

**Regulations for Licensing Mortgage Finance Companies and Real Estate Business Owners**

(No. 7/T/R/Ain) of 2007

Issued by the Board of Directors of the Palestine Capital Market Authority  
Pursuant to the Provisions of Articles (3) and (26) of the Capital Market Authority Law  
no. (13) of 2004

**Scope of Application of the Regulations**

**Article (1)**

The following regulations shall apply on mortgage finance companies and real estate business owners.

**Definitions**

**Article (2)**

The following term and statements shall have the definitions ascribed to them unless otherwise indicated:

**The Law:** Capital Market Authority Law no. (13) of 2004.

**The Authority:** Palestinian Capital Market Authority.

**The Board:** The Board of Directors of the Authority.

**The Chairperson:** The Chairperson of the Authority.

**The Company:** the **shareholding** company licensed by the Authority to conduct medium and long term mortgage finance activities, through providing direct loans to the borrower, or the **public shareholding** company licensed by the Authority to refinance those loans to the banks or other mortgage finance companies.

**Licensing Records:** Authority records where licensed companies and real estate business owners are listed.

**Seller:** Natural or legal person who sells real estate.

**Buyer:** Natural or legal person who buys real estate.

**Borrower (Mortgagor/Debtor):** the buyer who receives financing to purchase real estate in accordance with a medium or long term financing contract, and is granted a mortgage in return.

**Lender (Mortgagee/Creditor):** the legal person who finances the borrower (the buyer) in accordance with a medium or long term financing contract, in return for a mortgage. It could be a bank, a mortgage finance company, or a mortgage refinance company.

**Owner:** The natural or legal person who owns the immovable property and has the right to dispose off such property or subject it to transactions, including mortgage.

**Deed Certificate:** Official document issued by the Land Registration Department. .

**The Contract:** Financing contract against mortgage, under which medium and long term loans are granted to finance the construction, purchase, renovation or betterment of houses that are registered or eligible for registration at the Land Registration Department.

**Mortgage:** Mortgage that is registered at the Land Registration Department by a document attaching immovable property as a security against a loan.

**Loan Securing Document:** The document through which the real estate is used as a security for the loan, in return for a mortgage, and enjoys supremacy over other debts when duly documented at the Land Registration Department. The mortgagee/creditor may transfer the loan securing document, along with the privileges it enjoys, to others, upon the approval of the mortgagor/debtor in his/her capacity as the debtor. He/she may not mortgage or dispose off the mortgaged real estate.

**Real Estate:** Any land and assets thereon irrespective of the kind of such land, with the exception of public lands.

**Immovable Property:** Land owned by one or more persons, including the buildings, trees, and fixed assets thereon. The term shall also include real estate.

**Guarantee:** The obligation of the debtor to pay his/her debts. The debtor's estate shall guarantee all his/her debts.

**Real Estate Business Owners:** Natural or Legal Persons licensed by the Authority to undertake real estate brokerages activities as well as real estate valuation within the exclusive sector of mortgage finance.

**Real Estate Broker:** Natural or Legal Persons licensed by the Authority to undertake financial transactions related to financing mortgage projects to the benefit of the lender. He or she shall provide the lender with account management and collection services in return for agreed-upon fees.

**Real Estate Valuator:** Natural or Legal Persons licensed by the Authority to undertake real estate valuation activities for the purposes of mortgage finance.

**Foreign Companies:** Companies conducting mortgage finance operations outside Palestine, and licensed to do business in Palestine.

## **Licensing Companies**

### **Article (3)**

The company shall obtain a license from the Authority to undertake mortgage finance activities and operations, whether for the purposes of providing direct financing and loans, or indirectly (refinancing) through financing other lending parties, such as banks, or other mortgage finance companies that provide direct lending.

