) of 1977, as amended,

and Legislative Decree No. (2) of 1994 with respect to Urban Planning, as amended by Law No. (6) of 2005,

and Legislative Decree No. (3) of 1994 with respect to the Division of Lands Intended for Construction and Development, as amended by Law No. (6) of 2005,

and Legislative Decree No. (40) of 1999 with respect to the Ownership by Citizens of GCC Countries of Built Properties and Lands in the State of Bahrain,

and Legislative Decree No. (2) of 2001 with respect to the Ownership by Non-Bahrainis of Built Properties and Land,

and the Civil Code, promulgated by Legislative Decree No. (19) of 2001,

and the Commercial Companies Law promulgated by Legislative Decree No. (21) of 2001, as amended,

and the Municipalities Law, promulgated by Legislative Decree No. (35) of 2001, as amended,

and the Judicial Authority Law, promulgated by Legislative Decree No. (42) of 2002, as amended,

and the Criminal Procedures Law, promulgated by Legislative Decree No. (46) of 2002, as amended,

and the Central Bank of Bahrain and Financial Institutions Law, promulgated by Law No. (64) of 2006, as amended,

and Legislative Decree No. (30) of 2009 with respect to the Bahrain Chamber for Resolution of Economic, Financial and Investment Disputes, as amended by Legislative Decree No. (64) of 2014,

and Property Registration Law promulgated by Law No. (13) of 2013,

and Law No. (28) of 2014 with respect to Real Estate Development,

and Law No. (51) of 2014 with respect to the Regulation of the practice of Engineering Professions,

and Legislative Decree No. (25) of 2015 with respect to Recovering the Costs of the Establishment and Development of Infrastructure in Urbanized Areas,

The Shura Council and the Council of Representatives approved the following law, and we ratified and enacted it:

Article One

The provisions of the attached Law shall apply in respect of the regulation of the real estate sector.

Article Two

1. Legislative Decree No. (21) of 1976 with respect to regulating the Real Estate Brokerage profession shall be repealed.
2. The provisions governing ownership of storeys and flats, set forth in Articles (814) to (843) of the Civil Code promulgated by Legislative Decree No. (19) of 2001 shall be repealed.

3. Law No. (28) of 2014 with respect to Real Estate Development shall be repealed.
4. Additionally, any provision inconsistent with the provisions of the attached law shall be repealed.

Article Three

The Prime Minister and the Ministers, each in his respective capacity, shall implement the provisions of this Law, which shall come into force on the first day of the month following the lapse of six months from the date of its publication in the Official Gazette, provided that the provisions of PART I of this Law shall come into effect on the first day of the following month after the date of its publication.

King of the Kingdom of Bahrain
Hamad bin Isa Al Khalifa

Issued at Rifa'a Palace
On: 4 Thul Quadah 1438 Hijra
Corresponding to: 27 July 2017

REAL ESTATE SECTOR REGULATION LAW
PRELIMINARY PART
DEFINITIONS AND SCOPE OF APPLICATION OF THE LAW

Article 1
Definitions

In the application of the provisions of this Law, the following words and expressions shall have the meanings assigned to each of them, unless the context requires otherwise:

Kingdom: Kingdom of Bahrain

Minister: A Minister designated by an edict issued by the Prime Minister.

Authority: The Real Estate Regulatory Authority established in implementation of the provisions of Article (3) of this Law.

Board of Directors or Board: The Authority's Board of Directors.

Chairman: Chairman of the Board of Directors.

Chief Executive: Chief Executive Officer of the Authority.

Bureau: The Survey and Land Registration Bureau.

Land Register: The register created pursuant to the provisions of the Property Registration Law promulgated by Law No. (13) of 2013.

Real Estate Development project: Off-Plan Sale projects and Real Estate Development works' as specified by an Edict of the Council of Ministers which shall be published in the Official Gazette.

Developer: The main Developer or Sub-Developer.

Main Developer: A natural or corporate person licensed to engage in various Real Estate Development activities, such as the construction and Off-Plan Sale, and who entrusts one Sub-Developer or more to develop one independent part, or more, of a Real Estate Development project.

Sub-Developer: A natural person or corporate entity licensed to engage in Real Estate Development projects who is entrusted by a Main Developer, pursuant to an agreement between them, to develop part of a Real Estate Development project.

Off-Plan Sale: Sale of Property Units on the map before the construction or completion of its construction.

Escrow Account: A bank account in the name of a Real Estate Development project to deposit amounts received from the Developer and Depositors, and is allocated for the construction and execution of the Real Estate Development project.

Escrow Account Agent: A bank licensed by the Central Bank of Bahrain (CBB) that undertakes the management of manages the Escrow Account.

Depositors: Owners of the cash shares, such as the Developer, financier, buyer, bank or a credit finance institution of a Real Estate Development project.

Real Estate Brokerage: Brokerage with a view to conclude contracts of constructed and unconstructed properties, in accordance with the provisions of this Law.

Real Estate Valuation: The process of evaluating and identifying the market value of constructed or unconstructed properties, in accordance with the provisions of this Law.

Common Property: An entire building, or any part thereof, or the land, or both, which is divided into Units allocated for ownership or usufruct. Part of such building or land shall be designated as Common Parts.

Property Unit or Unit: An apportioned part of a Common Property, which includes any allocated off-plan part, or any apartment, or storey or part of a land or house (villa) whether attached to another house or detached, which is located within a Common Property.

Common Parts: The parts of a Common Property that are held in common and are allocated for common use by all the owners and Occupants of the Property Units on the Property Location Plan.

Property Location Plan: A plan registered in the Land Register that specifies the Units and the Common Parts thereof.

Bylaws: The terms and conditions that regulate the development and management of a Common Property.

Owners' Union: A union established by the owners of the Property Units located in a Common Property in accordance with the provisions of this Law, which aims to ensure good use of the Common Property and Property Units, and the use and maintenance of the Common Parts by the owners in accordance with the provisions of this Law.

Main Owners' Union: A union established by a group of Owners Unions of a Real Estate Development projects in accordance with the provisions of this Law.

Central Owners' Union: A union established by a group of Main Owners' Unions in a Real Estate Development project in accordance with the provisions of this Law.

Articles of Association of the Owners' Union: The rules and regulations that govern the Owners' Union, issued in accordance with the provisions of this Law.

Occupant: A tenant of a Property Unit or a resident or worker in it who is not the owner or the holders of the real estate rights.

Utility Services: Includes water, gas, electricity, air conditioning, telephone services, computer cables, television, internet, sewerage, rainwater drainage and removal or disposal of refuse or waste, delivery of mail, parcels or goods services and any other system or service designed to improve the facilities in the Units and Common Parts.

Usufruct Rights: A property right that authorizes its holder to use the property or Property Unit and exploit it in accordance with the provisions of this Law.

Musataha Right: A right that authorizes its holder the right to construct facilities or buildings on a land belonging to another for a limited period of time.

Long Term Lease: A property right of not less than ten-years and not more than ninety-nine years, unless agreed to be renewed.

Mortgage: A contract whereby a creditor acquires a real right over an existing property or off plan property, whereby he takes priority over ordinary creditors, and creditors who come after him in rank, in collecting his rights from the proceeds of such property, irrespective of whose in possession of it.

Mortgagor: An owner of a property or holder of a real right or a buyer of a Property Unit of an Off-Plan Sale project and is registered in the register of Real Estate Development projects.

Mortgagee: A creditor who acquires a real right over an existing property or an off-plan property to secure the payment of his debt.

Article 2 Scope of Application of the Law

The provisions of this Law apply to Common Properties, Real Estate Development, and all activities of the real estate sector.

PART I

REAL ESTATE REGULATORY AUTHORITY

Chapter One Establishment of the Authority, its Functions, Powers and Financial Affairs

Article 3 Establishment of the Authority

An institution called “Real Estate Regulatory Authority” shall be established, which shall have a corporate personality, and be affiliated with the Bureau. A decree shall be issued to regulate the Authority, form its Board of Directors and determine it functions, determine the mechanism of appointing the Chief Executive and its functions and all issues related to the Authority. The Board of Directors shall include representatives from the real estate sector and those licensed in accordance with the Law.

Article 4 Functions and Powers of the Authority

- A) The Authority shall undertake all functions and powers necessary to regulate the real estate sector in the Kingdom. For this purpose, it shall carry out the following:
- 1) providing and implementing a national plan in respect of regulating the real estate sector including the strategy and general policy in respect of the sector, taking into consideration the State’s policy and economic and social development plans. The national plan shall be published in the Official Gazette.
 - 2) collecting and analyzing data, information and statistics related to the regulation of the real estate sector in the Kingdom, so that the Authority shall become a main source for data, information and accurate statistics in respect of the real estate development sector in the Kingdom.

The Authority shall seek to update such data on a regular and continuous basis to reflect the reality of the real estate sector in the Kingdom.

The Authority shall, in this respect, prepare reports to be published through appropriate means as specified by the Board of Directors, to provide the general public access to the same.

- 3) proposing programs and policies to promote the real estate sector in respect of matters outside the scope of the Authority's functions, and providing the same to the concerned authorities.
- 4) raising awareness and providing guidance to those working in the real estate sector.
- 5) setting rules, issuing implementing regulations and decisions necessary to implement the provisions of this Law, including the rules, regulations and decisions that specify the following:
 - a) the rules and procedures for granting and renewing licenses for activities in the real estate sector, specifying their classes, the conditions that apply to each of them, the validity period of such licenses and all matters related thereto.
 - b) the rules and procedures for granting and renewing licenses of Real Estate Development projects, the conditions that apply to each of them, the validity period of such licenses and all matters related thereto.
 - c) the rules and procedures for granting a Developer licenses to conduct the Real Estate Development works and renewing such licenses, the conditions that apply to each of them, the validity period of such licenses and all matters related thereto.
 - d) the procedure for carrying out inspections to ascertain the implementation of the provisions of this Law, the systems, regulations and decisions issued for its implementation.
 - e) the records which licensees in the real estate sector must maintain, and the data and information to be recorded therein.
 - f) the rules and procedures for opening and managing an Escrow Account for a Real Estate Development project and approving the Escrow Account Agent.
- 6) proposing and collecting fees levied on permits and licenses for real estate activities, Real Estate Development projects, Real Estate Brokerage offices, property management and maintenance companies, and the renewal fees thereof.
- 7) monitoring the extent of compliance with the provisions of this Law, and with the rules, regulations and decisions issued to implement it, and taking measures in accordance with these provisions to ensure compliance with the terms and conditions of the issued permits and licenses.
- 8) acting as a central body through which all applications shall be submitted, and all fees related to the and licenses issued pursuant to the provisions of this Law shall be collected, all in coordination with the authorities concerned.
- 9) working with the concerned authorities to simplify the procedures for the issuing licenses for Real Estate Development projects.

