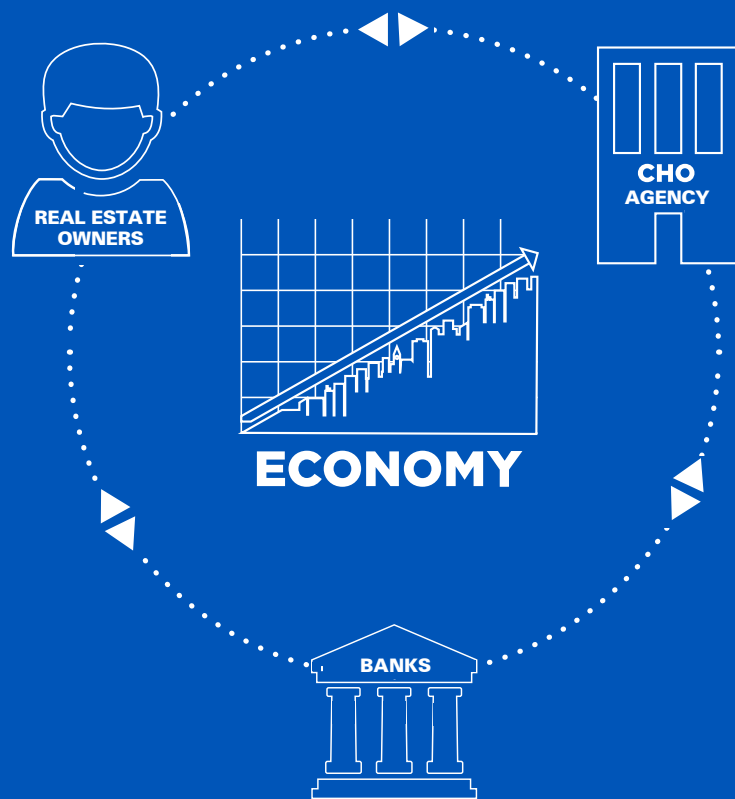




AN INSTRUMENT FOR DEVELOPMENT



The term CHO stands for Certificat Hypothécaire Obegi in French, or Obegi Mortgage Certificate. It is a banking instrument that allows real estate owners to increase their revenues and contribute to their country's economic growth.

The system relies on:

- A new banking instrument: the CHO
- An integrated database: the Agency
- Significant wealth: the country's real estate assets

The CHO is:

- A real estate guarantee deposited in a bank, that guarantees its creditors over the deposit period
- Short-termed and posted off-balance sheet
- A fee-based instrument, remunerated according to market conditions, the bank's policy and the CHO's maturity



The CHO is not a mortgage loan. The depositor does not borrow. Rather, he or she offers a guarantee, allowing the guaranteed bank to borrow more easily.

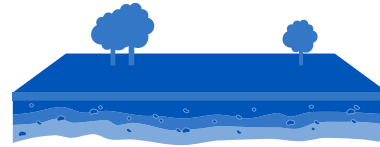
THE AGENCY

- At the core of the system, the Agency is in direct contact with banks and real estate civil service administrations
- It is supervised by the regulatory authorities
- Its tasks include:
 - Valuating all eligible real estate assets according to the 'Standard Valuation' process
 - Registering and releasing the guarantees
 - Reporting transactions to all stakeholders

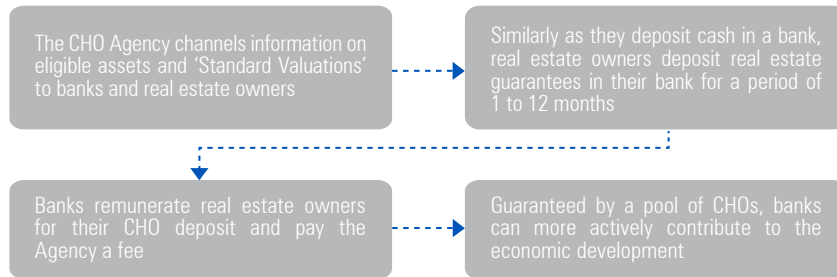


REAL ESTATE ASSETS

- Total value is equal to several times the GDP
- Are eligible if properly registered and included by the relevant regulatory authorities in the framework of the CHO system



