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ARTICLES OF ASSOCIATION

Pursuant to Law 27 of 2017 Promulgating the Real Estate Sector Regulation Law and pursuant to Resolution No 7 of 2018 regulating Owners Associations and Joint Properties, the Real Estate Regulatory Authority directs that the following shall be the Articles of Associations for Joint properties, effective from 26 September 2018.

By Order of the Chief Executive Officer dated 26 September 2018

Shaikh Mohammed Khalifa Abdulla Al Khalifa

ARTICLES OF ASSOCIATION

Notes:

- *The Articles of Association are based on the wording of Resolution No 7 of 2018 on regulating owners associations and joint properties. In the event of any inconsistency in wording, the words in the Resolution shall prevail.*
- *The definitions for the terms used in these Articles of Association are found in the Resolution.*
- *Owners Associations may create additional Articles pursuant to Articles 61 and 62 of the Resolution.*
- *References in the Articles of Association to the "Law" are to Law 27 of 2017 and to the "Resolution" are to Resolution No 7 of 2018 on regulating owners associations and joint properties.*

1 [See Resolution Article 17 - Legal Personality]

An owners association shall have a separate legal personality from its Owners and has the right to sue in this name as an owners association and may be represented by the Owners Association Manager and if there is no Owners Association Manager by the chairman in front of the courts, administrative entities and when dealing with third parties.

Where the owners association is liable to make a payment under a judgment to compensate for a breach of its obligations the Owners shall contribute to the payment in shares determined by the Entitlement of their units.

2 [See Resolution Article 18 – Functions of the owners associations]

In addition to the functions in the Law and in the Resolution, the owners association functions include the following:

- i. Supervision of common areas, assets and services according to the public benefit of the owners and managing and controlling it
- ii. Ensuring the maintenance of common areas and the repair of assets or replacement if repair is not economically sound
- iii. Keeping records according to Article 24 of the Resolution,
- iv. Maintaining insurance according to Articles 72 and 73 of the Law, Article 20 of the Resolution and the Joint Property By-Laws



- v. Promoting harmony and a sense of belonging among Owners and occupiers of units and managing disputes
- vi. Complying with any other obligations in the law.

3 [See Resolution Article 19 – Powers of an owners association]

In addition to the powers in the Law and in the Resolution, the owners association has the following powers:

- i. To enter into utility supply and service agreements;
- ii. To make Operational Rules for the effective management of the Joint Property;
- iii. To set appropriate measures and mechanisms against Owners for a breach of the Articles of Association or Joint Property By-Laws or of any notice to the Owner requiring the Owner or the Owner's tenant, guest or occupier to comply with owners association requirements.
- iv. To remedy defective building work in relation to the Common Areas;
- v. To carry out work required by law or the Joint Property By-Laws or if the Owner has failed to do the work;
- vi. To collect annual subscriptions from Owners and to require payments in quarterly instalments;
- vii. To recover from the Owner of a unit the costs of carrying out work;
- viii. To enter a Unit upon reasonable written notice to the Owner or occupier, or without notice in an emergency, to inspect or effect repairs to Common Areas or the unit or to carry out work;
- ix. To enforce Owners' obligations under the Law, the Resolution or the Joint Property By-Laws;
- x. To sue and take judicial action to enforce monetary claims in its own name;
- xi. To effect insurances required by the Law, the Resolution or the Joint Property By-Laws;
- xii. to invest surplus funds in a bank registered with the Central Bank of Bahrain or any institution approved by the Authority in consultation with the Central Bank of Bahrain;
- xiii. To issue statements of annual subscriptions indicating the annual subscriptions payable in relation to the unit and to issue Clearance Certificates according to Article 27 of the Resolution
- xiv. To own equipment, furniture and other assets consistent with its functions and powers.

4 [See Resolution Article 20 - Leasing common areas]

The owners association shall have the right to lease any common areas provided the same does not materially impede the use and enjoyment of the common areas by the Owners and is approved by the general assembly by Ordinary Resolution and any rent received shall be paid into and form part of the Operational Account.

