

Syrian Arab Republic

Central Bank of Syria

Law No. 28

On Banks

Posted On: 2002-06-12 20:10:28

■ - Law No. 28 On Banks

Posted On: 2002-06-12 20:10:28

Law No. 28

**President of the Republic
Pursuant of Rules of the Constitution
And considering what has been adopted by the Peoples Assembly in
its session of 29.03.2001**

Issues the following:

Article 1:

Banks may be established in the form of private S.A. joint-stock companies or in the form of Syrian mixed S.A joint-stock companies in which the banking public sector and the Syrian General Establishment for Insurance and other savings institutions have shares on the basis of a decision by the Council of Minsters at the rate of 25% of their capitals. Such banks conduct activities under the supervision and control of the Central Bank of Syria in conformity with the rules of the Basic Monetary Law No. 87 of 1953 and amendments and the valid currency regulations in everything that does not contradict this law. In the following rules those companies are referred to by the term "Bank".

Article 2:

The banks subject of Art.1 above shall be established in accordance with the following conditions:

1. That all their shares shall be nominal and transferable except for the shares held by the public sector.
2. That all their shares shall be owned by citizens of the Syrian Arab Republic be they natural or legal persons.

Article 3:

In contrast to the rules of para 2 of the previous Article and by a decision from the Council of Ministers and in compliance with the regulatory rules of this law, nationals of Arab and foreign countries, be they natural or legal persons, may associate themselves in, or contribute to, the establishment of the bank, or purchase its shares provided that the total of such shares does not exceed the percentage in the Bank's capital as specified in Article 9 of this law. The value of their shares shall be paid in foreign currency at the exchange rate valid in the markets at the time.

Article 4:

- A. The party wishing to apply for licence shall submit its application to the Central Bank of Syria, which shall study the application form in the light of the rules of this law and the operative laws and regulations taking into consideration the reputation of the applicant, its qualifications and potentials and also the banking sector conditions

and needs. The application shall then be referred along with the study and suggestion to the Minister of Economy and Foreign Trade to give opinion and submit to the Prime Minister who will issue the licencing decision.

B. The licencing decision shall be issued within three months from the date when the application is registered at the Central Bank of Syria. If such a decision is not issued at the appointed date, the application shall be considered unaccepted and reasons thereof are to be given.

In cases of implicit or explicit unacceptance, the applicant may go back to the Central Bank of Syria and may submit a new application to it after the elapse of three months from the end of the period mentioned above in this para (B).

C. After the licencing decision is published in the Official Gazette, the Central Bank of Syria shall have the Bank registered in the Banks Record at the government commission. The Bank, however, may not commence activities before such registration.

D. The licence providing for the establishment of the Bank shall be considered repealed if the Bank does not commence activities within one year from the date of registration in the Banks Record.

E. The applicant who gets the decision to establish a bank in accordance with the rules of this law may not abandon it to others in part or in entirety and under whatsoever name.

F. At the suggestion of the Loaning and Monetary Board, the Minister of Economy and Foreign Trade shall issue a decision defining the procedure of registration of applications and relevant investigation and the process of establishing the record of new banks set up under this law. He shall also determine the expenses of investigation and registration which the banks must pay.

Article 5:

The headquarters of the Bank may be set up in one of the Governorate centers which the applicant chooses and at the request of its management board and approval from the Central Bank of Syria. It may open branches inside and outside the Syrian Arab Republic.

Article 6:

The licence instrument shall specify:

- 1.** The capital of the bank provided it is not less than S.P. 1500 million.
- 2.** The percentage of the public sector contribution to the Bank's capital if it is a mixed joint-stock company.
- 3.** The number of shares into which the capital is to be divided and the value of each share provided that this value is not less than S.P. 500.
- 4.** The founders' shares on the condition that such shares are not less than 25% of the Bank's capital when the application is presented and that the percentage allocated for each natural person does not exceed

5% of the Bank's capital, and the shares held by the legal person 49% except for the state's share which shall remain according to the percentage specified in Article 1 of this law if the Bank is a mixed sector.

5. While considering applications by legal persons for participation in the Bank's capital, the following shall be taken into account: the extent of banking experience, worldwide reputation and financial standing of each of those persons according to valid international rules and criteria.

Article 7:

The shares remaining after deducting the founders' shares shall be offered for public trading and upon subscription 50% of each share's nominal value may be paid while the balance shall be paid within six months from the date of licencing the bank set-up.

Article 8:

A. The value of shares bought by resident Syrian citizens shall be paid in Syrian currency.

B. The value of foreign contributions shall be paid in foreign currency.

Article 9:

A. Founders may not abandon the ownership of their shareholding or their sharing in the Bank's capital to a third party until and unless three balance sheets are issued showing profits.