CHO IMPLEMENTATION: A SIMPLIFIED SCHEME



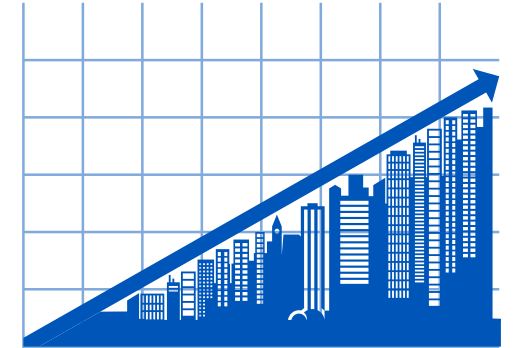
ADVANTAGES

For the Economy

- An acceleration of economic growth
- A fostering of banking credit
- Enhanced access to finance
- Increased regularization of the real estate sector

For the State

- An increase in tax revenues
- Additional income generated by public sector real estate assets
- An improvement in the State's borrowing capacity



For real estate owners

- Better information on owned real estate assets
- A steady progression in the value of owned real estate assets
- Additional revenues
- More banking products and services, including better access to credit

For the banking sector

- A quasi-liquidity
- A significant decrease in the costs of mortgage loans
- Access to the Agency's database (a source of commercial information)
- A widening in the customer base and the range of products and services



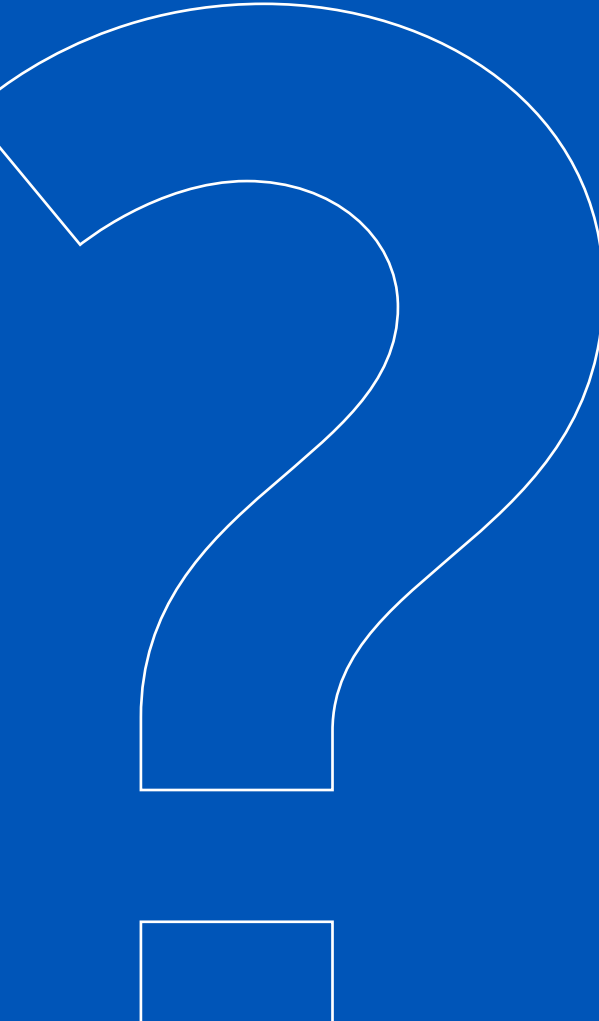
THE RISKS

- All participating banks become systemic risk at the national level
- A credit acceleration that can potentially lead to inflation
- A possible delay in structural reforms

THE REGULATORY AND SUPERVISORY MEANS

- Eligible banks are selected based on well-defined and strict criteria
- Determination and adjustment of 'Standard Valuation' parameters
- Extension of the prevailing deposit insurance system to CHOs
- Prevention of real estate bubbles





FREQUENTLY ASKED QUESTIONS

THE INSTRUMENT

What is the difference between a mortgage loan and a CHO?

With a mortgage loan, a borrower pledges his or her real estate assets against the facility. Generally, with the CHO, the borrower does not benefit from a facility. Rather, the collateral he or she gives to the bank provides the latter with an enhanced possibility to borrow.

What are the benefits for the real estate owner?

- A remuneration from the bank against the guarantee provided
- Additional services from his bank
- Enhanced information on the real estate assets he or she owns

Why did the CHO system not exist before?