5 [See Resolution Article 21 – Insuring owners associations]

The owners association must insure in its own name the following:

- 1. Buildings, assets and other improvements within the common areas under a comprehensive insurance policy against damage or destruction by explosion, fire, lightning, storm and tempest and water for:
 - i. their full replacement value; and



- ii. the costs incidental to their replacement or reinstatement, including the cost of removal of debris and professional fees on re-building
2. against liability for damage to property or bodily injury to any person howsoever arising in relation to the Common Areas; and
 3. against any other risk specified in the Law or in a direction of the Authority.

The owners association shall obtain an assessment every five years by a certified engineer or valuer to ensure the insurance policies adequately cover the above items.

6 [See Resolution Article 22 - Recovering the amount of the increased premium]

If the way in which a unit is being used by an Owner or occupier results in an increased premium payable by the owners association then the owners association may recover the amount of the increased premium from the Owner concerned. In all circumstances the proceeds of the insurance claim must be applied towards the reinstatement of the damage that resulted in the claim.

7 [See Resolution Article 23 - Insuring private property]

Owners and occupiers shall be responsible for insuring their private property to the extent that it is not covered by any insurance effected by the owners association.

Owners of free standing buildings including buildings on villas or land plots that are not Common Area may obtain their own insurance.

8 [See Resolution Article 24 - Owners association records]

An owners association must keep the following records:

- i. a record which contain the plan defining units and common areas and a copy of the Joint Property By-Law including a particular of unit Entitlements
- ii. a written record of meetings of the board;
- iii. a written record of the general assembly meeting proceedings including resolutions and Minutes;
- iv. a record for official communications;
- v. record of insurance policies;
- vi. a record of all financial statements, audits and bank statements;
- vii. a register of contracts and agreements;
- viii. originals of all contracts and agreements;
- ix. a register of assets;
- x. an up-to-date roll of all Owners and their addresses for service;
- xi. an up-to-date record of the status of annual subscription payments; and
- xii. other records specified by the Authority.

9 [See Resolution Article 28 - Operational Account and Reserve Account]

The owners association shall establish an Operational Account and a Reserve Account for the Joint Property and shall, unless exempted by the Authority, conduct every five years a study to identify



maintenance activities to be funded from the Reserve Account over the next five years. Upon collection of annual subscriptions from Owners the share of the annual subscriptions allocated in the Budget pertaining to the Reserve Account shall be separated from the Operational Account.

10 [See Resolution Article 29 - Easement Rights or leasehold obligations]

The owners association must comply with any easements or the obligations pursuant to any Special Management Scheme or leasehold or Musataha or agreements recorded in the Joint Property By-Laws or Supplementary Record Sheet.

11 [See Resolution Article 30 – Order to pay]

- A. For the purposes of Article 68B of the Law, the Owners Association Manager, or the chairman in the case where there is no manager may serve an Order to Pay on an Owner by registered post or by email, under the seal of the owners association, requiring the Owner to pay the annual subscription within 90 days. A copy of the original notice to pay annual subscriptions and any subsequent notices shall be attached.
- B. For the purposes of Article 68B, the Order to Pay may include:
- i. any arrears in annual subscriptions;
 - ii. any administrative fee imposed by the owners association for late payment pursuant to Article 59;
 - iii. financial obligations imposed on an Owner by the owners association pursuant to the Articles of Association.

12 [See Resolution Article 31 – Appointing a board]

The owners association must choose a board in the annual general assembly meeting. It shall comprise at least three and a maximum of nine members including the chairman, treasurer and secretary. The general assembly may appoint three supplementary members to fill any vacancies in the board.

Where the owners association has nine units or less, the Owners shall constitute the board.

13 [See Resolution Article 32 - Resignation of a board member]

A member of the board may resign within his membership period without any obligation to appoint a new member provided that the remaining member shall be at least three members, failing which the owners association must call an extraordinary general assembly to choose the rest of the board members.

14 [See Resolution Article 33 - Board member conditions]

These are the conditions of the board members:

- i. Should be an Owner in the Joint Property
- ii. A resident in Bahrain
- iii. An Owner should not be represented by more than one member on the board
- iv. Should not be a convicted bankrupt in the five years before the nomination.
- v. They should disclose potential conflicts of interest that may arise if appointed to the board.