- 10) organizing training and educational courses and programs to promote awareness of the provisions of this Law, and spreading knowledge about all aspects of the real estate sector, conducting and supporting research and studies in this field and seeking to benefit from their results.
 - 11) representing the Kingdom at local, regional and international conferences related to the real estate sector.
 - 12) co-operating with counterparties in other countries on matters of common interest.
 - 13) providing an opinion on draft laws related to the real estate sector and the regulations and orders that are issued by other authorities connected to the sector.
 - 14) studying applicable related laws and regulations to determine whether or not they contain any provisions that hinder the advancement of the real estate sector, and submitting proposals on how to amend such provisions.
 - 15) receiving reports and complaints related to breaches of the provisions of this Law and examining such reports, and determine how serious they are.
 - 16) carrying out other functions and powers provided for in this Law.
- B) In the event the Authority intends to issue any regulations or take any measures of substantial effect, it shall consult with the public and the concerned authorities to seek their opinions before issuing thereof. The Board of Directors shall issue a resolution with respect to the regulation of such consultations which shall ensure access for the general public to the details of ongoing consultations and the opinions which have been expressed, through one common platform.
- C) By a resolution issued by the Council of Ministers, upon the Authority's request, certain appropriate tasks to any of the government bodies, including the collection of fees due in accordance with the provisions of this Law.

The Authority may, in order to perform its functions, seek the assistance of whoever it deems necessary from those who have suitable qualifications and experience from individuals, committees and non-government bodies.

In the event the collection of fees is delegated to a non-government body, the same must be published in the Official Gazette.

Article 5 Authority's Budget and Financial Resources

- A) The Authority shall have an independent budget. Its financial year shall commence at the beginning of the State's financial year and shall end on its end date.

- B) The Authority's financial resources shall consist of the following:
- 1) appropriations allocated to it in the State's General Budget.
 - 2) proceeds of fees and revenues for license applications and any services rendered by the Authority, without prejudice to the provisions of Paragraph (C) of this Article.
 - 3) fines collected by the Authority for violating the provisions of this Law.
 - 4) donations, subsidies and any other resources acceptable to the Board of Directors that do not conflict with the objectives of the Authority.
- C) The Authority shall deduct, from the total fees collected, a percentage as specified in a decision issued by of the Council of Ministers. The Authority may retain the deducted percentage, or part thereof, to finance its future projects, after coordination with the Ministry of Finance and the approval of the Council of Ministers.
- D) Subject to the provisions of paragraph (C) of this Article, the Public Treasury shall be provided with the budget surplus from all the financial resources referred to in paragraph (B) of this Article for the financial year ended.

Chapter Two Control

Article 6

The Minister Responsible for the Authority's Works

The Minister shall be responsible for the Authority's activities before the Legislative Authority.

The Minister shall have the right to object to the Authority's decisions within the limits determined by the Council of Ministers.

Chapter Three

Appeal against Decisions and Resolving Real Estate Disputes

Article 7

Appeal against Decisions

- A) Any interested party may appeal against any decision issued in accordance with this Law, within thirty days from the date of his notification of such decision.

Appeals to the Board of Directors are against decisions issued by the Board of Directors. With respect to other decisions, the same may be appealed before the Chief Executive.

A decision must be made on the appeal and the appellant must be notified of the outcome of the decision within thirty days from the date of the submission thereof. The appellant may appeal against the rejection of an appeal before the competent court within thirty days from the date of being notified of the rejection decision, or the lapse of the time for deciding on the appeal without notifying the appellant of the outcome of his appeal.

- B) No appeal may be submitted to the court except after an appeal against the decision is filed and a decision rejecting the appeal is issued or the lapse of the period referred to in the preceding paragraph without notification to the appellant.

Article 8

Functions of Bahrain Chamber for Dispute Resolution of Economic, Investment and Financial Matters

- A) Subject to the provisions of Paragraph (C) of this Article, Bahrain Chamber for Dispute Resolution of Economic, Investment and Financial Matters shall have the power to resolve, on urgent basis, the following real estate disputes if the claim amount is more than five hundred thousand Bahraini Dinars:
- 1) disputes arising out of Off-Plan Sale, Usufruct Rights, Musataha Right, Long Term Lease rights, Ijarah *Muntahia Biltamleek* rights or lease contracts.
 - 2) disputes related to the Owners' Union.
 - 3) any disputes arising out of works or Real Estate Development projects or property rights specified by a resolution of the Board of Directors which shall be published in the Official Gazette.
- B) The provisions of Legislative Decree No. (30) of 2009 with respect to Bahrain Chamber for Dispute Resolution of Economic, Financial and Investment Matters, and the orders issued for its implementation shall apply to the disputes provided for in the provisions of Paragraph (A) of this Article.
- C) The Authority may form mediation committees to reconcile and resolve real estate disputes amicably. Such committees shall resolve a real estate dispute amicably before hearing it by the Bahrain Chamber for Dispute Resolution of Economic, Investment and Financial Matters or to a competent court, as the case be, within three months from the date referring the dispute to it.

A resolution shall be issued by the Board of Directors to organize all the procedures, rules and fees of the mediation committees and other matters.

Chapter Four Inspection, Judiciary Police, Investigation and Accountability

Article 9 Inspection and Judiciary Police Powers

- A) Inspectors mandated by the Chief Executive from among the Authority's staff, or specialists from other organizations, to carry out inspection duties to ascertain the implementation of the provisions of this Law shall have the following powers:
1. Entering places that relate to or come under the jurisdiction of the Authority's powers to examine and inspect them and inspect the files, records and books that relate to the work of the Authority.
 2. Hearing the statements of anyone who is suspected to have something to do with the matter of investigation from among those working in the places referred to under Clause (1) of this Paragraph.
- B) The Authority employees designated by the Minister concerned with Justice Affairs, in agreement with the Chairman of the Board of Directors, shall have the power of judiciary police in respect of crimes provided for in this Law and which fall under their jurisdictions and relate to their duties.
- C) Inspectors referred to in any of Paragraph (A) and (B) of this Article may not access places allocated for residence without obtaining a permission from the public prosecution.
- D) A mandated inspector must have professional experience, specialization and proficiency.

Article 10 Initiating an Investigation

- A) The Authority may conduct an administrative investigation, on its own initiative or upon receiving well-founded reports or complaints, to investigate any violation of the provisions of this Law. It may conduct an investigation if it has strong evidence to make it believe that a violation is imminent.
- B) The Authority may request from those licensed to engage in real estate sector activities or Real Estate Development projects all of the particulars, clarifications and documents, including confidential information, if it deems necessary to complete the investigation. The Authority may also, in the course of performing its work, delegate to any of the judiciary police referred to under Paragraph (B) of Article (9) of this Law, to carry out any of the tasks they are delegated to perform.
- C) A resolution shall be issued by the Board of Directors to regulate the procedures of investigation, the time limits to be adhered to and the rules of notifying those licensed to

engage in real estate activities or Real Estate Development projects with violations attributed to them, attached with all the evidence, documents and information, as well as the principle of giving all the parties concerned with an investigation a fair chance to defend their interests, including convening hearings, cross examining the concerned parties and their witnesses and enabling them to present their views and submit their pleas and evidence, whether written or oral. The concerned parties shall have the right to seek the assistance of their lawyers in all investigation hearings and procedures.

Article 11 Measures that May be Taken When a Violation is Established

- A) Without prejudice to any civil or criminal liability, when a violation is established, the Authority shall order the violator to stop the violation and remedy the effects thereof immediately or within a time limit as may be specified by the Authority. In case of non-compliance to such order within the specified time limit, the Authority may issue a justified order in respect of one of the following measures:
1. withdrawing the license issued by the Authority in accordance with the provisions of this Law, in case the violation is related to the license.
 2. imposing a threatening fine calculated on a daily basis, to induce the violator to stop the violation and remove the reasons and effects thereof, which shall not exceed One Thousand Bahraini Dinars per day if he commits a violation for the first time, and Two Thousand Bahraini Dinars in case the violator commits any other violation within three years from the date of issuing an order against it in respect of a previous violation. In all cases, the total fine may not exceed Twenty Thousand Bahraini Dinars.
 3. Imposing a lump sum fine of not more than Twenty Thousand Bahraini Dinars.
- B) In the two cases provided for under clauses (2) and (3) of Paragraph (A) of this Article, when determining the fine, the gravity of the violation and the obstinacy shown by the violator, the benefits it has obtained and the damages which have been suffered by third parties as a result of the violation shall be taken into consideration. Collection of the fine shall be made by using the methods prescribed for collecting amounts due to the State.
- C) The Authority may publish a statement of the violation which is established to have been committed by the violator, by using the method and manner specified in the order proportionate to the gravity of the violation, provided that such publication shall not take place except after the expiry of the time limit for the appeal against the Authority's order establishing the violation or after a conclusive court judgment is passed establishing the violation, as the case may be.
- D) If the Authority finds that an investigation has revealed in the existence of a criminal offense, it shall refer the documents to the public prosecution.

Article 12 Urgent Cases

- A) In urgent cases, upon request from the Chief Executive, the Authority may if it considers that there are strong indications that a licensee's continuing conduct in a certain manner may lead to a damage that cannot be avoided at a later stage, issue a reasoned order in respect of the following:
1. placing restrictions or conditions on the services that are being offered by a licensee licensed to carry on real estate activities or Real Estate Development projects
 2. temporarily suspend certain activities of the licensee licensed to carry on real estate activities or Real Estate Development projects for a period not exceeding three months.
- B) The Authority shall issue an order in any of the cases provided for in Paragraph (A) of this Article, after reviewing all the papers and hearing the statements of the concerned party and the licensee and giving both of them an opportunity to present their views and submit their pleas and any documents, papers, evidence or proof supporting their points of view, all within the time limits in accordance with the procedures specified by a resolution of the Board of Directors.