Awareness of the global value of national real estate and the importance of property rights are both relatively recent.

Is the instrument protected?

A patent application has been filed at the USPTO. Trademarks are protected and the doctoral dissertation on which the instrument is based is copyrighted.

How are real estate assets valued for the purpose of valuing a CHO?

- All eligible real estate assets are homogeneously valued according to a predetermined methodology
- Risk parameters are used to determine a 'Standard Value' equivalent to the maximum CHO amount
- The Agency updates the 'Standard Values' at least once a year

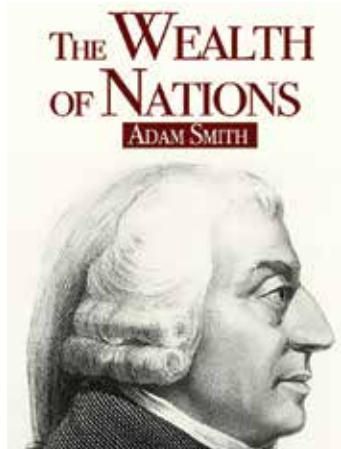
Can a CHO be sold to another bank?

A CHO is by definition a guarantee. It can neither be sold nor transferred to a third party. It can only be pledged to allow the depositor or the depositary bank to borrow additional funds.

The Agency

Why is the Agency privately owned?

Experience has shown that activities that are not public by nature are performed more efficiently by the private sector. However, the regulatory authorities must establish clear guidelines for the Agency and audit it regularly thereafter.



What is the interest of the Agency?

It will get fees from the banks adhering to the program.

What happens if an underlying real estate asset is subject to a legal dispute while a CHO relating thereto is deposited?

Since a CHO is registered at the real estate registry, the right embodied therein to the benefit of the bank's creditors prevails over any subsequent claim of ownership.

What happens if the owner of a property is bankrupt?

Since a CHO is registered, the underlying first mortgage gives bank creditors priority over other unsecured creditors and junior mortgages.

What is the risk borne by the real estate owner if his CHO deposit is below the bank deposit guarantee threshold?

He runs no risk because the deposited CHO would be totally insured.

THE ECONOMY

How does the State benefit from CHOs?

- A higher rate of growth
- An increase in tax revenues as a result of better transparency on real estate wealth
- Improved returns on the real estate assets it owns

What is the effect on citizens?

- Easier access to banking products and services and more specifically to credit
- Improvements in the civil administrations in charge of real estate

How do CHOs impact inflation?

Theoretically, the effect should be minimal since CHOs are not monies or cash, but are posted off-balance sheet. However, since they will have an impact on growth through increased credit and a stronger real estate sector, this should lead to higher wages and real estate prices.

What are the effects of CHOs on real estate?

CHOs will provide extra revenues to real estate owners. They will enhance transparency of real estate prices, reduce the cost of mortgage processing, and accelerate it. CHOs are likely to increase the value of real estate while reducing distortions between liquid and illiquid real estate assets. Subsequently, this should increase the number of real estate transactions.

Do banks need liquidity?

Whether or not banks need liquidity, they will enjoy a lot of advantages. Moreover, economic growth normally leads to an increasing appetite for liquidity.

How should the instrument be taxed?

Ideally, the instrument should not be subject to any taxation and in any case, it should not exceed the one applied to savings revenues.

What happens if a bank goes bankrupt?

If a bank goes bankrupt, its CHO customers are requested to deposit a cash amount equivalent to the face value of their CHO in the bank. They would then be able to withdraw their CHO. If they fail to do so, the underlying real estate assets thereof would be sold and the proceeds, up to the face value of their CHO, would be deposited at their bank, while the balance would be paid back to them.



What is the effect of CHOs on credit?

- The improved liquidity position of banks is likely to spur lending
- Enhanced quality and accelerated mortgage processing will boost credit
- Depending on the Central Bank policy, either more credit will be offered or lower lending rates will be applied

What are the effects of CHOs on the bank's liquidity?

The CHOs will not be transformed into cash, but will facilitate access to it, thus improving the bank's position.

Is it possible to pledge a CHO?

The owner of a real estate asset may have a CHO issued and pledged in favor of the bank.

How is a CHO booked in the accounts of the bank?

The CHO is recorded off-balance sheet.

THE BANKING SECTOR

Is there a systemic risk?

