

## **REAL ESTATE AND HOUSING ASSOCIATION OF BANGLADESH**

### **Bye- Laws on Code of Business Conduct**

REHAB is committed towards the enhancement and growth of the Real Estate Sector of Bangladesh. REHAB members recognise that for sustainable long term growth of this sector, they must conduct their business with a high degree of professionalism, fairness, integrity and ethics.

In recognition of the member's responsibility and obligation to Customers, Land Owners, fellow members, the public and the country, the Executive Committee of the Real Estate Housing Association of Bangladesh 2008-2009 exercising the power conferred upon it under clause VI. B of the Memorandum and Articles of Association of the Real Estate Housing Association of Bangladesh incorporated under the companies ACT, 1913 (new 1994) does hereby approve and adopt the Bye-Laws on Code of Business Conduct with the tenets set forth hereunder to be followed by its members.

Violation of the Code of Business Conduct by any member of Rehab shall be considered to be prejudicial and detrimental to the interest of the Real Estate Sector and the association and the Executive Committee may issue a show cause to the offending member. Such notice shall specify the date, place and time of hearing so as to allow the member an opportunity to defend himself before the Executive committee. If the Executive Committee finds enough grounds to conclude that the said member has violated the Code of Business Conduct as outlined in this Bye-Laws, then the Executive Committee may impose an appropriate financial penalty on the said member or may even suspend or cancel the membership of the offending member provided that the meeting of the Executive Committee so convened shall be attended by at least two-third members of the Executive Committee and four fifth of the members present shall vote in favour of the resolution.

Such cancellation of the membership of an offending member may be intimated to the public through media.

#### **A. Code of Business Conduct with Customers:**

01. REHAB members shall not commence or run construction work of the building or development work of the land project without obtaining the plan approval from the appropriate authority of the Government like RAJUK, CDA, KDA, RDA etc.

02. REHAB members will not enter into any agreement for sale of an apartment or plot of land with any customer nor advertise any project with the intent to sell without getting the plan of the building or the land project approved by the competent authority of the Government, that is RAJUK, CDA, KDA, RDA etc.

03. REHAB members may issue letter of allotment and may execute deed of agreement with customers in accordance to their own format or in accordance with the standard format of such agreement as prepared by REHAB. However, the said deed of agreement must clearly specify the size, price of apartment/ (plot of land), the price of the parking space (if any), the cost of utility connections (these may be charged at actual or a fixed amount may be mentioned) and the amount for reserve fund for the apartment owners association. The deed of agreement must also state whether the customer or the REHAB member will pay for gains tax, registration fees, stamp duties and other known or unknown government levies e.g. VAT that may be imposed from time to time. The schedule of payment to be made by the customer must be clearly shown and the consequence of default/delay in payments by the customer must be specified. However, for delay/defaults in payment of installments by the customer, the REHAB member may charge

interest on the installment amount delayed at maximum 2% (two percent) per month. The said deed of agreement must also stipulate the consequence of delay in handover of the apartment/ (plot of land) to the customer on account of the REHAB member. The said deed of agreement must also outline the consequence of the project being abandoned by the REHAB member. The procedure for settlement of dispute between the customer/ REHAB member through mediation as stipulated in section E of this Bye-laws must be mentioned.

04. The gross area of the flats as mentioned in the deed of agreement shall mean the area of the apartment measured from outside perimeter of the apartment plus the proportionate share of the common area meaning stair landing area, reception area, committee room area, drivers waiting room, mosque etc.

05. If at the time of handover of the apartment to the customer it is found that the gross area of the apartment is more or less than the originally agreed area beyond a tolerance limit of 2% (two percent)], then either party shall be liable to compensate the other. However, the customer reserves the right to get refund of his money if he does not wish to accept the larger apartment (beyond 2% tolerance). The REHAB member will refund this money within 3 months from the date of a written request to this effect from the customer.

06. REHAB members will not change or substitute the apartment or plot of land originally allotted to the customer without the customer's written consent.

07. REHAB members will not cancel the allotment of the apartment or plot of land for non payment of dues by the customer without serving the customer 30 (thirty) days notice of cancellation. This notice of cancellation may be served if the customer has delayed the payment of installment by 30 (thirty) days or more. However, if the customer is a habitual defaulter, then such notice is not mandatory on the REHAB member if the customer has defaulted on the due date of payment by more than 30 (thirty) days on two occasions. For such chronic defaulters, on the third default of more than 30 (thirty) days, the REHAB member may cancel the allotment without serving any notice to the customer. The cancellation may also be done upon an application by the customer to such effect. Upon cancellation of the allotment, the REHAB member will refund the amount paid by the customer within 60 (sixty) days of the cancellation forfeiting 10% (ten percent) of the amount paid by the customer.