### **Article (4)**

In order for the company to obtain a license, it must:

- i. Be registered at the Companies Comptroller Department as a shareholding company pursuant to the provisions of the Companies Law prevailing in Palestine, or as a branch of a foreign company that has fulfilled the registration terms.
- ii. Have a paid capital of no less than (\$5,000,000) five million United States Dollars.
- iii. Its objectives listed in its articles of incorporation shall include the provision of financing against mortgage, through which medium and long term loans are granted to finance the construction, purchase, renovation of betterment of registered houses.

- iv. Comply with the standards of financial solvency in accordance with article 39.
- v. Provide the Authority with a duly certified copy of the articles of incorporation, by-laws, and certificate of incorporation, listing the names of the members of the Board of Directors and the authorized signatories.
- vi. Provide the Authority with an initial feasibility study encompassing the estimated budget of the company for the first three years of the work of the company, and the basis thereof, and clearly identifying the sources of financing and the different forms of investment, flows of funds, and the expected profits and losses if the company is newly established, or the audited financial reports for three previous years, in accordance with the international auditing standards, if the company is existing.
- vii. Provide the Authority with the organizational structure of the company, as well as full details about its executive management, such as their resumes, titles, and copies of their identification cards.
- viii. Any other information that the Authority deems necessary and relevant in order for it to make a determination in relation to the licensing request.

### **Qualifications of the Executive Management**

#### **Article (5)**

1. The General Manager must possess a university degree from an accredited educational institution.
2. The General Manager of the company must possess no less than (10) ten years of experience in the banking or financial sectors, or in any other relevant field.
3. The company's branch managers must possess no less than (5) five years of experience in the banking or financial sectors, or in any other relevant field.

### **Licensing Foreign Companies**

#### **Article (6)**

1. Foreign companies licensed by the Authority shall comply with these regulations and all other laws prevailing in Palestine, as well as all regulations and bylaws issued in accordance therewith.
2. Registered foreign companies that are licensed outside Palestine may undertake the same business in Palestine, on the condition that they register a branch of a foreign company in accordance with the law, and that they obtain a license from the Authority.
3. All specific provisions applicable on national companies shall apply on foreign companies.

### **Licensing Real Estate Business Owners**

#### **Article (7)**

Real estate brokers and real estate valuers shall obtain a license from the Authority to undertake their profession.

### **Real Estate Broker**

#### **Article (8)**

In order to obtain a license, the **real estate broker** (natural person) must:

1. Have full capacity, a track record of good conduct and ethics, and shall submit a certificate proving that.
2. Possess no less than 5 years of expertise in the fields of financing, banking or real estate.
3. Deposit a cash amount or issue a bank guarantee for the benefit of the Authority, of (\$50,000) fifty thousand United States Dollars.
4. Not have been convicted with a felony or a crime related to honor or honesty, nor have been bankrupt or insolvent, unless he or she has been remitted by a decision from the competent court.
5. Have participated in the training courses approved by the Authority for the purposes of obtaining the necessary licensing.
6. Any other information and/or data that the Authority deem necessary and appropriate in the licensing application.

#### **Article (9)**

In order to obtain a license, the **real estate broker** (legal person) must:

1. Be registered at the Companies Comptroller Department as a company pursuant to the provisions of the Companies Law prevailing in Palestine, or as a branch of a foreign company that has fulfilled the registration terms.
2. Deposit a cash amount or issue a bank guarantee for the benefit of the Authority, of (\$150,000) one hundred fifty thousand United States Dollars.
3. Submit to the Authority a duly certified copy of its articles of incorporation, bylaws, and certificate of incorporation, listing the names of the members of the Board of Directors and the authorized signatories.
4. Provide the Authority with the organizational structure of the company, as well as full details about its executive management, such as their resumes, titles, and copies of their identification cards.
5. To make available the cadre competent to undertake real estate brokerage activities.