If a bank goes bankrupt, the sale of a large number of assets may trigger a large real estate sell-off, resulting in a market crash.

How is it possible to reduce the risks associated with the introduction of the CHO?

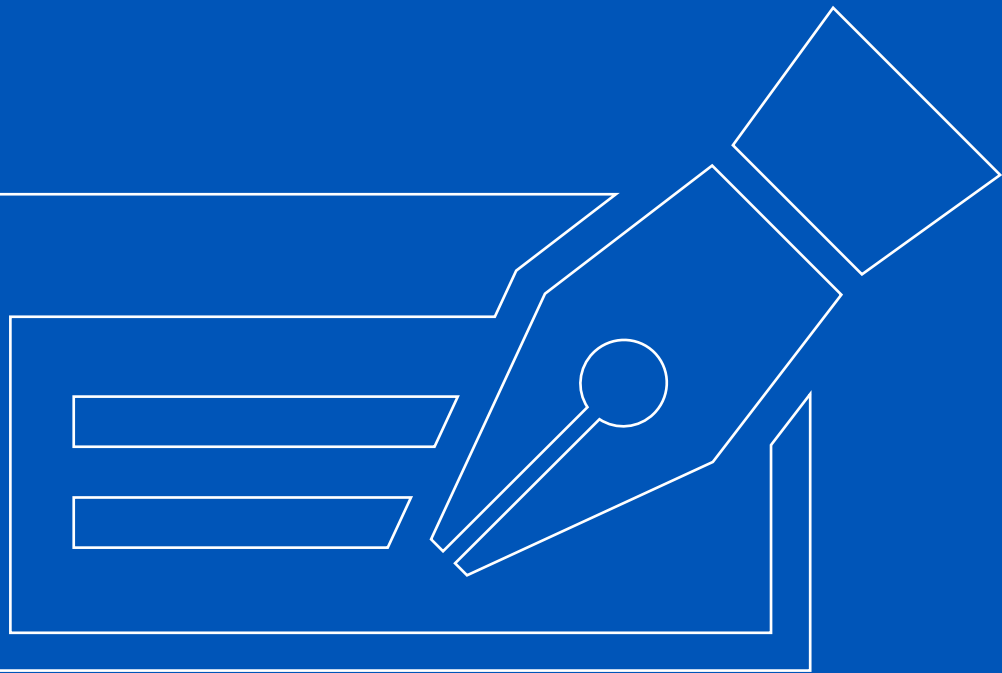
- The supervisory and monetary authorities should closely monitor the whole process
- The implementation of the program must be gradual
- Only first-class banks should be authorized, as a first step, to participate in the program

What are the advantages for a bank to adhering to the program?

- The bank's liquidity position will be enhanced
- An increase in the number of customers and services
- A reduction in the cost of lending



MISSION, VISION AND VALUES



MISSION

To improve the standard of living in developing countries by capitalizing on their real estate wealth.

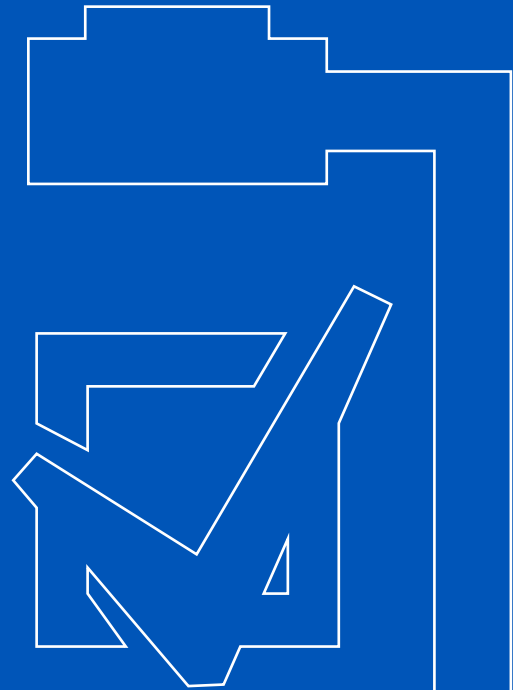
VISION

To bankarize 10% of the real estate assets of the participating countries within 10 years.