08. REHAB members will deliver the allotted apartment/ plot of land to the customer as per the schedule date of handover mentioned in the deed of agreement. In case of delay in the handover of the allotted apartment/ plot of land, the customer will be entitled to rental compensation as per market rate to be paid on a monthly basis. The customer will be entitled to this compensation only provided he/she has paid all installments payable to the REHAB member within the due date as mentioned in the Deed of Agreement. The rental compensation amount must be mutually agreed and mentioned in the deed of agreement. Provided however that such delay in handover of the apartment/ plot of land is not due to circumstances beyond the control of the REHAB member such as natural disasters, political turmoil, unusual rise in the prices of the building material, delay in getting utility connection from the concerned authority or other force majeure.

09. REHAB member shall not be held responsible for the failure of government agencies to provide the necessary utility services e.g. gas, water sewerage, electricity etc. However, REHAB member must be able to prove that he did apply to the concerned Govt. agency for the necessary utility services on time

10. Notwithstanding the price of the apartment as mentioned in the deed of agreement between the REHAB member and the customer, in case of abnormal increase in the prices of the construction materials in the market [more than 10% (ten percent)], the REHAB member may

charge the customer a price escalation for the apartment. However, the deed of agreement must mention the current prices of the various major construction materials at the time of signing the deed of agreement and the REHAB member must justify the price escalation imposed on the customer by producing invoices of the major construction materials during the period of construction and the quantities of these materials used in the construction of the apartment allotted to the customer.

11. REHAB members shall use construction materials as specified in the brochure or deed of agreement with the customer subject to the availability of such materials in the market. In case of non availability of the specified construction material, equivalent standard construction material must be used.

12. If the customer wishes to supply his own finishing materials to the REHAB member during the construction of the apartment, REHAB member may accept this request of the customer if the construction schedule of the REHAB member so permits and provided the customer supplies the finishing materials as per the schedule date given by the REHAB member. If the customer fails to deliver the finishing materials as per the schedule date, then the REHAB member may complete the work as per his standard specifications. In the event that the customer does supply his own finishing materials, he/she shall be entitled to a refund of the construction materials that he/she is substituting. Considering the extra overhead costs incurred by the REHAB member in fulfilling such request of the customer, the REHAB member is obligated to refund upto 80% (eighty percent) of the price of the substituted construction materials to the customer. For all works done on the request of the customer beyond the standard specifications, REHAB member may charge upto 25% (twenty five percent) as service charge on the actual cost.

13. In the event that the REHAB member is forced to abandon a project due to circumstances beyond his control e.g. natural disaster act of GOD, political turmoil, litigation or other force majeure, the REHAB member will inform the customer about this in writing and the matter will then be taken to the mediation cell of REHAB for finding an amicable solution to the problem. However, since the situation arose due to circumstances beyond the control of the REHAB member, the REHAB member will not be required to pay compensation to the customer over and above what the customer has paid.

14. In case the REHAB member fails to complete the project and handover the allotted apartment/ plot of land to the customer within one year of the schedule time of completion (barring circumstance beyond the control of the REHAB member like force majeure), the customer will be entitled to a full refund of the amount paid by him/her to the REHAB member along with interest at the prevailing interest rate for fixed deposit. The REHAB member will make this refund along with the said interest to the customer within six months of the demand being made by the customer in writing. The interest amount will only be payable to those customers who have paid all installments as per schedule.

15. In order to avoid cash flow problems, the REHAB member may mortgage the apartment/ plot of land allotted to the customer to a government approved bank or financial institution. However, the REHAB member must handover the apartment/ plot of land to the customer absolutely on unencumbered basis clearing all loans and vacating all charges on the said property.

16. The REHAB member will assist the customer in availing loan from any bank or financial institution by providing the necessary documents etc. However, the decision to grant the loan to the customer rests with the concerned bank or financial institution and irrespective of the loan being approved; the customer shall remain obliged to pay his dues on time to the REHAB member.

17. Pursuant to receiving all payments and handing over of the apartment/ plot of land to the customer, the REHAB member shall send notice to the customer for making registration of sale deed in favour of the customer. REHAB member shall assist the customer for the registration of the said property. For lease hold land, the REHAB member shall assist the customer to get approval for transfer from the competent government authority e.g. RAJUK, CDA, KDA, RDA, NHA etc. The customer will bear all costs in this regard.