PART II ACTIVITIES OF THE REAL ESTATE SECTOR

Chapter One Property Developers

Article 13 Licensing of Developers

- A) The activities of Real Estate Development project in the Kingdom may not be undertaken unless the Developer is licensed. Licensing Developers to carry on Real Estate Development projects in accordance with the rules and conditions laid down in a resolution by the Board of Directors.
- B) Such resolution shall organize the conditions, requirements and procedures for granting, renewing and amending Developers' licenses and the types, classes and validity periods of such licenses.
- C) A Developer shall, in undertaking Real Estate Development projects, comply with the limits of the license issued to it.

Article 14 Developers' Register

The Authority shall maintain a register called the "Developers Register", which shall be a paper or electronic register in which all particulars and information related to the Developers shall be entered.

A resolution shall be issued by the Board of Directors to specify the particulars and information to be available in the paper or electronic register and safeguards to be in the register to ensure the protection of the particulars and information recorded therein and show any changes occurring to such particulars or information.

A Developer shall notify the Authority of any change to the particulars and information recorded in the register within the time limit specified in a resolution by the Board of Directors.

The register shall be accessible to the general public for viewing, obtaining a certified copy from the Authority of the information recorded therein or a certificate stating that a specific matter has not been inserted therein, following payment of paying the prescribed fees.

Article 15 Developer's' Obligations and Duties

- A) A resolution shall be issued by the Board of Directors to organize the Developers' work, duties and obligations and the code of conduct which they must adhere to.
- B) Every Developer must submit its records to the Authority for annotation, especially the register which all details of the operations it has carried out and the amounts it has charged, the price of the transaction, date of conducting it and the personal details of the contracting parties, and other information or details are recorded in as may be specified by a resolution issued by the Board of Directors.

Every Developer must submit its records to the Authority for annotation at the end of every financial year or during the timeframe specified by a resolution of the Board of Directors.

- C) A Developer shall create an Escrow Account for Real Estate Development projects which are specified by a resolution from the Board of Directors.
- D) A resolution shall be issued by the Board of Directors, in coordination with the Central Bank of Bahrain, to stipulate the rules, regulations and requirements which should be complied with when creating and administering the Escrow Account referred to under Paragraph (C) of this Article.
- E) Reservations may not be placed on the amounts deposited in the Escrow Account referred to under Paragraph (C) of this Article in favour of the Developer's creditors, nor may the development project be included in the creditors' general security in case a Developer is

declared bankrupt, except for meeting the obligations and liabilities related to the project, including the rights of the buyers.

Article 16

Change of the Developer's Legal Status

Subject to the provisions of the Commercial Companies Law promulgated by Legislative Decree No. (21) of 2001, a Developer's legal status may not be changed, whether the Developer is a natural person or corporate body, except after the completion and handing over of the Real Estate Development project and the approval of the Authority.

Article 17

Conflict of Interest

- A) A Developer shall, when conducting its business activities, disclose to the customer, in writing, if it has a direct or indirect interest that conflicts with the requirements of its work.
- B) A resolution shall be issued by the Board of Directors to regulate all the issues related to conflict of interest and the circumstances which should be disclosed.

Chapter Two

Off-Plan Sale

Article 18

Licensing Off-Plan Sale Projects

- A) A Developer may not commence an Off-Plan Sale project or offer off-plan Units except after obtaining a license for the Off-Plan Sale project and registering it in the Register referred to under Article (19) of this Law.
- B) The Board of Directors may issue a special regulation for small Off-Plan Sale projects, and the provisions of this Chapter of this Law shall apply to such projects in respect of matters not provided for in such regulation.
- C) Without prejudice to the provisions governing civil and criminal liability, whoever collects funds in contravention of the provisions of Paragraph (A) of this Article shall refund them to their owners within a period of time not exceeding six months.

Article 19

Off-Plan Sale Projects Register

- A) A register shall be created at the Authority, under the name of "Off-Plan Sale Projects Register," which shall be a paper or electronic register in which the Off-Plan Sale projects shall

be recorded, together with the particulars and information related thereto, especially the following:

1. the particulars related to the project's Developer and the Sub-Developer, if any, and its rights and obligations towards the Main Developer which may affect the buyer's' rights and obligations.
 2. the license issued to the Off-Plan Sale project.
 3. the particulars, plans, specifications, designs and drawings related to the Off-Plan Sale project.
 4. any directive, restriction, condition, measure or penalty issued by the Authority or any competent authority related to the Off-Plan Sale project.
 5. the particulars and details related to the Escrow Account or any financial guarantees or funding methods related to the Off-Plan Sale project.
 6. the real rights and ancillary rights resulting from the project, and any change that may occur to its ownership or to the Developers undertaking it, or such other matters.
 7. any other particulars or information specified by a resolution of the Board of Directors.
- B) A resolution shall be issued by the Board of Directors with respect to regulating the Off-Plan Sale projects register and the conditions and procedures of registration therein.
- C) The Authority shall notify the Developer of any amendment to the particulars and information related to its project that are entered into the register within a period not exceeding seven working days.
- D) A Developer shall notify the Authority, on the form designated for this purpose, of any incorrect or inaccurate particulars or information registered in the register within a period not exceeding ten working days from the date of his knowledge thereof.
- E) The register shall be accessible to the general public for viewing, obtaining a certificate copy from the Authority of the information recorded therein or a certificate stating that a specific matter has not been inserted therein following payment of the prescribed fees.

Article 20

Procedures of Obtaining a License for Off-Plan Sale Project

- A) A Developer shall submit to the Authority an application to obtain a license for the Off-Plan Sale project, using the form designated therefor, accompanied with the following documents:
- 1) the title deed of the land or anything in lieu thereof, free of any real rights, or the consent of the owners of the real rights to execute the project or sell its Units.
 - 2) the approved constructional and architectural engineering designs.
 - 3) a copy of the Articles of Association of the Owners' Union stating the stages of execution and completion of the project and any arrangements or division of the project.
 - 4) the building permit in accordance with the provisions of the Law for the regulation of buildings.

- 5) a document that proves that an annotation in respect of the Off-Plan Sale project has been inserted in the land's journal the Land Register.
 - 6) a copy of the agreements concluded between the Developers concerned with the Off-Plan Sale project.
 - 7) the information and documents stipulated by the Authority related to the connection between the Off-Plan Sale project and the completion of the main plan, infrastructure and public utilities.
 - 8) a detailed program of the constructional and architectural works and the service works related to the Off-Plan Sale project.
 - 9) a letter from a licensed consultant engineer licensed by the Council for Organizing the Engineering Professional Practice specifying the estimated value of the Off-Plan Sale project.
 - 10) the main particulars related to the methods of financing the Off-Plan Sale project.
 - 11) other documents, information and particulars specified by a resolution of the Board of Directors.
- B) The Developer shall be responsible for the correctness of all documents, information and particulars submitted to obtain the license.
- C) A resolution shall be issued by the Board of Directors to stipulate the conditions, requirements and procedures for obtaining the license for the Off-Plan Sale project and its renewal and amendment.
- D) Without prejudice to the provisions of Article (10) of this Law, the Authority may withdraw the license if it finds that the Developer is not executing the Off-Plan Sale project in a serious manner, in accordance with the rules, requirements and procedures specified by a resolution of the Board of Directors.

Article 21 Annotation of the Off-Plan Sale Project in the Land Register

- A) An annotation must be made of the Off-Plan Sale project in the land's journal in the Land Register, and the Developer must submit to the Authority evidence of such annotation before obtaining the final license for the project. The Bureau may not change this annotation without the Authority's approval or by virtue of a court order.
- B) An annotation of the agreements entered between a Main Developer and Sub-Developer must be made in the journal of the land owned by the main Developer.

Article 22 Methods of Financing an Off-Plan Sale Project

- A) The Board of Directors shall specify, by a resolution issued by it, after obtaining the opinion of the Central Bank of Bahrain, the methods of financing Off-Plan Sale projects and the

percentages of monetary deposits or bank guarantees from the estimated value of the project.

- B) The Developer may not rely entirely on the funds and amounts received from the buyers of the Off-Plan Property Units for financing the project. The Board of Directors shall, after obtaining the opinion of the Central Bank of Bahrain, specify the percentage of the estimated value of the Off-Plan Sale projects that a Developer may not exceed to obtain financing from the amounts collected from buyers.

Article 23 Mortgaging the Off-Plan Sale Project

If a Developer Mortgages the Off-Plan Sale project to obtain a loan from a financing institution licensed by the of the Central Bank of Bahrain, such institution shall deposit the loan amount in the project's Escrow Account to be disposed of in accordance with the provisions of this Law and the edicts issued to implement it.

Article 24 Creation of the Off-Plan Sale Escrow Account

- A) A separate Escrow Account shall be created in the name of each Off-Plan Sale project, by virtue of a written agreement between the Developer and the Escrow Account Agent to regulate the financial, administrative and legal affairs of the project and deposit the amounts provided by the Developer and the Depositors. Such agreement shall specify the conditions for regulating the account and the parties' rights and obligations, and a copy thereof shall be lodged with the Authority.
- B) The Central Bank of Bahrain shall, in agreement with the Authority, issue the rules regulating the conduct of the activities of the Escrow Account Agent and the conditions and the methods of appointing it and its powers, obligations, responsibilities and the procedures of deposit, disbursement and control over the account.
- C) The Escrow Account Agent shall furnish the Authority with regular statements of the revenues and payments of the project's Escrow Account, and the Authority may, at any time, require the Escrow Account Agent to furnish it with the information or particulars which it deems necessary to view. The Authority may request the assistance of whoever it deems suitable to audit such statements or particulars.
- D) The Authority shall maintain a register called "Register of Escrow Account Agents for Off-Plan Sale Projects," which shall be a paper or electronic register in which the names of agents of each Escrow Account for each Off-Plan Sale project shall be registered. A resolution shall be issued by the Board of Directors to stipulate the conditions and procedures of registration in this Register and the right to access the particulars and information contained therein.