### **Real Estate Valuator**

#### **Article (10)**

In order to obtain a license, the **real estate valuator** (natural person) must:

1. Have full capacity, a track record of good conduct and ethics, and shall submit a certificate proving that.
2. Possess no less than 5 years of expertise in the field of real estate.
3. Not have been convicted with a felony or a crime related to honor or honesty, nor have been bankrupt or insolvent, unless he or she has been remitted by a decision from the competent court.
4. Have participated in the training courses approved by the Authority for the purposes of obtaining the necessary licensing.
5. Any other information and/or data that the Authority deem necessary and appropriate in the licensing application.

**Article (11)**

In order to obtain a license, the **real estate broker** (legal person) must:

1. Be registered at the Companies Comptroller Department as a company pursuant to the provisions of the Companies Law prevailing in Palestine, or as a branch of a foreign company that has fulfilled the registration terms.
2. Submit to the Authority a duly certified copy of its articles of incorporation, bylaws, and certificate of incorporation, listing the names of the members of the Board of Directors and the authorized signatories.
3. Provide the Authority with the organizational structure of the company, as well as full details about its executive management, such as their resumes, titles, and copies of their identification cards.
4. To make available the cadre competent to undertake real estate valuation activities.

**Procedures for Licensing Companies**

**Article (12)**

1. The application to obtain a license to undertake the company's business shall be submitted in writing to the Authority by the company's authorized signatories, the company's founders, or the company's lawyer, in accordance with the special application form that is duly signed by the applicant. The applicant shall attach to the application form an affidavit certifying that the information contained therein is true and correct. The license application shall be deemed null and void if the applicant fails to submit to the Authority any missing relevant documents within 45 (forty five) days from the date of submitting the application.
2. The Authority may take the necessary measures it deems appropriate to verify the information contained in the form. It may also request the submittal of any additional information it deems appropriate or necessary to make a determination in relation to the license application.
3. The Authority shall issue its decision in relation to granting the license or the rejection thereof within a period that shall not exceed (60) sixty days from the date on which the licensing application is submitted, along with all the accompanying terms and requirements for licensing stated in these regulations. The rejection decision shall be reasoned.
4. The applicant may request that the Authority revisit its decision to rejects the company's application, within a period of (45) forty five days from the date on which the applicant is notified or becomes aware of the rejection decision. The authority shall make a determination regarding the complain within (30) thirty days from the date it is submitted to the Authority.

**Article (13)**

1. As soon as the company is licensed by the Authority, it must start business within a period of (6) six months from the date of licensing. The Authority may extend this period for additional (3) three months.

2. If the company is unable to start business within the said period, the license granted thereto shall become null and void. The company will need to submit a new application and pay new fees if it still wishes to undertake this business.

**Article (14)**

The Authority shall issue certificates for the companies whose licensing applications are approved. The certificates shall state the date and number of registration at the licensing records.

**Article (15)**

The Authority may not reject licensing applications except in the following situations:

1. Non-compliance by the company with the terms of licensing stated in these regulations.
2. If a court of law has declared by a court order any of the company's founders or any individual of its senior management bankrupt within the last (5) five years preceding the application submittal, unless such individual has been remitted.
3. If any of the company's founders or any individual of its senior management has been convicted by a competent court of law of a felony of misdemeanor related to honor or honesty within the last (5) five years preceding the date on which the applicant submitted the licensing application.

**Procedures for Licensing Real Estate Business Owners**

**Natural Person**

**Article (16)**

The application to obtain a license to undertake real estate businesses shall be submitted in accordance with the special application form drafted by the authority, and shall be duly signed by the applicant. The applicant shall attach to the application form an affidavit certifying that the information contained therein is true and correct. Furthermore, the applicant must attach to the application form:

- 1- Merchant Registration Certificate issued by the Ministry of National Economy.
- 2- Copy of the identification card.
- 3- Copy of the university credentials and diplomas.
- 4- Copy of the expertise certificates.
- 5- Office lease contract.
- 6- Good conduct certificate issued by the Ministry of Interior.
- 7- Any other documents deemed necessary by the Authority.