18. After handing over the apartment to the customer, REHAB member shall give the customer free services for a maximum period of one year for defect liability of construction work. A list of items for which the REHAB member will provide such services for one year is attached as Annexure 1.

19. Upon completion of an apartment, the REHAB member shall hand over a set of all "as built" design and drawings of the structure to the said project's "Apartment Owners Association".

### **B. Code of Business Conduct with Land Owners:**

01. In case of outright purchase of a piece and parcel of land for development of an apartment complex or land development project, REHAB members shall conduct due diligence to ensure that the land is dispute free, unencumbered and the seller has clear title to the land. The REHAB member shall make payment to the landowner against sale of the land as per the deed of agreement for sale with the Land Owner.

02. In case of joint venture development with the Land Owner of a piece and parcel of land for an apartment building, the REHAB member will ensure that a deed of agreement is made with the Land Owner clearly specifying the percentage share of the Land Owner and the percentage share of the REHAB member in the completed building. The apartments to be allotted to the Land Owner must be identified showing the approximate size of the apartment. A schematic diagram should be attached to the deed of agreement for the sake of clarity. The deed of agreement with the Land Owner must also state the number of car parking spaces (if any) to be retained by the REHAB member and the Land Owner. The cash amount (if any) payable to the Land Owner must be specified along with the schedule time of payment. The said agreement must clarify who will pay the utility connection charges (and the apartment owner's association reserve fund) for the apartments allotted to the Land Owners. The deed of agreement must state who will bear the cost of mutation of the flats in the name of the Land Owner. Detail specifications of the materials to be used in the building should be mentioned as Annexure to the deed of agreement between the Land Owner and REHAB member. The time frame for completion of the building must be specified in the deed of agreement and the consequence of delay in the handover of the apartments to the Land Owner and the consequence of the project being abandoned by the REHAB member must be detailed in the deed of agreement. The said deed of agreement must stipulate the procedure for settlement of dispute between the Land Owner/ REHAB member.

03. REHAB member shall use construction materials as specified in the deed of agreement with the Land owner subject to the availability of such materials in the market. In case of non availability of the specified construction material, equivalent standard construction material must be used.

04. The approximate gross area of the flats as mentioned in the deed of agreement shall mean the area of the apartment measured from outside perimeter of the apartment plus the proportionate share of the common area meaning stair area, reception area, committee room area, mosque etc.

05. In case the Land Owner is handed over less than his due percentage of the total built up area, the deed of agreement between the REHAB member/ Land Owner will specify at what rate per sft the Land Owner will receive compensation. However, if it is seen after completion of the building that the apartments allotted to the Land Owner constitute a higher percentage of the total built up area than as envisaged in the original deed of agreement, then the REHAB member may ask the Land Owner to pay the REHAB member the extra amount (at the rate specified in the deed of agreement).

06. REHAB member shall not mortgage or encumber in any way the apartments allotted to the Land Owner without the written consent of the Land Owner.

07. REHAB member shall not change or substitute the apartment originally allotted to the Land Owner without the Land Owner's consent.

08. REHAB member shall deliver the apartments allotted to the Land Owner as per the schedule date of handover mentioned in the deed of agreement. In case of delay in the handover of the allotted apartment/ plot of land, the Land Owner will be entitled to rental compensation as per mutual agreement which must be written in the deed of agreement and should be paid on a monthly basis. The rental compensation amount must be mentioned in the deed of agreement. Provided however that such delay in handover of the apartment is not due to circumstances beyond the control of the REHAB member such as natural disasters, political turmoil, unusual rise in the prices of the building material, delay in getting utility connection from the concerned authority or other force majeure.

09. REHAB member shall not be held responsible for the failure of government agencies to provide the necessary utility services e.g. gas, water sewerage, electricity etc. However, REHAB member must be able to prove that he did apply to the concerned Govt. agency for the necessary utility services on time.

10. If the Land Owner wishes to supply his own finishing materials to the REHAB member during the construction of the apartment, REHAB member may accept this request of the Land Owner if the construction schedule of the REHAB member so permits. In the event that the Land Owner does supply his own finishing materials to the REHAB member, he/she shall be entitled to a refund of the construction materials that he/she is substituting. Considering the extra overhead costs incurred by the REHAB member in fulfilling such request of the Land Owner, the REHAB member is obligated to refund upto 80% (eighty percent) of the price of the substituted construction materials to the Land Owner. . For all works done on the request of the Land owner beyond the standard specifications, REHAB member may charge upto 25% (twenty five percent) as service charge on the actual cost.

11. After handing over the apartment to the Land Owner, REHAB member shall give the Land Owner free services for a maximum period of one year for defect liability of construction work. A list of items for which the REHAB member shall provide such services for one year is attached as Annexure 1.