Article 25 Means of Spending from the Escrow Account

- A) The Escrow Account shall be exclusively allocated for spending on constructing, executing and managing the Off-Plan Sale project. No reservations may be placed on the amounts deposited in the Escrow Account in favour of the Developer's creditors, nor may the development project be included in the creditors' general security in case the Developer is adjudged bankrupt, except for meeting the obligations related to the project, including the buyer's' rights.
- B) The Escrow Account Agent shall retain a percentage of the construction value of the project, to be specified by a resolution of the Board of Directors, after the Developer obtains the completion certificate, to ensure good performance and repair any defects that may arise after completing the project. Such percentage may not be paid to the Developer before the lapse of one year from the date of handing over the last Unit to the buyers pursuant to the provisions of Article (31) of this Law, and fulfilling all good performance conditions during such year.
- C) The Board of Directors may, after obtaining the approval of the Central Bank of Bahrain, specify the requirements and conditions whereby an installment of profits may be paid to the Developers from the Escrow Account. In all cases, the profits received by the Developer must be refunded within one year from the date of receiving them if it leads to the stalling or suspension of the project.

Article 26 Disposal of the Off-Plan Sale Project

Without prejudice to the Depositors' rights, the Board of Directors shall regulate the conditions and requirements which the Developer must comply with when disposing of the Off-Plan Sale project.

Article 27 Off-Plan Sale Register

- A) A register shall be created at the Bureau called "Off-Plan Sale Register", which shall be a paper or electronic register, and a resolution for regulating it, for the procedures of registering therein and for deleting the registration therefrom shall be issued by the President of the Bureau, in coordination with the Authority. The Developer shall register in it the following particulars:
 - 1) the license for the Off-Plan Sale project.
 - 2) the Units included in the development license.
 - 3) sale contracts for the Units, and all acts of conveyance made to the rights arising out of the sale contract.

- 4) a detailed statement of any entry which the law stipulates to be made in the property's journal.
 - 5) any other particulars specified by a resolution of the President of the Bureau in coordination with the Authority.
- B) In all instance, the person disposing of the Unit shall be responsible for entering the details of such disposal in the register referred to in paragraph (A) of this Article, otherwise the beneficiary of the disposal may do all the necessary to enter the disposal in the said register at the expense of the disposer, unless decided otherwise by the President of the Bureau in coordination with the Authority.

Article 28 Advertisement

- A) The Developer or the licensee for conducting the business of Real Estate Brokerage may not advertise in the local or foreign media, using any advertising medium, including newspapers, websites or participation in exhibitions inside the Kingdom or elsewhere, to promote the sale of the Off-Plan Property Units except after such Units are registered in the register referred to in the preceding Article of this Law and after obtaining a license to advertise from the Authority and the concerned authorities.
- B) The Board of Directors shall issue a resolution to organize the rules and requirements for advertising or participation in the exhibitions, and the cases exempted from the condition of registering the Units and the license, for the purpose of conducting market studies for the project and such other purposes.

Article 29 Off-Plan Sale Contracts

- A) The Board of Directors may issue a resolution regulating the terms, conditions and details of the Off-Plan Sale contracts for Property Units, provided it contains the following details:
- 1) the terms and conditions related to how to conclude the sale contract.
 - 2) the terms and conditions, information and details which must be included in the sale contracts, including the obligations and rights of the Main Developer and the Sub-Developer, if any, which may affect the buyer's rights and obligations.
 - 3) the conditions and obligations which may not be included in the sale contracts.
 - 4) the requirements and restrictions on the advanced deposit amount to reserve the Property Unit and the method of retaining this security deposit and its use and the conditions under which the Developer must refund it to the party making a reservation.
 - 5) The duration or durations during which the buyer may exercise the option of opting out of the contract and the amount of the expenses or compensation which the buyer undertakes to pay to the Developer if he exercises the opt-out option.
 - 6) Payment schedule of the installments related to the Property Unit, in line with the progress of work on the project.
 - 7) The date of completion by the Developer of the Property Unit and handing it over to the buyer.

- 8) The circumstances under which the Developer or the buyer may revoke the contract and the percentage of the fines due from the violating party, without prejudice to the right to compensation for damages.
 - 9) The terms and conditions related to the Common Parts.
 - 10) Any other particulars, provisions or conditions as may be stipulated by a resolution from the Board of Directors.
- B) The Board of Directors may issue, in certain types of Off-Plan Sale projects, model sale contract forms. A Developer may not amend the terms and conditions of such forms except to the extent allowed by the forms.
- C) The terms and conditions contained in the Off-Plan Sale contracts shall be invalid towards the buyer if they are inconsistent with the provisions of Paragraph (A) of this Article or with the model sale contract form referred to under Paragraph (B) of this Article.

Article 30 Execution of the Off-Plan Sale Project

A Developer shall execute the Off-Plan Sale project in accordance with the approved constructional, architectural engineering designs and the documents on the basis of which the license has been issued to it.

No change may be made to the project unless such change is immaterial in view of acceptable engineering or technical considerations. However, if the change is material, it can only be done if under unforeseen circumstances or due to emergency reasons and with the consent of the concerned authorities and the Authority.

This shall be without prejudice to the buyer's right to seek compensation or reduce the price by an amount equal to the reduction in the area or value of his Property Unit or its benefit.

Article 31 Completion and Hand Over of Property Units

- A) The Board of Directors shall issue a resolution to regulate the rules and conditions of completing and handing over the Property Units to the buyers, including the completion certificate, administrative penalties and financial fines resulting from the Developer's default on its obligation to complete and hand over the Unit.
- B) The Developer shall, after completion of the Property Unit, undertake all acts which are consistent with good faith to register the Unit in the buyer's name and hand over to him all the certificates, deeds and documents related to the Unit and the Common Parts, the operation manuals for equipment and fixtures and the warranties for such equipment and fixtures.
- C) A buyer from a Sub-Developer shall have the right to claim directly from the Main Developer to perform its obligations towards the Sub-Developer.

Article 32 Sale by a Buyer of His Property Unit

In case a buyer sells the Off-Plan Unit to another person, the administrative expenses charged by the Main Developer or the Sub-Developer against such person who entered into a contract with the first buyer may not be more than the percentage specified by a resolution of the Board of Directors. The provisions of this Law shall apply to the new buyer.

Article 33 Stalling or Suspension of an Off-Plan Sale Project

- A) In case a Developer stalls or suspends temporarily or permanently the execution of the Off-Plan Sale project, for any reason whatsoever, the Authority may – after seeking the opinion of the Escrow Account Agent, take the necessary measures to safeguard the rights of Depositors and the project's creditors to ensure completion of the project or refunding the amounts to their owners. Such measures may include referring the case to a competent court to seek a judgment to execute the project with the knowledge of another Developer at the expense of the original Developer or sell the project and distribute the sale proceeds to the Depositors and the project's creditors.
- B) A resolution shall be issued by the Board of Directors to regulate the instances and reasons for suspension and stalling that require taking the measures provided for under Paragraph (A) of this Article.

Article 34 Management and Maintenance of Property Units by the Developer

The Developer shall manage and maintain the sold Units for two years from the completion date of the project and handing them over to the buyers, in consideration for collecting the actual costs together with a percentage not exceeding 5% of such costs as administrative expenses in accordance with the terms and percentages which shall be specified by a resolution to be issued by the Board of Directors.

Chapter Three Real Estate Brokerage

Article 35 Licensing the Practicing of Real Estate Brokerage

- A) No person may practice the Real Estate Brokerage profession in the Kingdom except after obtaining a prior license from the Authority in accordance with the provisions of this Law.
- B) A license to practice Real Estate Brokerage shall be given in accordance with the provisions and rules specified by a resolution of the Board of Directors.
- C) The resolution shall stipulate the conditions, requirements and procedures for granting, renewing and amending the licenses for practicing Real Estate Brokerage and their types, classes and validity periods.
- D) A licensee shall, in practicing Real Estate Brokerage, comply with the terms of the license issued therefor.

Article 36 Real Estate Brokerage Register

The Authority shall maintain a register called the "Real Estate Brokerage Register", which shall be a paper or electronic register in which all particulars and information related to those licensed to practice Real Estate Brokerage shall be recorded.

A resolution shall be issued by the Board of Directors to specify the particulars and information to be available in the paper or electronic register and safeguards to be in the register to ensure the protection of the particulars and information recorded therein and show any changes occurring to such particulars or information.

A licensee shall notify the Authority of any change to the particulars and information recorded in the register within the time limit specified in a resolution by the Board of Directors.

The register shall be accessible to the general public for viewing, obtaining a certified copy from the Authority of the information recorded therein or a certificate stating that a specific matter has not been inserted therein, following payment of the prescribed fees.

Article 37 Obligations and Duties of Real Estate Brokerage Licensees

- A) A resolution shall be issued by the Board of Directors to regulate the work, obligations and duties of Real Estate Brokerage licensees, especially the rules, regulations and provisions that needs to be taken into consideration when creating or administering customers' accounts or receiving and retaining their funds, the registers that shall be maintained at the licensee's

offices, as well as the code of conduct which those who practice Real Estate Brokerage must comply with.

- B) Every Real Estate Brokerage licensee shall maintain a register in which all details of Real Estate Brokerage transactions it has done shall be recorded, as well as the commission and amounts charged for it, the value of the transaction, the date of executing the transaction, the personal details of the contracting parties, the deposit paid to complete the transaction and such other information or particulars as may be specified by a resolution to be issued by the Board of Directors.

A licensee shall submit the register to the Authority to annotate at the end of every financial year or during the timeframe specified by a resolution of the Board of Directors. The Authority may maintain a copy of the register.

Article 38 Commission of Real Estate Brokers

- A) The Board of Directors may issue a resolution to specify the percentage of commissions that a Real Estate Brokerage licensee may charge for all or some of the Real Estate Brokerage works, without prejudice to the charges or rates which the licensee agrees with the customer.
- B) A Real Estate Brokerage licensee shall charge his commission equally between the two parties to the contract which he has mediated to completion, and each contracting party shall be liable towards the real estate broker, without being jointly liable towards the payment of the other party's commission, unless agreed otherwise.
- C) A Real Estate Brokerage licensee may not recover the expenses he has incurred on Real Estate Brokerage activities unless agreed otherwise in writing.
- D) A Real Estate Brokerage licensee shall not be entitled to his commission unless his brokerage work has led to the conclusion of a contract, and he shall be entitled to the commission once the contract is concluded, unless agreed otherwise. If the contract is contingent upon a condition that remains pending, the licensee shall not be entitled to his commission unless the condition is fulfilled, unless agreed otherwise.
- E) Without prejudice to the measures that the Authority may take in accordance with the provisions of Articles (11) and (12) of this Law, a Real Estate Brokerage licensee shall not be entitled to his commission or recover the expenses he has incurred in his Real Estate Brokerage work if he has acted in a way that harmed one of the contracting parties or has given untrue information or evidence about the property, or deliberately refrained from disclosing them or he has obtained a benefit or a promise of a benefit in contravention of the principles of good faith and fair dealing.