VALUES

- Good citizenship
- Integrity
- Transparency
- Professionalism

CHO AGENCY CODE OF ETHICS



The code summarizes the CHO Agency's values in ten principles:

1. The CHO Agency will employ environmental and social best practices. Accordingly, it will donate 5% of the net profits earned to social projects in the countries in which it operates, with a particular focus on education.
2. The CHO Agency will give precedence to the national and regional interests of the countries in which it operates.
3. The CHO Agency and its employees will abide strictly by integrity and generally accepted deontological rules.
4. The CHO Agency will adopt industry's best practice techniques of risk assessment in its evaluation process.
5. The CHO Agency will endeavor to provide customers with the best service.
6. The CHO Agency and its partners are committed to remain fully transparent regarding the costs and risks inherent to the CHO project.
7. The CHO Agency will put its methods and procedures at the disposal of the national authorities.
8. The CHO Agency will manage all information provided by third parties in strict confidentiality. It will only disclose information required by its mandate.
9. The CHO Agency is committed to serve as a model of professional ethics, respecting the laws and customs of the countries in which it operates.
10. The CHO Agency and its employees pledge to fulfill their mission with professionalism and respect for commitments.

ADVISORY BOARD

Salim Chahine
Xavier Michon
Riad B. Obegi



SALIM CHAHINE

Mr. Salim Chahine received a PhD in Finance from the University of Aix-Marseille III. In 2008, he was awarded the Abdul Hameed Shoman Prize for Best Young Arab Researcher in Economics, Finance and Management. Mr. Chahine was the Interim Dean of the Olayan School of Business at the American University of Beirut from 2013 to 2015, and he is currently the Abdul Aziz Al Sagar Endowed Chair Professor of Finance and the MBA Program Director at the Olayan School of Business, AUB.



XAVIER MICHON

Mr. Xavier Michon was born in 1949. In June 1972, he earned a degree from the Institut d'Études Politiques de Paris. From January 2004 to July 2005, he served as Deputy General Manager of the OBC Bank. Since 2006, Mr. Michon has been responsible for various consulting assignments with financial institutions.

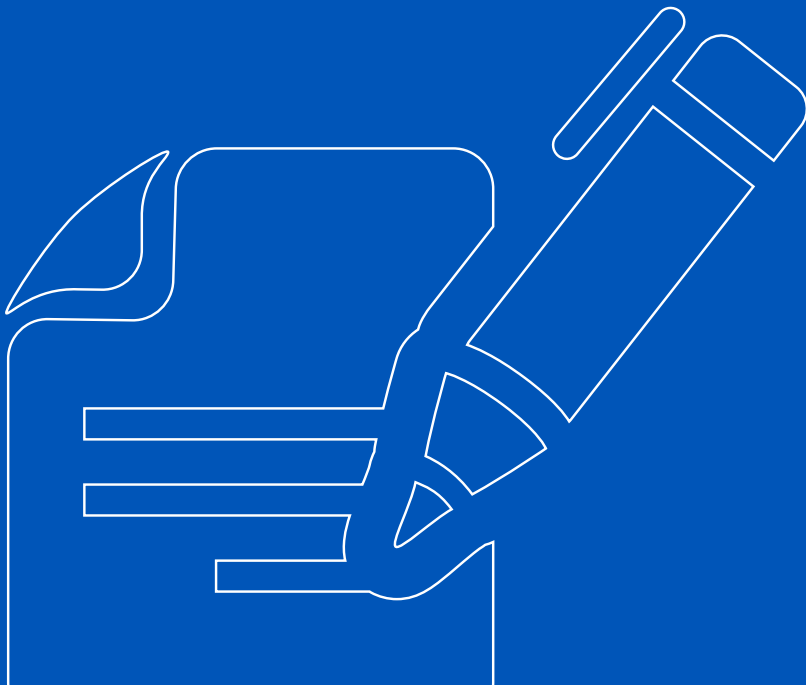


RIAD B. OBEGI

Mr. Riad Bechara Obegi was born in 1958. He obtained a PhD in Economics from Université Lumière in Lyon and graduated from the Institut d'Études Politiques de Paris. He is currently Chairman of Banque Bemo sal.



LEARN MORE



The thesis that inspired the CHO project is available on:
http://theses.univ-lyon2.fr/documents/lyon2/2008/obegi_r/info

The book can be purchased at Fnac.fr and amazon.fr