12. REHAB member may arrange to sell one or more of the apartments allotted to the Land Owner only upon receipt of a written request from the Land Owner. For providing this service, REHAB member may charge a commission from the Land owner and the percentage or amount of commission must be agreed in writing by the Land owner.

13. The deed of agreement between the REHAB member and the Land Owner must stipulate the procedure for settlement of any dispute between the Land Owner and REHAB member.

14. In the event that the REHAB member is forced to abandon a project due to circumstances beyond his control e.g. natural calamities, act of GOD, political turmoil or other force majeure then the two parties shall first try to resolve the dispute through mediation as outlined in section E of this Code of Business Conduct.

### **C. Code of Business Conduct with other REHAB members:**

01. REHAB members will conduct their business with honesty and integrity and refrain from any practice detrimental to the reputation of the Real Estate Sector thereby causing harm to fellow REHAB members.

02. REHAB members shall not make derogatory remarks or statements about any other fellow REHAB member.

03. REHAB member shall always endeavor to extend cooperation to a fellow REHAB member and try to enhance the unity of the REHAB members.

04. REHAB members shall not try to lure away another REHAB member's employee by offering higher benefits. While giving employment to the employee of a fellow REHAB member, it will be ensured that the employee obtains a final clearance from his/her previous employer.

05. In case of dispute between REHAB members which can not be solved bilaterally, the matter must first be referred to the mediation cell of REHAB as stipulated in Section E of this Bye-laws before any litigation procedure is initiated by either party.

06. REHAB member shall not make any negotiation with Land owner in connection with any particular plot of land for the purpose of development where any other REHAB member has already entered into an agreement for the said plot of land.

### **D. Code of Business Conduct with the Public:**

01. REHAB members shall deal with the public honestly, diligently and cordially.

02. REHAB members shall ensure that wherever they are carrying out their project, a friendly and cordial relationship is maintained with the neighbors and the local community.

03. REHAB members will be socially responsible citizens and ensure that their project premises is kept clean and free from any health hazards and that there is no environmental damage to the surrounding area.

04. REHAB member will follow the government guidelines with regards to water bodies.

05. REHAB member will not disturb neighbors of their project site with noise pollution or undisposed garbage.

06. REHAB members shall always present a true picture in all their advertisement and representation to the public. Care and candor must be exercised so that any party interested in receiving or otherwise benefiting from the REHAB member's offer will have a clear understanding of the offer. The offering of any inducements to do business is subject to the limitations and restrictions of the company's law and the ethical obligation established by any applicable standard of practice.

**E. Settlement of dispute through mediation:**

REHAB will do all that is possible to ensure a fair and amicable settlement through mediation of any dispute relating to a REHAB member. The mediation cell shall be formed comprising of 5 (five) members out of which 2 (two) members shall be from REHAB Executive Committee, two members shall be from the general REHAB membership and one member shall be a prominent citizen of the country. The disputing parties shall equally share the cost of mediation and REHAB will try to ensure that the dispute is resolved in the quickest possible time.

**Annexure-1**  
**DEFECT LIABILITY OF CONSTRUCTION WORK**

SL #	DESCRIPTION OF PROBLEM
01	Brick wall/plaster crack repair and paint
02	Damp wall repairing and painting
03	Plumbing line leakage repairing.
04	Water leakage in basin waste.
05	Conceal G.I Pipe leak repairing
06	Grill / Railing repainting
07	Repairing of Aluminium works (locks, wheel etc.)
08	Water leakage through Aluminium
09	Gas line leakage
10	Basement repair work i.e water leakage, crack
11	Magnetic door stopper to be repaired & replace.
12	Main door chain, door viewer to be repaired
13	Door seal to be repaired
14	A/C gap slab slope and rain water comes
15	Electric switch socket line problem checking

SL #	DESCRIPTION OF PROBLEM
16	Electric meter problem checking
17	Manhole cover defective
18	Main gate repair
19	Telephone line checking (Telephone box to flat)
20	Outside / building damp paint.
21	Over head tank damp crack repair
22	Water stagnant at roof top.
23	Kitchen sink water line defective to be repair
24	Water stagnant at parking
25	Basement floor slope problem
26	Boundary wall, parapet wall crack/paint.
27	Roof top L.C.C. work repair
28	Main gate front slope repair
29	Lift machine room, community room damp/crack/paint
30	Generator room crack / damp wall paint
31	Water meter pit repair
32	Angle stop cock/connection pipe change.
33	Bathroom ceiling plaster crack / paint.
34	Individual change over switch to be replace

-END-