Article 39 Conflict of Interest

- A) A licensee shall, in performing his Real Estate Brokerage work, disclose to the customer, in writing, if he has a direct or indirect personal interest which is in conflict with the requirements of his work.
- B) A licensee or any of his subordinate workers may not, in performing their Real Estate Brokerage work, participate in brokerage transaction in which he, his wife or children has a personal interest, unless he discloses such interest to the other party and obtains his written consent. In such cases, a licensee shall not be entitled to a commission for the brokerage unless agreed otherwise in writing.
- C) A resolution shall be issued by the Board of Directors to organize all matters related to conflict of interest and the cases which should be disclosed.

Article 40 Liability Insurance

The Board of Directors shall specify which types or classes of Real Estate Brokerage licensees must have insurance policy to cover the profession's mistakes, in accordance with terms and conditions as may be specified by a resolution issued by the Board of Directors.

Chapter Four Real Estate Valuation

Article 41 Licensing the Practicing of Real Estate Valuation

- A) It is prohibited to practice the Real Estate Valuation profession in the Kingdom except after obtaining a prior license from the Authority in accordance with the provisions of this Law.

A resolution to specify the conditions, requirements and procedures for granting, renewing and amending licenses and their validity durations shall be issued by the Board of Directors.

- B) A Real Estate Valuation licensee shall, in practicing Real Estate Valuation, be restricted by the limits of the license issued therefor, and may not amend any of his services without obtaining a prior license from the Authority and paying the prescribed fees therefor.
- C) The Board of Directors shall issue the necessary resolutions to classify the licenses for the valuation activities into types and categories, according to the type of establishments and their nature, the purpose of the Real Estate Valuation, the technical basis for estimating the market value of the establishments, as well as the requirements necessary for each of them.
- D) Practicing Real Estate Brokerage may not be combined with the practicing of Real Estate Valuation.

Article 42 Surveyors' Register

The Authority shall maintain a register called "Surveyors' Register" which shall be a paper or electronic register in which all particulars and information related to Real Estate Valuation licensees shall be entered.

A resolution shall be issued by the Board of Directors to stipulate the particulars and information to be entered in the paper or electronic register, and the safeguards that must be included in the register to ensure the protection of the particulars and information recorded therein and show any changes occurring to such particulars or information.

A Real Estate Valuation licensee shall notify the Authority of any change to the particulars and information recorded in the Register within the timeframe specified in a resolution to be passed by the Board of Directors.

The register shall be accessible to the general public for viewing, obtaining a certified copy from the Authority of the information recorded therein or a certificate stating that a specific matter has not been inserted, therein, following payment of the prescribed fees.

Article 43
Obligations and Duties of Real Estate Valuation Licensees

- A) Without prejudice to Paragraph (B) and (C) of this Article, a Real Estate Valuation licensee shall perform his work based on an agreement entered by into himself and a customer. The agreement shall stipulate the obligations and duties of the surveyors and the fee that he is entitled to for his work.
- B) A resolution shall be issued by the Board of Directors to regulate the work, obligations and duties of Real Estate Valuation licensees, specifically the rules, regulations, provisions and the technical principles to be complied with when conducting Real Estate Valuation work, the qualifications that the property surveyors working for the licensee must have, the records that must be maintained at the licensee's offices and the code of conduct that property valuation practitioners must comply with.
- C) Every Real Estate Valuation licensee shall maintain a register in which all details of property valuation transactions he has conducted shall be entered, provided that such details shall include a description of the valued property, the value thereof and the method of valuation used to obtain the value of the property and such other information or particulars as may be stipulated by a resolution to be issued by the Board of Directors.

Article 44
Conflict of Interest

- A) A licensee or any of his of workers shall, in performing Real Estate Valuation activities, maintain impartiality and integrity in conducting property valuation, and shall disclose to the customer, in writing, whether he has direct or indirect interest that conflicts with the requirements of his work.
- B) A licensee or any of his workers may not, in performing property valuation, participate in Real Estate Valuation activities in which he, his wife or children, has personal interest, unless he discloses such interest to the other party and obtains his written consent.
- C) A resolution shall be issued by the Board of Directors to regulate all matters related to the conflict of interest and the cases which should be disclosed.

Article 45
Liability Insurance

The Board of Directors shall stipulate which types or classes of Real Estate Valuation licensees must have insurance policies to cover the profession's errors, in accordance with terms and conditions as may be specified by a resolution issued by the Board of Directors.

Chapter Five Property Management

Article 46 License to Manage and Operate Properties

- A) A license to practice activities of management and operation of property shall be in accordance with the rules and regulations specified by a resolution to be passed of the Board of Directors. The resolution shall regulate the conditions, requirements and procedures for granting, renewing and amending the licenses and their validity durations.
- B) A resolution shall be issued by the Board of Directors to regulate the work, obligations and duties of the property management and operation licensees.
- C) A property management and operation licensee shall be restricted by the limits of the license issued therefor, and he may not amend his services without obtaining a prior license from the Authority and paying the prescribed fees therefor.

PART III OWNERSHIP OF COMMON PROPERTIES

Chapter One Common Properties

Article 47 Special Register for Common Properties

- A) Common Properties, the land on which they are built, the Units and Common Parts they comprise shall be registered in the Land Register of the Bureau. The Bureau shall maintain a special register for Common Properties which shall be in the form of a paper or electronic register, in which the following particulars shall be entered:
1. the land owned by the Developers, in which Common Properties will be built.
 2. the Units sold by the Developers and their owners' names.
 3. the disposals of the Unit, such as sale, Long Term Lease contracts, Usufruct Rights, gift, will, Mortgage and such other legal disposals that create, establish or transfer rights in rem, or which would lead to the extinguishments of any such rights, as well as the final court judgments establishing any such rights, and the waiver declaration of the ranking of the ancillary rights in rem.
 4. any particulars specified by a resolution of the Board of Directors issued in agreement with the Bureau.
- B) Based on the details entered in the register, the Bureau shall issue certificates, deeds and any other documents related to the Unit, upon the request of the concerned person. Any interested person shall have the right to access the register.

Article 48 Development of a Common Property Project

- A) In the event a Common Property project is developed in stages, the Bylaws shall specify the arrangements for the division of such project.
- B) If a Common Property is limited to a part of any real estate project, and the Bylaws of the project does not specify how to manage this part of the real estate project, then the Building Management Regulation must be registered in the Land Register. The Building Management Regulation shall mean the terms and conditions related to the management of the building and the land in the event the building and the plot of land on which it is built are divided into two parts or more, in which case each part shall be divided in the manner specified by the competent authority and shall constitute part of the building.

Article 49 Gated Community

- A) The Council of Ministers or the authority it authorizes shall, upon a proposal submitted by the Board of Directors, stipulate the rules and conditions for considering a Real Estate Development project or a Common Property as a “gated community”, in particular the engineering and architectural requirements, the services that must be available and the Developers’ or owners’ obligations towards the Occupants of the Property Units, including providing the infrastructure.
- B) A resolution shall be issued by the authority designated by the Council of Ministers to consider a specific Real Estate Development project or a Common Property as a “gated community”, provided that such project or Common Property shall meet the rules and conditions referred to in the preceding paragraph of this Article.
- C) As an exception to any other law, the competent administrative authorities shall, after seeking the opinion of the Board of Directors, issue an order specifying the fees and financial costs for electricity, water and municipal services and such other government services provided to the Units located in the gated communities, with due regard to the volume of services provided by the competent administrative authorities and the expenses they incur, without prejudice to the provisions of Legislative Decree No. (25) of 2015 with respect to recovering the costs of the Establishment and Development of Infrastructure in Urbanized Areas.

Article 50 Ownership of Common Properties by Non-Bahrainis

The provisions of laws related to the ownership of properties by non-Bahrainis shall apply to the ownership of Common Properties.

Article 51 The Bylaws and Articles of Association of the Owners’ Union

- A) The Property Location Plan, Bylaws and the Articles of Association of the Owners’ Union shall form part of the title deed of a Common Property and shall be attached thereto. The Bureau shall retain the original copy of the Bylaws at all times.
- B) An owner of a Unit shall adhere - towards the owners and Occupants of other Units and the Owners’ Union, with the Bylaws and the Articles of Association of the Owners’ Union.
- C) An Occupant of a Unit shall adhere- towards the owners and Occupants of other Units and the Owners’ Union, with the Bylaws and the Articles of Association of the Owners’ Union to the extent that their provisions apply to the said Occupant.