**Legal Person**

**Article (17)**

1. The application to obtain a license to undertake the company's business shall be submitted in writing to the Authority by the company's authorized signatories, the company's founders, or the company's lawyer, in accordance with the special application form that is duly signed by the applicant. The applicant shall attach to the application form an affidavit certifying that the information contained therein is true and correct. The license application shall be deemed null and void

- if the applicant fails to submit to the Authority any missing relevant documents within 45 (forty five) days from the date of submitting the application.
2. The Authority may take the necessary measures it deems appropriate to verify the information contained in the form. It may also request the submittal of any additional information it deems appropriate or necessary to make a determination in relation to the license application.
  3. The Authority shall issue its decision in relation to granting the license or the rejection thereof within a period that shall not exceed (60) sixty days from the date on which the licensing application is submitted, along with all the accompanying terms and requirements for licensing stated in these regulations. The rejection decision shall be reasoned.
  4. The applicant may request that the Authority revisit its decision to rejects the company's application, within a period of (45) forty five days from the date on which the applicant is notified or becomes aware of the rejection decision. The authority shall make a determination regarding the complain within (30) thirty days from the date it is submitted to the Authority.

#### **Article (18)**

1. As soon as the company is licensed by the Authority, it must start business within a period of (6) six months from the date of licensing. The Authority may extend this period for additional (3) three months.
2. If the company is unable to start business within the said period, the license granted thereto shall become null and void. The company will need to submit a new application and pay new fees if it still wishes to undertake this business.

#### **Article (19)**

The Authority shall issue certificates for real estate business owners whose licensing applications are approved. The certificates shall state the date and number of registration at the licensing records.

#### **Article (20)**

The Authority may not reject licensing applications except in the following situations:

1. Non-compliance by the real estate business owners with the terms of licensing stated in these regulations.
2. If a court of law has declared by a court order any of the owners of the real estate businesses bankrupt within the last (5) five years preceding the application submittal, unless such individual has been remitted.
3. If any of the owners of the real estate businesses has been convicted by a competent court of law of a felony of misdemeanor related to honor or honesty within the last (5) five years preceding the date on which the applicant submitted the licensing application.

### **Registration Records**

#### **Article (21)**

1. The Authority shall administer a registry for licensed companies. The registry shall include the information on each company, its capital, addresses of its

- branches, as well as the names of the members of its Board of Directors, managers and auditors.
2. The Authority shall administer a registry for real estate business owners. The registry shall include information related to each business owner, as well as the addresses and branches thereof, along with any other material information requested by the Authority.
  3. The data in both registers shall be updated annually.

### **Duration of Licensing**

#### **Article (22)**

1. The duration of licensing for each of the companies and real estate business owners shall be one year, ending on December 31<sup>st</sup> of each year.
2. The licenses shall be renewed annually upon payment of the fees imposed by the Authority.
3. Application for renewal of the license shall be submitted (30) thirty days before the date on which the license expires. The Authority may request any additional information upon submittal of the license renewal application.

### **Mortgage Finance Activities**

#### **Article (23)**

Mortgage finance activities shall be undertaken in accordance with these regulations. These activities shall be limited to granting medium and long term loans to finance the construction, purchase, renovation or betterment of real estate, on the condition that such real estate is registered or in the process of being registered at the Land Registration Departments, and that the real estate is officially registered as collateral for the purposes of guaranteeing the loan.

### **Mechanisms of Financing**

#### **Article (24)**

Loans for financing real estate mortgages may be provided through the following two mechanisms:

- 1- Direct financing from the company or the bank to the borrower. In that case, the company or the bank shall be considered a primary lender. This market shall be named Primary Market.
- 2- Indirect financing, through which the company undertakes the refinancing of the bank or group of banks, or of the other mortgage financing companies operating in the Primary Market. Refinancing is conducted either through purchasing or through lending. This market shall be named Secondary Market

#### **Article (25)**

Loans against guarantees shall be in the form of first class real estate mortgages (loan security documents) officially endorsed to the benefit of the lender before the Land Registration Department.

