The Monetary and Credit Council Decision (370/M.C.C)

Date: 14 October 2021

The Monetary and Credit Council, pursuant to the provisions of the Central Bank of Syria Law and the Basic Monetary System No. 23 of 2002 and its amendments and the provisions of /**Paragraph B**/ of /**Article 8**/ of Law No. 8 of 2021 regarding the establishment of microfinance banks, and in accordance with the provisions of /**Paragraph F**/ of /**Article 2**/ of the executive instructions for the aforementioned law adopted and issued by Decision No. (62/M.C.C) dated 21 February 2021, and based on the letter of the Banking Supervision Department No. 5585/16 dated 22 September 2021, and the memorandum of its session held on 14 October 2021, **decides the following**:

Article 1: Approval of adopting the controls outlined below when presenting a part of the capital of microfinance banks in the form of in-kind contributions:

Firstly: General Provisions:

1. The total value of in-kind contributions shall not exceed 10% of the capital in microfinance banks.
2. A single founder may have two types of shares/contributions (cash and in-kind), provided that their total value does not exceed the maximum limit of the contribution ratios specified according to the provisions of /**Article 7**/ of Law No. 8 of 2021.
3. It is permissible to present in-kind contributions as part of the capital of microfinance banks at the time of establishment, and also when increasing the bank's capital, and the details related to the in-kind contributions shall be included in the basic system, provided that they do not exceed the ratios specified in the law.
4. The in-kind contributions presented in the capital of microfinance banks shall exclusively be in the form of real estate, and movables of all kinds or intangible rights such as franchise rights, patent rights, intellectual property, technical knowledge, etc., or services or the work of any person, regardless of its nature, shall not be considered as acceptable in-kind contributions as part of the capital of a microfinance bank according to the provisions of this Decision, except for movables related to the real estate presented in-kind itself, which are considered part of it for the purposes of this Decision.
5. The transfer of in-kind shares is subject to the same conditions imposed on the transfer of company shares specified by the provisions of Law No. 8 of 2021 and the prevailing Companies Law.
6. The real estate presented in the form of in-kind contributions must meet the following conditions:
    A. They must have legal asset records maintained by one of the relevant entities in the state in a manner that facilitates the identification of their owners and the

extent of any encumbrances on their cadastre file that may limit the ability to dispose of them, whether they have a real estate cadastre, a temporary register, or other types of approved records.

B. They must be partitioned and their descriptions corrected, and their record free of any encumbrances that might limit the possibility of transferring ownership to the bank in the process of completing its establishment procedures or may affect its future rights, including lawsuit encumbrances. Encumbrances of aesthetic improvements or specifications correction for real estate are not considered influential encumbrances for this purpose.
C. In the case of presenting in-kind contributions during the establishment period, the property/properties presented must be owned by the founder(s) as applicable.
D. The real estate presented in the form of in-kind contributions must be suitable for the purposes related to the bank's operations as follows:
    1) Use them as premises of the bank (management, branches, offices, etc.).
    2) Invest them for the activities and services provided according to the provisions of paragraphs (g) and (I) of /**Article 11**/ of Law No. 8 of 2021.

Secondly: Evaluation of In-Kind Contributions:

When evaluating in-kind contributions, the following guidelines must be followed:

1. Providing an evaluation report prepared according to international valuation standards by an auditor certified by the Accounting and Auditing Council, with at least three years of professional experience. This report should estimate the value of these in-kind contributions. Additionally, it should be accompanied by an appraisal report issued by an accredited real estate appraiser or valuer approved by the Real Estate Financing Supervision Authority, with at least three years of professional experience. The appraisal report should explicitly state that the responsible party (the entity that prepared the report) acknowledges its responsibility and the responsibility of the founder/ owner of the in-kind contributions for the accuracy of the estimates, and that if a significant error is discovered or if it is revealed that it had been aware that the estimates were incorrect, the provisions of Law No. 33 of 2009 governing the profession of auditors will apply, in accordance with the provisions and requirements of the Companies Law, ensuring that the technical content of the concerned report remains the responsibility of the relevant auditor and the founder/owner of the in-kind contributions.
2. Submitting the report outlined in /**item 1**/ of this section to the Ministry of Internal Trade and Consumer Protection upon completing the establishment procedures for the company during the registration process.
3. The effects or damages arising from the valuation and appraisal of in-kind contributions are subject to the provisions of /**Article 93**/ of the prevailing Companies Law and its amendments.

4. Microfinance banks are bound by the provisions of /**item 1**/ and /**item 2**/ in this section when increasing their capital through in-kind contributions. This applies within the procedures for amending the statute rather than registration in /**item 2**/ and also during dissolution and liquidation (where applicable).

Article 2: This Decision shall be communicated to whom it may concern for implementation.

Chairperson of The Monetary and Credit Council
Dr. Mhd.Issam Hazime