Article 52 Common Parts of a Common Property

- A) Unless the Property Location Plan provides otherwise, the Common Parts consist of the land and any parts of the Common Property that are not located within the precincts of any Unit and are designated for common use by the owners and Occupants of the built Units in the Property Location Plan, and shall include, in particular, the following:
1. the structural parts of the Common Property, including main pillars, foundations, columns, structural walls, steps, ceilings, beams, hallways, stairs, staircases, emergency exits, entrances, windows on the exterior walls, facades and roofs.
 2. car parks, watchmen's rooms, facilities, recreational equipment, swimming pools, gardens, store facilities and the places allocated for use by the Owners' Union or whoever is appointed by it or with whom it enters into a contract to manage the Common Property.
 3. the equipment and systems of the main utilities, including electricity generators, lighting systems, gas equipment, cold and hot water, heating, cooling and air conditioning systems and the utilities used for the collection and treatment of waste.
 4. lifts, tanks, pipes, generators, chimneys, fans, ventilation conduits, air compressing units and mechanical ventilation systems.
 5. mains water pipes, sewerage, gas pipes and chimneys, electric cables and wires that serve the owners of more than one Unit.
 6. fixtures, connections, equipment and utilities used by the owners of more than one Unit.
 7. measurement devices for the connection or supply of Utility Services.
 8. any parts, devices or other installations specified in a resolution passed by the Board of Directors with due regard to the nature of the Common Property.
- B) Unless the Property Location Plan provides otherwise, the Common Parts of a Common Property that consists of a land, and not a building or part thereof, shall include any parts of the Common Property which are not located within the precincts of any Unit and are designated for common use by the owners and Occupants of the Units. They, in particular, shall include the following:
1. roads, roundabouts, intersections, passages, kerbstones, sewerage and the islands, bridges and drainage systems and anything connected therewith.
 2. lakes, pools, channels, parks, fountains, water forms and bodies of water, including all equipment connected therewith.
 3. green areas, public areas and playgrounds.
 4. wires, cables, pipes, sewerage, channels, machinery and equipment through which the Units and Common Parts are supplied with Utility Services.
 5. measurement devices for connection or supply of Utility Services that are considered to be designated for common use by the owners and Occupants of the Units.
 6. any parts, devices or other installations specified by a resolution passed by the Board of Directors with due regard to the nature of the Common Property.

Article 53 Scope of the Unit or Part of the Building

- A) Unless the Property Location Plan provides otherwise, each Unit in a building or part of a building shall include everything located inside the Unit, save for the Utility Services located in it which serve the Common Parts or any other Unit. The Unit shall, in particular, include the following:
1. the floors and the materials and parts of the floor to the foundation and the structures supporting the floor of the Unit.
 2. false ceilings and all types of ceilings and additions that form part of the interior sections of the Unit and the spaces between such ceilings as well as the ceilings on top of the supporting walls, structures inside the Unit and the walls that separate the Unit from the remaining Common Property and any adjacent Units or Common Parts.
 3. Non-load-bearing walls and non-supporting walls inside the Unit.
 4. windows, glass and fixtures that form part of the internal windows, lighting systems, doors and their frames and all equipment and fixtures serving the Unit.
 5. the internal connections that serve the Unit.
 6. fixtures and installations fitted by the owner or Occupant of the Unit.
 7. additions, alterations and improvements effected to the Unit from time to time.
- B) Unless the Property Location Plan provides otherwise, each Unit of a Common Property consisting of a land, and not building, shall include everything located within the precincts of the Unit except for the Utility Services that serve the Common Parts or any other Unit.
- C) The internal walls separating adjacent Units shall be common among all owners if they are part of the Common Parts.
- D) Each Unit shall have the right to obtain suitable support and enclosure separate from the other Units and the Common Parts.

Article 54 Ownership of Common Parts

Unless agreed otherwise, the owner of each Unit and the Developer of the unsold Units shall have an undivided share in the Common Parts in accordance with the percentages specified in the Bylaws.

The percentages shall be determined on the basis of the area of the Unit from the total area of the Common Property, nature of the use of the Units and any other criteria provided for in the Bylaws.

Article 55 Division of the Common Parts and Disposal Thereof

Common Parts may not, under any circumstances, be divided or disposed of, or of any parts thereof independently from the Units related thereto.

Disposal of the Unit shall include disposal of the owner's share in the Common Parts.

Article 56 Enjoyment of the Common Parts

An owner and Occupant of a Unit and their guests shall utilize the Common Parts for their intended use and in a manner not detrimental to the rights of others to use such parts or cause inconvenience to them or jeopardize their safety or the safety of the Common Property, in accordance with the provisions of the Articles of Association of the Owners' Union.

Chapter Two Disposal of the Units of the Common Property

Article 57 Disposal of Built Property and Owned Units in the Property

- A) An owner of a built property may sell his Property Units or dispose of them only if the property fulfills the technical, constructional and architectural conditions specified in a resolution passed by the Board of Directors.
- B) An owner of a Unit may sell his Unit or dispose of it in any form of conveyance.

Article 58 Division of Owned Units in a Common Property

A Unit owned in a Common Property may not be divided into two Units or more without the consent of the competent authorities.

Article 59 Leasing of a Unit

An owner of a Unit may lease his Unit, in which case, him and the lessee shall be obliged to adhere to the Bylaws and the Articles of Association of the Owners' Union, towards the owners and Occupants of the other Units and the Owners' Union.

Article 60 Pre-emption Right

- A) The owner of a Unit in common of a Common Property shall have the preemptive right to buy the share of the other owner who wishes to sell it to a person who is not a partner. However, if this right is exercised by more than one owner, then they shall have the right to buy pro rata the shares that each of them owns.
- B) A pre-emption right shall not be applicable if the sale is made between the spouses or to the ascendants or descendants or to the brothers or sisters and their descendants or to any company owned by any one of them.

Article 61 Exercising of Pre-Emption Right

- A) A pre-emption right is indivisible. It may not be exercised or waived except in its entirety. In the event the owners of such right are several, each of them shall use his right pro rata the shares he owns, and if one of them or more waive their rights, such rights shall pass to the others equally.
- B) If it is established that a sale has been made on better terms to the buyer than the terms specified in the notice served on the owners of the pre-emption rights, they may claim compensation from the seller before the Court for the damages they have incurred.
- C) A resolution shall be issued by the Board of Directors to regulate the pre-emption right, the time limits to be observed and the manner of notification for the desire to sell or buy.
- D) The pre-emption provisions set forth in Articles (860) to (873) of the Civil Code promulgated by Law No. (19) of 2001 shall not apply to the common properties registered in accordance with the provisions of this Law.

Chapter Three Owners' Union

Article 62 Establishment of the Owners' Union

- A) An Owners' Union shall, by law, be created upon the registration of the first Unit sold in a Common Property in the Land Register.
- B) An Owners' Union comprises of the owners of the Units of a Common Property, including the buyer in *Ijarah Muntahia Biltamleek*, the Main Developer or the Sub-Developer in case of unsold Units.

- C) a Unit owner's membership in the Owners' Union shall commence on the date of the notarization of the sale contract in his name.
- D) The Authority may, in the event there is no manager for the Union, appoint a manager to manage the Owners' Union in accordance with the powers vested on him by the Authority in major real estate or tourist or hotel projects or for any reason that the Authority deems to serve the interests of the project and the owners.
- E) Subject to the provisions set out in this Chapter, the Board of Directors shall issue a resolution to regulate all the provisions related to the Owners' Union, taking into account the nature of the Common Properties, to ensure the protection of the minority owners from the control of an owner or Developer owning more than half of the Common Property Units over the resolutions of the general assembly.
- F) A Main Union or more may be established that consists of a number of unions in a Real Estate Development project. A Central Union may also be established that consists of a number of Main Unions in the project. The Board of Directors shall issue a resolution to regulate all the provisions related to the Main Union and the Central Union.

Article 63 Acquiring the Legal Personality

- A) An Owners' Union is a non-profit organization, and the Union shall have a legal personality independent from that of its members. It shall have the right to sue in this capacity, and shall be represented by its manager before the courts, administrative bodies and when dealing with third parties.
- B) An Owners' Union shall have the right to own movable and immovable properties to enable it to perform the necessary work to achieve its objectives, in accordance with the provisions of the Articles of Association of the Owners' Union.
- C) In respect of the Owners' Union, the provisions set out in this Law and other orders issued in implementation of this Law as well as the Bylaws and the Articles of Association of the Owners' Union shall apply.
- D) Subject to the provisions of this Law, an Owners' Union may, in its own name and on behalf of its members, sue third parties, including the owners and Occupants of the Units of the Common Property, if any of them violates any provision of this Law or the Union's Articles of Association.

Article 64 Meetings of the Owners' Union

- A) In respect of the unsold Units, an owner of a Unit and the Developer shall have the right to attend and vote at the General Assembly meetings of the Owners' Union in accordance with the Union's Articles of Association.

- B) Meetings of the General Assembly of an Owners' Union may be convened through any of the electronic or telephonic means of telecommunications, provided that measures are taken to ensure the following:
1. verification of the identity of the participant at the meeting.
 2. enabling the Unit owner to fully participate in the meeting, as if he were present at the venue of the meeting. This shall include hearing everything being discussed at the meeting, providing an opinion and participating in the discussions.
 3. the recording in an appropriate manner of any statement or vote made by the participant at the meeting.
 4. any other measures stipulated in a resolution passed by the Board of Directors.

Article 65 Use of the Term "Owners' Union"

Every Owners' Union must state, in its papers and correspondence, the term "Owners' Union", the number of the property and the name of the property, if any.

Article 66 Management, Operation, Maintenance and Repair of Common Parts

- A) An Owners' Union shall undertake the responsibility of managing, operating, maintaining and repairing the Common Parts.
- B) The Owners' Union may delegate some of its functions to any person licensed by the Authority in accordance with the provisions of Article (46) of this Law in exchange for fees and on the terms agreed upon.

Article 67 Annual Subscriptions of the Members of the Owners' Union

- A) Every Unit owner of one of the Common Property Units, as well as the Main Developer or Sub-Developer in respect of the unsold Property Units, is obliged to pay his share in the annual subscriptions to cover the expenses of managing, operating, maintaining and repairing the Common Parts, and the cost of insuring the same. Such share shall be determined based on the area of the Unit from the total area of the Common Property, taking into consideration the nature of use of the Unit and any other criteria set forth the Articles of Association of the Owners' Union.
- B) An owner of a Unit, Main Developer or Sub-Developer may not waive his share in the Common Parts to avoid payment of his share in the annual subscriptions.
- C) The Authority may, upon the request of the Owners' Union, and in coordination with the relevant authorities, deduct the annual subscriptions with any of the fees or rates of the

government services. Such deductions shall be deposited in the account of the Owners' Union.

- D) The annual subscriptions shall become due from the date of the hand-over of the Unit or after sixty days from the date the Unit owner receives a registered notice, with an acknowledgment slip, to take-over the Unit.

The Authority may decide on an earlier date for the due date of the annual subscriptions and the expenses and costs necessary to establish the Owners' Union.