#### **Article (26)**



For the purposes of financing, the value of the real estate property shall be determined through the expertise of one real estate valuator whose name is registered at the records approved by the Authority, on the condition that such individual is not an employee of the lender or the borrower.

**Substantial Conditions in the Contract Relating to Risks  
Procedures  
Article (27)**

The Lender must follow the following procedures when financing real estate mortgages:

- 1- Sign a contract for financing against a mortgage.
- 2- Determine and clarify the terms and procedures in the contract vis-à-vis identifying the real estate, its value, and its sale in installment payments in a manner that guarantees for the borrower to make a sound loan decision.
- 3- Identify the interest rate, which shall be calculated in a declining manner throughout the loan duration. It could be revisited annually.
- 4- Clarify in explicit and clear terms the types of risks that the borrower may face throughout the contracting period.
- 5- Make the borrower aware of the necessary procedures before and after the purchase, and prepare a list of such procedures.
- 6- Verify the financial capacity of the borrower, as well as the borrower's reputation and contracting capacity.
- 7- Provide justified reasoning for the decision rejecting to lend the borrower.

**Standards  
Article (28)**

The lender must comply with the following rates when financing mortgages:

- 1- Financing shall not cover more than 80% of the value of the real estate property for the employee, nor more than 70% for the self employed.
- 2- The monthly installment, including the interest, shall not exceed 40% of the next monthly income of the borrower minus the installments of due current debts.
- 3- The lender may not provide financing for one client that would exceed 5% of the value of the lender's paid capital, nor provide loans for its relatives up to the second degree, or to parties with whom the lender shares common interests or partnership relations, that would in totality exceed 25% of the value of its paid capital.

**Obligations of the Lender  
Article (29)**

The lender must inform the borrower each six months of the following:

- 1- The value of the original financing as well as the costs of the financing due thereon from the beginning of the financing until the debt is fully paid.
- 2- The value of the installments and the costs of the remaining financing, in addition to any change that affects the contract, such as rescheduling the payments on installments, or any other changes.

- 3- Any fees, costs or expenses deducted from the borrower's account, even if such fees, costs or expenses are deducted pursuant to a provision of the law, term in the contract, or a court decision.
- 4- Any change on the address of the lender for which the borrower is obliged to pay the loan.

#### **Article (30)**

The lender may request the following:

- 1- Any guarantees the lender deems appropriate, if such guarantees are related to the income of the borrower. The income is proven by a certificate from the tax authorities, reflecting the borrower's income which forms the basis for the borrower's tax status within the last three years preceding the loan agreement. If the financing is guaranteed by deducting from the borrower's salary, the salary proof shall be in the form of a certificate from the borrower's employer.
- 2- Any other documents the lender deems necessary to prove the borrower's salary.
- 3- List of default cases and the procedures the lender is entitled for in such cases.
- 4- List of its rights in situations where the borrower violates the financing agreement or hides material information or misleading information.

#### **Obligations of the Borrower**

#### **Article (31)**

The borrower must:

- 1- Record the priority right of the price of the real estate the installments of which transferred to the lender.
- 2- Submit a certificate approved by the tax authorities or from his/her employer indicating his/her annual salary, or present any other document that the lender deems appropriate proof of income.
- 3- Pay all the installments of the loan at the agreed upon dates.
- 4- Pay all fees, taxes and other expenses due on the real property and payable to any government agency. The borrower may not seek reimbursement from any other parties for such dues.
- 5- Hold insurance against risks of default stemming from death or total or partial disability, for the benefit of the lender and for the value of its rights. The percentage shall be no less than 50% of the value of the loan. The insurance shall remain in force as long as the lender is still entitled for any dues or claims.
- 6- Obtain full insurance coverage for the mortgaged real estate. The finance contracts shall state that.

