The Monetary and Credit Council Decision (57/M.C.C)

Date: 1 July 2019

The Monetary and Credit Council, pursuant to the provisions of Law No. 23 dated 17 March 2002, and its amendments, the provisions of Decree No. 15 of 2007, the provisions of /**Article 13**/ of Decision No. (1468/M.C.C/S4) dated 18 December 2016, and the letter from the Directorate of the Government Commission at Banks No. 757/16 dated 10 February 2019, and the memorandum resulting from its session held on 28 March 2019, **decides the following**:

Article 1: The adoption of the work system of the Compliance Monitoring Directorate – annexed herewith – for banking financial institutions operating in the Syrian Arab Republic as follows:

Work System of the "Compliance Monitoring" Directorate

for Banking Financial Institutions Operating in the Syrian Arab Republic

In accordance with the provisions of the Central Bank of Syria Law and the Basic Monetary System No. 23 of 2002 and its amendments, the provisions of Legislative Decree No. 33 of 2005 and its amendments, the provisions of the Combating Money Laundering and Terrorism Financing Commission No. 15 of 2015 and its amendments, and based on the provisions of The Monetary and Credit Council Decisions No. (15/M.C.C/S4) of 2003 and its amendments and No. 16/M.C.C/S4 of 2003 related to internal banking auditors, and the provisions of The Monetary and Credit Council Decision No. (1468/M.C.C/S4) dated 18 December 2016, which restructured the roles of (compliance monitoring, internal banking auditor, reporting officer) within the "Compliance Monitoring" Directorate.

Firstly: Definitions

For the purposes of this system exclusively, the words and phrases shown below are defined as follows:

- **Regulatory Authority:** The entity responsible for organizing, following up, and monitoring the work of financial institutions operating in Syria – according to the effective laws and regulations – represented by The Monetary and Credit Council, the Banking Supervision Department, and the Combating Money Laundering and Terrorism Financing Commission according to jurisdiction.

- **An Institution/ The Institution:** Any and all banking financial institutions licensed to operate in the Syrian Arab Republic and subject to the supervision of The Monetary and Credit Council.
- **Board of Directors:** The board of directors of the banking financial institution represented by the chairperson of the board and its members.
- **Audit Committee:** The audit committee emanating from the board of directors, which is formed and organized according to the adopted auditing standards and governance requirements.
- **Executive Management:** The general manager/chief executive officer of a banking financial institution, their deputies, assistants, and all executive departments therein.
- **Compliance Monitoring:** An ongoing process aimed at evaluating an institution's compliance with laws, regulations, standards, and instructions.
- **"Compliance Monitoring" Directorate:** A supervisory and regulatory directorate included within the organizational structure of an institution, tasked with monitoring the institution's compliance with internal instructions, decisions, controls, and the effective regulations, laws governing its work, and following up on non-compliance risks.
- **Non-Compliance Risks:** Risks of legal or regulatory sanctions, financial losses, reputational risks, or any other risks an institution may face as a result of non-compliance with laws, regulations, instructions, decisions, codes of conduct, standards, and sound banking practices.

Secondly: Objectives, Powers, and Scope of Work of the "Compliance Monitoring" Directorate:

- **Objectives:**
  Promoting a culture of compliance and mitigating risks associated with non-compliance.
- **Powers:**
  1. Access to all records, documents, information, and automated systems related to an institution's work in all aspects.
  2. Communication with the board of directors and its committees, the executive management, any of the employees in the institution, and with the regulatory authority when necessary, and within the framework of its tasks.
- **Scope of Work:**
  The scope of work of the Compliance Monitoring Directorate in financial institutions includes the effective laws, regulations, decisions, and instructions issued by the regulatory authority, as well as internal systems, policies, and procedures adopted by each institution.

Thirdly: Structure of the "Compliance Monitoring" Directorate:

An independent directorate within the organizational structure of an institution, reporting to the board of directors through the audit committee if delegated by the board, consisting of the following units (at a minimum):

1. **Internal Banking Auditors Unit:** The unit responsible for monitoring adherence to the general policy of the institution, reviewing the financial statements of the institution, work controls and instructions, verifying their alignment with the decisions, regulations, and laws governing banking work, ensuring adequate compliance with them, following up on the various risks facing the institution, directives of the board of directors, and measures taken to comply with them.
2. **Compliance Monitoring Unit:** The unit responsible for following up on the institution's compliance with all laws, decisions, circulars, and the adequacy of the adopted policies and procedures, in a manner that does not conflict with the tasks of the compliance verification unit.
3. **Compliance Verification Unit:** The unit responsible for following up on the institution's compliance with Anti-Money Laundering counter financing of terrorism (AML/CTF) procedures.