Article 68 Preferential Right

- A) The amounts due as annual subscriptions of the members of the Owners' Union and any other financial obligations incurred by the owner in accordance with the provisions of this Law and the Articles of Association of the Owners' Union shall have priority over the sold Property Unit, and such priority shall remain in place even if the ownership of the Unit is transferred to another person.
- B) If a Unit owner refrains from paying his share of the annual subscriptions to the members of the Owners' Union or any other financial obligations imposed on him in accordance with the provisions of this Law or the Articles of Association of the Owners' Union, the Union manager may issue an order to the Unit owner by a registered letter with an acknowledgement slip without an envelope, obliging him to pay within ninety days from the date of notification of the order. The Unit owner may contest such order within the said timeframe before a competent court. In the event no appeal is filed within the said timeframe, the order shall have the force and effect of a deed of execution, and may be executed before a competent Judge of Execution after inserting an annotation on the order to this effect by a competent court after verifying the validity of the notice and the expiry of the time limit for appeal against the order, or the passing of a final judgment in respect thereof.

Article 69 Making Alterations to a Unit or to the Common Parts

- A) Subject to the provisions of Article (58) of this Law, a Unit owner or Occupant may not make any changes or alterations to the structure or to the exterior of his Unit or to any part of the Common Property in a manner that materially affects the Unit or any of the Common Parts of the Common Property, or to its exterior appearance, unless provided otherwise by the provisions of the Articles of Association of the Owners' Union and the Bylaws.
- B) In the event the provision of Paragraph (A) of this Article is violated, a violator shall be liable to repair at his own expense the damage caused, as may be required by the Owners' Union. In the event of failure to do so, the Owners' Union shall repair the damage and recover the cost of repairs from the violator.

Article 70 Mediation Committees

The Authority may form mediation committees for conciliation and resolving disputes amicably among the owners of the Common Properties or between the Owners' Union and one of its members.

All procedures, rules and fees of the mediation committees and such other matters shall be regulated by a resolution to be issued by the Board of Directors.

Chapter Four Developer's Obligations

Article 71 Developer's Responsibility

Without prejudice to any provisions governing the contractor's responsibility provided for in other laws, the Developer's responsibility shall be as follows:

- A) A Developer shall be liable for the defects which appear in the structural parts of a Common Property and that are notified to him by the Owners' Union or the owner of any Unit. The Developer's liability shall continue for a period of ten years commencing on the date of his receipt of the completion certificate for the project he has developed.
- B) Subject to the provisions of Article (34) of this Law, a Developer's liability for ensuring the repair or replacement of defective fixtures in a Common Property shall continue for a period of one year from the date of receiving the completion certificate of the project he has developed, or part thereof, unless a longer period is agreed. The fixtures shall include mechanical and electrical works, sanitary and plumbing fixtures, and the like.
- C) The liability of the main contractor or sub-contractor may subrogate the Developer's liability in respect of the provisions of Paragraphs (A) and (B) of this Article in accordance with resolutions passed by the Board of Directors, without prejudice to the Developer's liability.
- D) The Developer shall be responsible for providing the infrastructure in respect of plots of land located in the master plan of the project that are sold to third parties, unless agreed otherwise in writing.
- E) The provisions of Article (24) and (25) of this Law shall apply to the funds deposited by the Developer and the Depositors on the account of the infrastructure of the project.
- F) Subject to the provisions of Paragraphs (A) and (B) of this Article, nothing in this Law prevents or affects any rights or guarantees to a Unit owner by virtue of any other legislation towards the Main Developer or Sub-Developer of the property.

Chapter Five Insurance on the Common Property

Article 72 Insurance on the Common Property

The Owners' Union shall be obliged to insure the Common Property against risks of destruction or demolition or fire and any other insurance risks so as to ensure the repair or rebuilding thereof. The Union shall be the named beneficiary of this insurance in accordance with the rules, conditions and requirements stipulated in a resolution passed by the Board of Directors.

Article 73 Insurance Against Liability

An Owners' Union shall be obliged to procure insurance against liability for damages and body injuries which may afflict Unit owners or Occupants, which was caused as a result of the Common Property, in accordance with the rules, conditions and requirements stipulated in a resolution passed by the Board of Directors.

Article 74 Calculation of Insurance Premiums

Insurance premiums due from Unit owners shall be calculated as part of the annual subscriptions of the Owners' Union members payable to the Owners' Union.

PART IV

PROPERTY ACTS OF DISPOSAL

Chapter One

Acts of Disposal and Rights that Must be Registered

Article 75

Registration of Acts of Disposal and Property Rights

- A) All acts of disposal that create, establish or transfer the real property rights, principal and ancillary, or that would lead to the loss of any of these rights must be registered in the Land Register, as well as the disposal acts that involve Off-Plan Sold properties, Usufruct Rights, Musataha Rights, Long Term Lease rights, *Ijrah Mintahya Biltamleek* as well as court judgments that establish such rights. If the disposals are not registered in the Land Register, the rights are not created, established, transferred, changed or removed, neither between the concerned parties nor towards others.
- B) The provisions of the Property Registration Law shall apply to the registration of acts of disposal provided for under paragraph (A) of this Article.

Chapter Two

Property Real Rights

Article 76

Permissibility of Disposal of the Property Right

A Developer or a property owner or property right owner may dispose of a completed or Off-Plan Sold property by all means of property disposal acts. A property owner or property right owner may not change the nature of a property right or exceed the powers granted by virtue of the provisions of the Law.

Article 77

Usufruct Rights on Property

- A) A holder of a Usufruct Right of more than ten years may dispose of it, including mortgaging it without the permission of the owner, unless another period is agreed in writing. A Usufruct Right holder may not be prevented from disposing of his right except for a legitimate reason. The party in whose favour the disposal has been made shall subrogate the holder of the Usufruct Right in his rights and obligations, unless agreed otherwise in writing.
- B) A property owner or a Property Unit owner may Mortgage his property or Unit if it is encumbered by a Usufruct Right without the permission of the Usufruct Right holder, unless agreed otherwise in writing.

- C) The term of a Usufruct Right may not exceed ninety-nine years.
- D) In the event of destruction of a property or Unit that has been utilized, it may be agreed in writing to replace the Usufruct Right with compensation in lieu thereof.
- E) The Usufruct Right shall expire:
 - 1. upon the lapse of fifty years, unless agreed otherwise in writing.
 - 2. upon the destruction of the property or Unit that has a Usufruct, without prejudice to Paragraph (D) of this Article.
 - 3. upon the waiver of the right by the usufructuary.
 - 4. upon a final court ruling terminating the Usufruct Right.
 - 5. where the capacities of the owner and the usufructuary are unified, unless the owner has interest in continuing the Usufruct Right, such as when the Unit is mortgaged.

Article 78 Musataha Rights

- A) A 'Musataha' term may not exceed ninety-nine years.
- B) A holder of a Musataha Right owns what he has constructed on land in the form of buildings or installations, and he may dispose of them in conjunction with the right of Musataha, unless agreed otherwise in writing.
- C) A holder of a Musataha Right of a term of more than ten years may dispose of it, including mortgaging it without the owner's permission, unless agreed otherwise in writing with respect to the term. A Musataha Right holder may not be prevented from disposing of his right except for a legitimate reason.
- D) The party in whose favour the disposal has been made shall subrogate the Musataha right holder in his rights and obligations, unless agreed otherwise in writing.
- E) A land owner may Mortgage his land even if it is encumbered by a Usufruct Right without the permission of the Usufruct Right holder, unless agreed otherwise in writing.
- F) A Musataha Right shall not expire on the removal of the building or the installations from the land before the expiry of the term thereof.
- G) Upon the expiry of a Musataha Right, if a Musataha Right holder has constructed building or installations on the land, the musataha landowner shall have the right, upon the expiry of the Musataha Right, to either request the right holder to demolish the building and remove the installations or to take ownership of what has been constructed at a price that equals the cost of the demolition or removal, if such demolition or removal shall cause damage to his land.

If the demolition or removal does not cause damage to the land, the landowner may not keep the buildings or installations without the consent of the holder of the Musataha Right, unless agreed otherwise in writing.

Article 79 Long Term Lease Right

A Long-Term Lease contract shall be governed by the same provisions that govern Usufruct Rights, unless agreed otherwise.

PART V MORTGAGE

Chapter One Scope of Mortgage and its Constitution

Article 80 Scope of the Mortgage

- A) The provisions of this Part shall apply to the Mortgage of properties and Property Units if it relates to Off-Plan Sale, Common Property or Unit held in common, Musataha Right, Long-Term Lease right, Usufruct Right or such other acts of conveyance that are specified in a resolution passed by the Board of Directors.
- B) A Mortgage may be taken upon a property in its entirety or on a Common Part thereof, or a principal real right or an Off-Plan Sold Property Unit.
- C) The provisions of the Civil Code shall apply to any matter which is not covered by a special provision in this Part.

Article 81 Conclusion of Mortgage

- A) A Mortgage may not be concluded except by an official document and after the registration thereof with the Bureau. Any agreement to the contrary shall be void.
- B) The Mortgagor is obliged to pay the Mortgage expenses, unless agreed otherwise.

Article 82 Mortgagee

The Board of Directors may require, in certain types of mortgages that are governed by the provisions of this Law, that the Mortgagee creditor must be a financial institution licensed by the Central Bank of Bahrain to carry out mortgage activities in the Kingdom.

Article 83 Mortgagor

Without prejudice to the provisions of Article (98) of this Law, the Mortgagor must own the mortgaged property or the mortgaged Property Unit and be qualified to dispose of it.

The Mortgagor may be the same debtor or a guarantor in rem providing a Mortgage in favour of the debtor.

Article 84 The Mortgaged Property

- A) A mortgaged property or mortgaged Property Unit must be constructed and present or off-plan when the Mortgage is made.
- B) A Mortgage may not be concluded except on a property or Property Unit that can be dealt with and sold independently in a public auction.
- C) The nature and location of the mortgaged property or Property Unit must be particular and precise in the Mortgage deed itself or in an official contract subsequently concluded, or else the Mortgage shall be void.
- D) A Mortgage includes extensions of the mortgaged property or Property Unit, encompassing buildings, plants and fixtures, and all the facilities that were subsequently built after the conclusion of the Mortgage deed, unless agreed otherwise.

Article 85 Consideration for the Mortgage

A Mortgage may be taken out as security for a specified and established debt. It may be a security for a future, contingent or conditional debt, or it may be granted to secure an open credit or the opening of a current account, provided that the amount of the secured debt, or the maximum amount which such debt may reach, shall be specified in the Mortgage deed.