#### **Article (32)**

The borrower may expedite payment of the loan upon notifying the lender in writing of his/her will to do that. In this case, the value of the installments shall be reduced in accordance with a table to be attached to the finance agreement, which shall specify the value of the reduced installments in cases of expediting payment of the loan, based on remaining period of the finance contract.

**Leasing the Mortgaged Real Estate**

**Article (33)**

- 1- The borrower may not lease the real estate, nor may the borrower attach any real rights thereon, except with the written approval of the lender.
- 2- In cases of the lender approval, the lender may stipulate that the borrower and any third party for whom rights on the financed real estate have arisen, will guarantee to fulfill the obligations contained in the finance contract jointly and severally.

**Operations of Real Estate Business Owners**

**Real Estate Broker**

**Article (34)**

- 1- The real estate broker manages the accounts of its clients and collects installments for the credit of lenders in return for fees that are agreed upon with the lender.
- 2- The real estate broker shall provide guidance services for the borrower in accordance with the instructions of the lender before completing the transaction.
- 3- The real estate broker shall commit to give the borrower copies of the tables prepared by the lender in relation to the risks of real estate investments and the procedures to be followed before and after the purchase.
- 4- A declaration signed by the borrower stating that he/she has received copies of these tables and has read them before signing the finance mortgage must be attached to the financing contract.
- 5- The broker shall record in his/her books all of the mortgage finance transactions in which he/she has been an intermediary. The broker shall also maintain all of the documents related to such transactions, and shall give certified copies of the documents to the contractors or the Authority upon their request.
- 6- The broker's fees shall be determined in coordination with the lender. However, the fees shall be no less than the minimum fees stated in a decision to be issued by the Authority's Board of Directors.
- 7- The broker may not accept fees or commissions or receive any benefit related to his/her work except from the lender who authorized him/her to intervene towards concluding the contract.

**Real Estate Valuator**

**Article (35)**

- 1- Real Estate valutors are prohibited from valuating the real estate to be mortgaged, if such real estate is owned by them or by any of their relatives up to the fourth degree or to any of their associates or partners or representatives. They are also prohibited from valuating the real estate to be mortgaged if they are related to any party of the mortgage finance contract. The valutors are also prohibited from purchasing any real estate they have valuated.
- 2- Real estate valutors shall send a signed report to the parties of the contract (along with a signed receipt confirming their receipt of the report), reflecting the value of the real estate, within a period of (30) thirty days from the date of the valuation request. When conducting their valuation, the valutors shall take into consideration:
  - a. The value of the property when purchased.

- b. Changes that have affected the property after it has been purchased.
  - c. The impact of inflation rates on the real estate market.
- 3- The real estate valutors may request from the parties to the mortgage finance contract whatever information or documents they deem appropriate for the completion of the valuation process.

**Article (36)**

If any of the parties to the contract does not accept the valuation undertaken in accordance with the provisions of article (35), the Authority may, upon the request of any of the parties, commission a valuation expert to re-valuate the property. In such case, the borrower shall incur the costs and expenses of the valuation.

**Fees**

**Article (37)**

The companies and the real estate business owners shall pay the licensing fees and the annual renewal fees in accordance with the table of fees specified in article (38) below.

**Table of Fees**

**Article (38)**

The Authority shall collect the following fees:

1- Companies:

- a. One-time licensing fees (\$10,000) ten thousand United States Dollars.
- b. Annual license renewal fees / Main Center – (\$5,000) five thousand United States Dollars.
- c. Annual license renewal fees / Branch – (\$2,500) two thousand five hundred United States Dollars.

2- Real Estate Broker:

First: Legal Person:

- a. One-time licensing fees (\$4,000) four thousand United States Dollars.
- b. Annual license renewal fees / Main Center – (\$2,000) two thousand United States Dollars.
- c. Annual license renewal fees / Branch – (\$1,000) one thousand United States Dollars.

Second: Natural Person:

- a. One-time licensing fees (\$2,000) two thousand United States Dollars.
- b. Annual license renewal fees – (\$1,000) one thousand United States Dollars.