B. Such abandonment of shareholding or sharing in the Bank's capital may be made to Syrian citizens only, or to a non-Syrian party which gets a prior approval from the Central Bank of Syria and by a decision from the Council of Ministers.

C. In all cases the percentage of ownership by non-Syrians shall not exceed 49% of the Bank's capital.

Article 10:

The Bank's capital may be increased in compliance with the conditions set forth by its basic by-laws, provided that preference in subscription to the new shares shall be in favour of the original shareholders and at the same rate of their holdings. In this case the percentage of the public sector contribution shall not go down below the rate specified in Article 1 of this law if the Bank is a mixed joint-stock company.

Article 11:

Rules and restrictions promulgated in the regulatory and legislative texts concerning public sector companies and establishments shall not apply to the mixed joint-stock Bank set up under the rules of this law whatever is the rate of contribution by the state and the public sector entities to the

Bank's capital.

Article 12:

A. The Bank shall offer all kinds of financial services and banking transactions in accordance with the rules of the Bank's basic by-laws and the operative laws and regulations without prejudice to the rules of this law. Such operations include:

1. Accepting deposits in Syrian and foreign currencies for diverse durations.
2. Discounting commercial notes, bearer bonds, promissory notes and generally all loaning bonds.
3. Discounting transferable and non-transferable loan bills.
4. Financing commercial transactions, granting loans of all kinds against securities in kind and in person or others which are determined by the Central Bank of Syria.
5. Issuing certificates of deposit and transactional values which generate profit as well as promissory notes and bills of exchange and letters of credit and cheques and drafts of all kinds and trading with such bills.
6. Providing the necessary facilities for the safe-keeping of monies, financial documents, precious property and instruments.
7. Opening current accounts and savings accounts.
8. Providing payable and receivable services.
9. Issuing payment instruments including banking drawings, credit and payment cards, traveller cheques and managing of such operations in accordance with instructions issued by the Managing Committee of the Currency Bureau.
10. Purchasing all payment means made out in foreign currencies and selling them, dealing with them in momentous or deferred exchange markets in accordance with the operative currency regulations.
11. Borrowing for different terms of duration and accepting all kinds of letters of guarantee.
12. Purchasing and selling securities and bonds of joint-stock companies which are on public trading and also other financial notes permitted for transaction in the Syrian Arab Republic in accordance with controls and percentages specified by the Central Bank of Syria.
13. Generally, to act in its own interest or the interest of a third party or in association with a third party in the Syrian Arab Republic or outside of it in providing all banking and financial services and all operations of discounting, loaning and issuing letters of guarantee.

B. On the basis of a prior approval by the Central Bank of Syria, the Bank may:

1. Contribute to capitals of Arab or foreign banks within the limits and conditions specified by the Central Bank of Syria.
2. Purchase real state inside and outside the Syrian Arab Republic needed for the conducting of its own activities solely.

Article 13:

A. Management of the Bank shall be in the hands of a board of directors elected by the shareholders in accordance with its basic by-laws which defines their qualifications and the conditions that they ought to meet.

B. The Central Bank of Syria has the right to make sure that the

qualifications and conditions aforesaid in para A above are duly met and to take the necessary measures to ensure the formation of the board of directors in conformity with such qualifications and conditions.

Article 14:

The Minister of Economy and Foreign Trade appoints the public sector representatives in the board of directors of the mixed banks who shall have banking expertise at the recommendation of the Loaning and Currency Board and in proportion to the rate of shares owned by the public sector. Such representatives may not interfere in the election of the other members of the board or their dismissal. The duration of their stay on the board is not limited by the tenure of office specified for board members in the basic by-laws.

Article 15:

A. The basic by-laws specifies the number of board members and the duration of their tenure and the number of shares that a person should hold to be eligible to membership of the board.

The Central Bank of Syria may judge such number in view of the Bank's situation and to guarantee the Bank's interest as well as the interest of shareholders and depositors. Chairman of the board must necessarily possess double the number of shares held by the member provided that the maximum number of the natural person's portion in the Bank's capital stated in Article 6 of this law is observed.

B. Possessing this number of shares is not a necessary condition at the time of election as this possession may be added up to reach the required portion within one month from election day, otherwise the membership is definitely nullified.

Article 16:

Decisions made by the board of directors cannot become legal unless taken in the presence of the majority of members provided that one of them is a representative of shareholders from public establishments contributing to the mixed Bank's capital when the decision is taken concerning major issues as specified in the basic by-laws.

Article 17:

A. The general manager of the Bank shall be chosen from people known for their banking expertise, and shall be appointed by a decision taken by the board of directors.

B. The general manager of the mixed Bank may not hold membership of the board or its chair in addition to the capacity of his post.