In all circumstances it is not a condition that a board member be licensed by RERA as an Owners Association Manager.



15 [See Resolution Article 34 - Voting and the term of the board]

The term of office of a board member is for two years starting from the date of election and expiring at the next general assembly meeting two years later. Voting on nominees for election to the board shall take place at general assembly. Each owner is entitled to vote for one candidate and shall have one vote per unit owned. Voting may be in person, by proxy, by legal representative by voting paper or by electronic means. Board members may serve successive terms.

In addition to the voting procedures for board members set out in this Article, the general assembly may by Ordinary Resolution add to the Articles of Association another voting process. The amendment to be effective must follow the procedures for registration in the Resolution.

16 [See Resolution Article 37 - Board powers and functions]

- A. The board shall have full power and authority to perform the functions and powers delegated by the owners association according to the provisions of the Resolution except for the following:
- i. approving the annual Budget;
 - ii. amending the Articles of Association and the Joint Property By-Laws
 - iii. approving remuneration for board members
 - iv. Other restrictions imposed by the owners association.
- B. The owners association or board according to the circumstances shall have the option of approving or terminating contracts that are concluded after the date of the Resolution contrary to Article 9 of the Resolution, and in case of termination the owners association or board or Owners Association Manager shall notify the contractor with a period of notice of not less than 3 months.
- C. The owners association shall not be responsible to compensate the contractor in this case.

17 [See Resolution Article 38 - Disclosing conflict of interests]

A board member must disclose any conflict of interests to the other board members and where appropriate to the owners association. If the other board members so require then the board member with the conflict of interest will refrain from voting on any issue related to the conflict of interests.

18 [See Resolution Article 39 - Board Obligations]

The board must work to achieve the owners association benefits using reasonable diligence to ensure that the owners association fulfils its obligations under the law and the Resolution. Should the board and Owners Association Manager lack any expertise on a matter the board must engage the services of a person having sufficient knowledge and expertise.

19 [See Resolution Article 40 – Board liability]

The board will be responsible for any losses that the owners association will face in the following circumstances:

- i. Due to any loss sustained by the owners association due to any fraud or dishonesty of the board member
- ii. Where a board member knowingly breaches any aspect of the law or the Resolution resulting in damage to the owners association



- iii. If the board member fails to disclose any conflict of interests in any matter prior to a vote on the issue resulting in a loss sustained by the owners association.

Subject to the above, board members shall not be personally liable for any act or omission in their role as board member for any action taken in good faith.

20 [See Resolution Article 41 - Board meetings]

The board shall meet as regularly as is necessary in order for the board to fulfil its duties. Greater than half of the board members shall comprise a quorum. The board shall decide all matters by majority vote, and in all circumstances the resolution must be in writing.

Each board member shall have one vote. A board member shall not be entitled to vote if he fails to pay annual subscriptions due at the time of the relevant meeting.

The board shall elect a chairman, secretary and treasurer and specify functions if not already specified by the owners association.

The elected chairman may chair meetings of the board and general assembly meetings unless the general assembly appoints a different person to chair the general assembly meeting.

21 [See Resolution Article 42 - Functions of the secretary and the treasurer]

The functions of the secretary include the preparation and distribution of notices including notices of meeting, notices to comply with the Joint Property By-Laws, notices to owners to pay annual subscriptions and notices of board meetings, and issuing Clearance Certificates.

The functions of the treasurer include approving and issuing statements of annual subscriptions, preparing financial statements and annual Budgets.

22 [See Resolution Article 43 - Board Meeting notice]

The secretary will sign a written notice giving 14 days' notice of the board meeting to the board members. The notice period may be reduced if all members of the board agree in writing. The notice must include a detailed agenda for the meeting.

23 [See Resolution Article 44 – Appointing a Representative for as nominee for election to the board]

An owner that is a legal person may nominate one person as a representative to stand for election to the board.

Where a unit is owned by co-owners, one of the co-owners may be appointed to the board.

A developer owning more than one unit in the Joint Property may nominate one person to represent the developer to stand for election to the board.

24 [See Resolution Article 45 – The general assembly]

The general assembly shall consist of the Owners, whether attending in person, by proxy or by a legal representative, or voting either electronically or by voting paper.