3- Real Estate Valuator:

First: Legal Person:

- a. One-time licensing fees (\$2,000) two thousand United States Dollars.
- b. Annual license renewal fees / Main Center – (\$1,000) one thousand United States Dollars.
- c. Annual license renewal fees / Branch – (\$500) five hundred United States Dollars.

Second: Natural Person:

- a. One-time licensing fees (\$1,500) one thousand five hundred United States Dollars.
- b. Annual license renewal fees – (\$750) seven hundred fifty United States Dollars.

### **Compliance with the Financial Solvency Standards for Companies**

#### **Article (39)**

- 1- The company must comply with the regulations for capital sufficiency as well as any other financial percentages specified by the Authority.
- 2- The company must commit to withhold the appropriations specified by the Authority to face potential losses in the mortgage finance contracts.

### **Responsibility of the Board of Directors**

#### **Article (40)**

- 1- The following persons may not become a member in the board of directors of any company, nor may they have any direct relationship with its management:
  - a. Any person who has been sentenced to prison in any country for committing a crime related to honor or honesty, unless he or she has been remitted by a decision from the competent court.
  - b. Any person who has gone bankrupt, or has failed to pay his/her debts or the interests thereof.
  - c. Any person who is a member of a board of directors of another company which undertakes similar activities, or any person who is an employee of an entity that is related to the regulation of the operations of the companies and the oversight thereon, or has any other relation that involves conflicts of interests.
- 2- The company shall send the names of the candidates for the Board of Directors to the Authority. The Authority may object to such nominations if conflict of interests exists.
- 3- The company may not grant any preferential treatment to the members of the board of directors, founders or members of the executive management of the company in its dealings. Their dealings shall be subjected to the same policies, terms and procedures that are applied on the other clients.

### **Activities that the Company May Not Undertake**

#### **Article (41)**

The licensed company may not undertake any of the following activities:

- 1- Undertaking insurance functions, securities brokerage at the market, or investment works that are directly related to the market without obtaining the prior consent of the Authority.
- 2- Receive deposits from natural or legal persons, except banks that are licensed by the Palestinian Monetary Fund.

### **Special Provisions Related to Undertaking and Ceasing the Operations of the Company**

**Article (42)**

The company may not:

- 1- Undertake any mortgage finance activities unless and until it obtains prior written approval of the Authority in accordance with the provisions of these regulations.
- 2- Use the term “mortgage finance company” or any other similar expression in any language, whether in its documents or publications or trade address or promotional materials, unless and until the company obtains licensing from the Authority.
- 3- Undertake any activity or use the term “mortgage finance company” or any other similar expression in its trade address or promotional materials in a manner that may mislead the public on the nature and the purposes of the company’s activities.
- 4- Begin taking any measures to establish, equip or rent a site for the company or the branches thereof without submitting an application to obtain the prior consent of the Authority.
- 5- Relocate the main premises of the company, or open, transfer, or close branches thereof without obtaining prior written consent from the Authority.
- 6- Cease the operations, merge, or halt the activities except upon obtaining the Authority’s prior consent on that in accordance with the regulations of the Authority.

**Article (43)**

The Authority may cancel the licensee and cancel the company from its records in any of the following situations:

- 1- Upon the company’s request. In that case, the company shall obtain a discharge/ no liability from the Authority after it provides the Authority with all documents proving its fulfillment of its commitments towards others, especially the borrowers and the Ministry of Finance tax departments.
- 2- If the company fails to start operations in accordance with article (13) of these regulations.
- 3- If the company files for bankruptcy, or if a decision is made towards the compulsory liquidation thereof.
- 4- If it is merged with another company without the approval of the Authority.
- 5- If it repeatedly violates the Authority’s regulations, or if it violates the provisions of any other legislation.
- 6- If the company amends its purposes and objectives without the approval of the Authority.