C. No person holding the post of general manager or deputy general manager or manager in the Bank may practice private commercial activities nor may he be a member of partnerships nor a member of the board of directors in any company.

Article 18:

A. The founders shall lay out a draft of the Bank's basic by-laws that matches the nature of its work and the form of its composition, and in harmony with the model basic laws of banks prepared by the Central Bank of Syria. The by-laws may define the nationality of the members of the board directors and its chair, their number, their age, their remuneration and bonuses, proceedings of their election, the percentage of representation of non-Syrians on the board in proportion to the percentage of their contribution to the capital and the mechanism of the board's work. It can also determine the capital, the value of the share in local currency and its equivalent in foreign currency or vice versa without observing the rules and regulations in force, particularly Commercial Law No. 149 of 1949 and amendments. The by-laws shall be promulgated by decision from the Minister of Economy and Foreign Trade at the recommendation of the Loaning and Monetary Board.

B. The Bank's board of directors shall lay out the workers statutes on the basis of the operative Labour Law No.91 of 1959 and amendments.

C. The Bank's board of directors shall lay out all regulations governing the operation of the Bank and its branches. Such regulations shall be referred to the Loaning and Monetary Board for ratification.

General Rules

Article 19:

Each bank to be licenced in accordance with this law shall be bound to:

1. Deposit in an interest-free frozen account at the Central Bank of Syria an amount equivalent to 10% percent of its contributed capital. This sum shall be considered a portion of its fixed assets to be returned to it when it is liquidated.
2. Appoint upon commencement of operation an external controls commissioner to be named by the general assembly of the Bank's shareholders whose tasks shall be specified in the basic by-laws.
3. Limit its action to international accountancy criteria.
4. Use up-to-date world technology in its internal and external operations.

Article 20:

Without prejudice to Article 12-A-12 of this law banks set up under this law are prohibited from directly or indirectly practising any of the following:

1. Practising commercial or industrial activities or any other activity not related to banking.
2. Associating themselves with industrial, commercial, agricultural, services or tourist establishments.
3. Opening letters of credit or granting facilities to chairman of the board or its members or its general manager, or the Bank's accounts

inspectors and auditors or to state workers who have direct supervision of, or control over, or follow up of, the bank's activities.

Article 21:

No bank set up in accordance with the rules of this law may cease conducting its activities wholly or partially for any duration before getting a prior approval from the Central Bank of Syria.

Article 22:

Subject to special rules of the basic monetary law promulgated under Legislative Decree No. 87 of 1953 and amendments and the international basic principles of banking controls, the Central Bank of Syria shall:

1. Monitor the banks set up under this law to ensure their safe and good dealing, progress of their work and activities, their observance of basic-by-laws and the rules of this law.
2. Delegate at all times the bank's accounts inspector or his appointee to check the bank's records, accounts, books, and correspondence to verify the authenticity of its various banking operations and activities.
3. When necessary take all appropriate measures to correct the bank's conditions and protect the rights of shareholders and depositors and customers and their monies.
4. The Central Bank of Syria shall observe the privilege of confidentiality required in the banking profession in all its supervisory and control measures.

Article 23:

All bills, letters and cables transacted between Syrian banks and the various entities and establishments inside and outside the country through sophisticated global means of communication shall have the same power as invested by the rules of operative laws and regulations in the other confirmation methods according to instructions issued by the Central Bank of Syria.

Article 24:

Banks set up under this law are permitted to transfer from their foreign currency accounts the dues indicated hereunder as resulting from their operations on the basis of their duly ratified budgets:

1. Profits and interest generated annually by the contributions and shares held by Arab and foreign nationals which are originally paid in foreign currency.
2. Remunerations and bonuses due to resident non-Syrian members of the directors boards of the banks or those who hold similar status.
3. 50% of net wages, salaries and remunerations and 100% of the end-service compensation due to Arab and foreign experts and technicians working with the banks.
4. Amounts of money due from the banks and must be paid and transferred abroad in foreign currency.

Article 25:

Income tax on net profits realized by the banks set up under this law shall be assessed on all their activities at the rate of 25% inclusive of the war effort tax. This tax shall however be excluded from add-ons in favour of the local administration.

Article 26:

Rules of Legislative Decree No.6 dated 22.04.2000 shall not apply to banks set up under this law.

Article 27:

Rules of Commercial Law No. 149 of 1949 and amendments and the Basic Monetary Regulations promulgated by Legislative Decree No. 87 of 1953 and amendments and the operative currency regulations shall apply to the bank without prejudice to the rules of this law.

Article 28:

The Minister of Economy and Foreign Trade shall issue the necessary instructions for the implementation of this law at the recommendation of the Central Bank of Syria.

Article 29:

This law shall be published in the Official Gazette.

Damascus: 16.04.2001

**Signed:
President of
the Republic
Bashar Al-
assad**