25 [See Resolution Article 46 - Annual general assembly meeting]



The general assembly of the owners association shall convene annually with a written notice sent to Owners at least 21 days before the date of the meeting.

26 [See Resolution Article 47 - General assembly notice provisions]

The notice must be given to all Owners and contain:

- i. the date, time and place of the general assembly
- ii. a detailed agenda which includes the following items
 - a) at the first general assembly, an item for the appointment of a chairperson to chair the general assembly;
 - b) an item for confirmation of the minutes of the previous general assembly;
 - c) an item for consideration of the annual financial statements;
 - d) an item for consideration of the Budget for the next financial year and annual subscription proposed in that Budget and dates payable during the year;
 - e) an item for the election of the board;
 - f) items required by the board;
 - g) an item requested by an Owner in writing to be included on the agenda;
 - h) any resolutions or motions proposed to be passed by the general assembly
 - i) any other matters of general business.

27 [See Resolution Article 48 - Documents to accompany the notice]

The notice is to be accompanied by the following:

- i. a copy of the minutes to be confirmed;
- ii. a copy of the annual financial statements;
- iii. a copy of the proposed Budget, including proposed annual subscriptions;
- iv. details of current insurance policies;
- v. a copy of any other documents reasonably required for the general assembly to consider the various agenda items;
- vi. a proxy form; and
- vii. a voting paper setting out the proposed resolutions.

28 [See Resolution Article 49 - Extraordinary general assembly meetings]

An extraordinary general assembly must be convened in the following circumstances:

- i. if required by the Owners of not less than 25% of the units in the Joint Property;
- ii. if required by any two board members or the secretary or the chairman;
- iii. if required by the Authority.

The notice of an extraordinary general assembly need not contain all the particulars required to convene the general assembly.

29 [See Resolution Article 50 - Voting at a general assembly]

An Owner may vote in accordance with the provisions of the Resolution, and where a unit is owned by more than one person or owned by a company the voting shall be by proxy or by voting paper signed by the co-owners or by the legal representatives of the co-owners. In all circumstances no votes may be cast if annual subscriptions are overdue for the unit except on decisions requiring a Special Resolution or a resolution to terminate a Joint Property.



A person cannot hold proxies for more than 10% of the unit Entitlement of the Joint Property.

30 [See Resolution Article 51 – Quorum]

The quorum for a general assembly shall be the Owners of 50% of the units in the Joint Property participating in person, by proxy, by legal representative or voting by voting paper or electronically. If a quorum is not present within one hour of the scheduled commencement time of the general assembly, the general assembly shall stand adjourned until the same time and place seven days later, and the Owners participating at that reconvened meeting shall constitute the quorum.

31 [See Resolution Article 52 - Voting paper]

Without limiting Article 64(b) of the Law, voting at general assembly meetings may be by voting paper provided:

- i. service of the notice of meeting is by post or is through a notified email address;
- ii. the agenda and voting paper accompanying the notice of meeting list the resolutions to be voted on in the meeting
- iii. The owners mark on the voting paper the votes for or against the resolutions and sign the voting paper;
- iv. The owner returns the voting paper by post or email to the owners association so that it is received before the meeting; and
- v. all records of the meeting are retained;

32 [See Resolution Article 53 Ordinary Resolution]

Where a matter may be determined by Ordinary Resolution, voting may be decided by a simple majority vote of those present or participating by proxy, personal representative or voting electronically or by voting paper and entitled to vote.

Voting may be by a show of hands. On a show of hands each Owner has one vote.

or in any case where the chairman determines or upon the request of a person voting on the resolution, the chairman shall require the voting to be on the basis of unit Entitlements, When voting is on the basis of unit Entitlements, each Owner shall have the same number of votes as the unit Entitlement of the Owner's unit.

33 [See Resolution Article 54 - Meeting and voting electronically]

- A. The owners association may determine with an Ordinary Resolution a process to be followed for electronic voting the voting provided that such process shall be as a change to the Articles of Association and amendment to the Joint Property By-Laws.

Where voting in a general assembly includes voting by electronic means, the voting process must follow the electronic voting procedures specified in the Articles of Association and the Joint Property By-Laws.