Chapter Two Legal Effects of the Mortgage

Article 86 Disposal of the Mortgaged Property

A Mortgagee creditor may require that the Mortgagor not to dispose of the mortgaged property or Property Unit by any means of conveyance, or encumber it by a real right except after obtaining his consent.

This condition shall not be valid unless it is based on a strong motive and legitimate reason.

Article 87 Nullity of Mortgage Conditions

Any agreement shall be void if it gives the Mortgagee creditor, in case of non-payment of the debt when it is due, the right to own the mortgaged property or Property Unit at any price, or to sell it without observing the procedures prescribed by the law, even if such agreement was concluded after concluding the Mortgage deed.

However, it may be agreed, after the debt or one of the installments of the debt is due, for the debtor Mortgagor to assign to the creditor the mortgaged property or Property Unit in settlement of his debt.

Article 88 Management of the Mortgaged Property

- A) A Mortgagor shall have the right to manage the mortgaged property and collect the benefits and all proceeds thereof until such time as an attachment is registered on the deed of the mortgaged property or the mortgaged Property Unit.
- B) A court may order that an attachment be placed on the proceeds of a mortgaged property or mortgaged Property Unit with effect from the date of filing the case for enforcing the Mortgage if it finds that the Mortgagor is procrastinating in paying his debt in prejudice to the interests of the Mortgagee creditor.

Article 89 Destruction or Deterioration of a Mortgaged Property

If a mortgaged property or mortgaged Property Unit is destroyed or if it deteriorates for whatever reason, as a result, the Mortgage shall be transferred, to the right obtained, such as compensation, insurance proceeds or payments received on account of acquisition for public benefit.

Article 90 Enforcement Against the Funds of a Mortgagor who is not a Debtor

If the Mortgagor is a person other than the debtor, it is not permissible to enforce against his funds, except what has been mortgaged. A Mortgagor does not have the right to request stripping of the debtor , unless agreed otherwise.

Article 91 Assignment of Mortgage

- A) A Mortgage shall not be effective against third parties unless it is registered in accordance with the provisions of this Law prior to such third party acquiring a real right over the property.
- B) A Mortgagee creditor may transfer his right secured by the Mortgage to another person provided that the Mortgagor consents thereto and the assignment deed is registered with the Bureau.
- C) A secured Mortgagee may assign the order of priority of his debt to the extent of his debt to another creditor who has a Mortgage over the same mortgaged property. In such event the assigning Mortgagee and the assignee shall replace each other.

Article 92 Value of the Mortgage

The effect of the Mortgage shall be limited to the amount specified in the Mortgage deed, unless the Law or an agreement provides otherwise.

Article 93 Right of Priority

Mortgagee creditors' entitlements shall be paid before ordinary creditors out of the proceeds of the sale of the mortgaged property or mortgaged Property Unit or out of the monies received in substitution thereof, in the order of their debt ranking, even if they have been registered on the same day.

Article 94 Determining the Rank of a Mortgage

The rank of a Mortgage shall be determined by the serial number of the registration with the Bureau. If several persons applied, at the same time, to register their mortgages against one debtor and over one property, the registration of such Mortgages shall be under one number, and such creditors shall be considered the same ranking.

Article 95 Right of Tracking a Mortgaged Property

A secured Mortgagee may, upon maturity of the debt, track a mortgaged property in the hand of any possessor to recover his debt, after requesting him to pay the debt, unless this possessor chooses to fulfill the debt, redeem the Mortgage or abandon the property. Any person is deemed to be a possessor of the property if the ownership of the property transferred to him after creation of the Mortgage, or attained mortgageable right over the property, without being personally liable for the debt secured by the Mortgage.

Article 96 Guaranteeing the Mortgaged Property

A Mortgagor shall guarantee the mortgaged property and he shall be liable for its safety in full until the date the debt is satisfied.

A Mortgagee may object to any decrease in his security and may take the legal measures necessary to safeguard his right, provide that he has recourse against the Mortgagor for the expenses.

Article 97 Extinguishment of the Mortgage

A Mortgage extinguishes:

1. Upon the extinguishment of the secured debt, and shall be revived, together with the debt, if the cause for its extinguishment has disappeared, without prejudice to the rights that a bona fide third party has acquired during the period between the extinguishment of the debt and its revival.
2. If the redemption proceedings of are completed, the Mortgage shall be finally extinguished even if, for any reasons whatsoever, the possessor who redeemed the property lost his ownership.
3. If a mortgaged property is force-sold in a public auction, whether against the owner of the property, possessor or a receiver to whom the property has been handed to upon its vacation on abandonment, the Mortgage rights encumbering the property shall be extinguished by the depositing of the purchase price knocked down on the auction or by payment of this price to the registered creditors who, by virtue of their ranking, are entitled to receive their rights out of the said price.

Chapter Three Specific Mortgages

Article 98 Mortgage of Real Rights

Subject to the provisions of Paragraph (B) of Article (77) and Paragraph (D) of Article (78) of this Law, the owner of a real right over a property or Property Unit, such as the Usufruct Rights, or Long Term Lease of more than ten years, may Mortgage the benefit of the property or the Property Unit by way of Mortgage for the term of the Usufruct, Musataha or Long Term Lease.

The Board of Directors may amend the Mortgage term by a resolution issued by it.

Article 99 Extinguishment of a Mortgage on a Real Right

A Mortgage on a real right is extinguished and the entries shall be deleted from the Bureau's records on the expiry of the mortgaged debt or on the expiry of the term of this real right.

Article 100 Mortgage of Off-Plan Sold Units

A buyer of Off-Plan Sold Property Units may Mortgage the same as security to the purchase price of the Property Unit, provided that such Units or properties are registered in the Off-Plan Sale Register, and the Mortgagee creditor pays the debt amount in the project's account.

Chapter Four Procedures of Enforcement Against the Mortgaged Property

Article 101 Initiation of Enforcement Procedures Against a Mortgaged Property

A secured Mortgagee or his general or private successors may initiate enforcement proceedings against the mortgaged property and sell it if the debt is not paid on its due date, or if a condition that provides for the debt to fall due occur prior to the due date. , provided that the debtor, guarantor or holder of the property is served a notice, by a registered letter with an acknowledgement slip , thirty days before the enforcement application is filed with the competent Judge of Execution.

Article 102 Sale of the Mortgaged Property by Public Auction

In the event a Mortgagor or his general or private successors, or guarantor default on payment of the debt during the time limit set forth under Article (101) of this Law, the competent Judge of Execution shall, upon the request of the Mortgagee creditor, issue an order attaching the mortgaged property as prelude to selling it by public auction in accordance with the rules and procedures issued by an order of the Minister concerned with Justice Affairs in coordination with the Chairman of the Board of Directors. The said order shall be published in the Official Gazette.

Article 103 Deferment of the Sale of the Mortgaged Property by Public Auction

Subject to the provision of Article (102) of this Law, if a debtor or his surety requests the competent Judge of Execution to defer sale by public auction, the Judge may entertain this request to defer the sale once only, for a period not exceeding sixty days if he sees that it is possible that the Mortgagor will pay the debt due, if the Judge granted this request, or that the sale of the mortgaged property or the mortgaged Property Unit may cause severe damage to the debtor.

Article 104 Completion of Sale of the Property by Public Auction

Subject to the provisions of Article (101), (102) and (103) of this Law, if the debt is not paid within the specified time limit, the mortgaged property or mortgaged Property Unit shall be sold by public auction within a period of not more than thirty days from the date of expiry of the time limit referred to in such articles, as the case may be.

Article 105 Payment of the Debt out of the Mortgaged Property's Price

The Mortgagors' debts shall be paid out of the value of the mortgaged Property Unit or mortgaged property or out of the funds which have replaced it according to the ranking of each of them, even if they have registered on the same day. If the sale price is not sufficient to fulfill the debt, a creditor shall have the right to claim the balance from the debtor.

PART VI CRIMINAL LIABILITY

Article 106 Penalties

A prison term of not more than two years, and a fine of not less than one thousand Bahraini Dinars and not more than fifty thousand Bahraini Dinars, or either of the two penalties, shall be imposed on any person who:

1. establishes or manages an establishment to conduct Real Estate Development projects or activities without obtaining a license.
2. Conducts real estate activities and Real Estate Development projects without obtaining a license.
3. Sells or offers for sale an Off-Plan Unit without registering it in the Off-Plan Sale Register.
4. Knowingly sells an Off-Plan Property Unit to more than one buyer without any right.
5. Invites the public, using any means, to advertise or promote the sale of Off-Plan Property Units in contravention of the provision of Article (28) of this Law.
6. Obtains a license from the Authority using fraudulent means.
7. Submits to the Authority false or misleading information contrary to what is mentioned in the records, statements or documents under his disposal.
8. Conceals from the Authority any information, particulars, records or documents which he must provide the Authority or enable the Authority to access them to carry out its functions prescribed under this Law.
9. Causes obstruction or delay to the work of the Authority's inspectors or any investigation which the Authority is in the process of conducting.

Article 107 Corporate Entity's Liability

Without prejudice to the criminal liability of a natural person, a criminal penalty of not less than two thousand Bahraini Dinars and not more than one hundred thousand Bahraini Dinars shall be imposed on a corporate entity if any of the crimes mentioned in Article (106) of this Law is committed in its name or on its account or benefit, as a result of an act or omission, consent, collusion or gross negligence by any of the members of the Board of Directors or any authorized officer of the corporate entity or by whoever acts in this capacity.

**PART VII
MISCELLANEOUS PROVISIONS**

**Article 108
Fees**

An Edict shall be issued by the Council of Ministers, upon the recommendation of the Board of Directors, to specify the categories of fees due for the services, applications and licenses issued in accordance with the provisions of this Law.

The Council of Ministers may, upon the submission of the Board of Directors, determine the proceeds of the fees based on the licensee's total income as a result of this license, provided that the percentage of such fees shall not exceed 1% of the total annual income referred to.

**Article 109
Rectification of Status**

Property Developers, Real Estate Brokers, Real Estate Valuers and those licensed to manage and operate properties, who are existing at the time when this Law comes into force, shall rectify their status in accordance with its provisions within a period not exceeding six months from the date it comes into effect.