**Article (44)**

The company shall set a system for oversight and internal controls as well as the procedures necessary to guarantee the sound operation of business.

**Article (45)**

The company shall commit to the following:

- 1- Preparation of financial statements in accordance with the international accounting standards. The financial statements shall be audited in accordance with the international accounting standards.
- 2- Maintain the financial books, records and documents for a period of ten years.

**Auditor**

**Article (46)**

- 1- The company shall appoint a certified financial auditor. The appointed auditor needs to be on the list of auditors approved by the Authority.
- 2- The certified auditor may not be any person who is related to the company, nor may the auditor be a member of the company's board of directors.
- 3- The Authority shall have the right, if it deems so appropriate, to appoint a certified auditor to audit the books of the company, along with the auditor appointed by the company. The Authority shall specify the role as well as the fees of such auditor, which shall be paid by the respective company.

**Disclosure**

**Article (47)**

The company shall disclose to the Authority:

- 1- Its annual audited financial statements. The Authority shall receive the statements no later than three months from the end of the fiscal year, in addition to any other non-audited financial statements that the Authority may request every now and then.
- 2- Monthly financial statements through the Authority's electronic system.
- 3- The material information related to its activities that affects its relation as a lender and the borrower in relation to the property of the financing contract.
- 4- The material information that affects its financial status and investments.

**Confidentiality**

**Article (48)**

The members of the Board of Directors, as well as the employees, auditors and advisers of the company are prohibited from leaking any information relating to the borrower except in the cases of the prior written consent of the borrower or pursuant to a competent court order.

**Lending and Borrowing**

**Article (49)**

The shareholders, the members of the Board of Directors, the auditors and the advisers of the company are prohibited from taking loans from the company unless the loans are covered with material guarantees the value of which is 120% at all times.

**Investigations, Violations and Fines**

**Article (50)**

- 1- The Authority shall have the right to conduct an investigation, in accordance with paragraph (2) below, whenever it deems that appropriate as soon as a violation is committed by the company, or whenever these regulations are violated.

- 2- For the purposes of the implementation of paragraph (1) supra, the competent employees of the Authority shall have the authority of judicial police. Accordingly, they may enter and inspect (premises), seize documents, issue necessary subpoenas, and listen to witnesses' testimonies delivered under oath, as well as all other measures necessary to seize the documents related to the operations of the company.
- 3- Should the company or any person fail to comply or cooperate and/or to submit the papers and documents requested by the Authority's employees holding the judicial police powers, such tasks shall be enforced with the assistance of the Attorney General.

#### **Article (51)**

If the Authority finds out that the company has violated these regulations or the decisions issued pursuant thereto, the Authority shall request that the company removes the violation and correct the status resulting therefrom. Should the company fail to comply, the Authority shall have the power to:

- 1- Freeze the license for a period of (30) thirty days and/or impose a fine up to (\$5,000) five thousand United States Dollars.
- 2- Cancel the license and/or impose a fine up to (\$10,000) ten thousand United States Dollars.

#### **General Provisions**

##### **Article (52)**

- 1- All publication shall fully state the company's name, its license number, legal form, disclosed and paid capital, address, phone numbers, and other means of communication.
- 2- The company may cooperate with other institutions, companies, and local and international investment banks in the management, shared investment, and the provision of consultancies and exchanging expertise towards achieving its goals.

##### **Article (53)**

All operating companies shall commit to correct its status in accordance with these regulations no later than (6) six months from the date it becomes en force. Otherwise, the company's undertaking of its current operation shall be deemed to be in violation of the laws, as well as the bylaws and regulations issued in accordance therewith.

##### **Article (54)**

All competent entities, each within its scope, shall enforce these regulations, starting the date stated below. The regulations shall be published in the Official Gazette.

Issued in the City of Al-Bireh on October 8, 2007 AD.  
27 Ramadan 1428 Hijri.

**Maher Masri**  
**Chairperson of the Board of Directors**