Furthermore, any other units that the Board of Directors deems necessary can be included, in accordance with the nature of the institution's activities and the volume of its operations.

Fourthly - Responsibilities related to the work of the Compliance Monitoring Directorate:

- **The Responsibilities of the Board of Directors:**

1. Establishing a directorate for compliance monitoring and taking the necessary steps to ensure its independence, effectiveness, and proper performance of its duties.
2. Ensuring the existence of clear and fair policies and procedures for the salaries, wages, compensations, and bonuses of employees in the "Compliance Monitoring Directorate," commensurate with their workload and responsibilities, and ensuring the objectivity of these policies.
3. Adopting the policies, procedures, and organizational structure specific to the work of the "Compliance Monitoring" Directorate and monitoring the activation of all its units.
4. Approving the annual plan of the "Compliance Monitoring" Directorate, that covers all of its units, taking into consideration the supervisory authority's prior approval of the supervisory tasks plan prepared for the Internal Banking Auditors Unit, ensuring compliance with the tasks assigned to the unit under the provisions of Law No. 23 of 2002 and the regulations governing the function.

5. Adopting appropriate procedures for holding all relevant parties accountable in cases of non-compliance within the institution.
6. In addition to the above tasks, the Board of Directors assumes the following tasks and may delegate them to the audit committee if deemed necessary:
    a. Ensuring the adequacy of the human, material, and logistical resources necessary for the continued performance of the tasks of the “Compliance Monitoring” Directorate as required.
    b. Ensuring the promotion of a culture of compliance within the institution and raising awareness of the importance of the function and the role entrusted to it.
    c. Taking appropriate measures to monitor and manage non-compliance risks through the institution’s risk management.
    d. Reviewing the results of the Compliance Monitoring Directorate’s work, that is done through all of its units and monitoring the implementation of appropriate corrective measures (where necessary).
    e. Conducting annual evaluations for the director of the “Compliance Monitoring” Directorate, analyzing and deciding on adopting the evaluations of the employees in the “Compliance Monitoring” Directorate prepared by the director, evaluating the performance of the heads of units within the directorate in case the position of the director of the “Compliance Monitoring” Directorate in the concerned institution was vacant, reviewing any evaluations that they have prepared for the staff of those units, and providing the supervisory authority with the evaluation of both the “Compliance Monitoring” Directorate and the staff of the internal banking auditors unit.
    f. Monitoring the work evaluation of the “Compliance Monitoring” Directorate at least once a year, and adopting the results of the directorate’s evaluation prepared by the audit committee (where applicable).
    g. Giving prior approval for credit facilities granted to the director of the “Compliance Monitoring” Directorate and its employees.

- **The Responsibilities of the Executive Management:**

1. Working in accordance with the directives of the Board of Directors and implementing all compliance monitoring policies optimally.
2. Taking necessary actions to address deficiencies and discovered non-compliance cases reported by the “Compliance Monitoring” Directorate, according to a timeline commensurate with the volume and importance of the observations.
3. Providing the “Compliance Monitoring” Directorate with the necessary resources (both financial and human) to effectively and efficiently carry out its tasks and ensuring the necessary training for all its staff.

4. Cooperating with the “Compliance Monitoring” Directorate to secure all the requirements necessary for the execution of its tasks.
5. Implementing the accountability procedures approved by the Board of Directors for all relevant parties in cases of non-compliance within the institution.
6. Monitoring the adherence of the “Compliance Monitoring” Directorate to the approved administrative controls within the institution, especially those related to attendance, leave, code of ethics, dress code, and taking necessary action in case of non-compliance.
7. Ensuring an appropriate mechanism for informing the Compliance Monitoring Directorate within the institution of all correspondence containing a ‘referral to the “Compliance Monitoring” Directorate.’

- **Responsibilities and Duties of the “Compliance Monitoring” Directorate:**

1. Advising the Board of Directors regarding the application of effective decisions, laws, and regulations, while maintaining the independence of the directorate and avoiding any executive tasks.
2. Monitoring non-compliance risks within the institution by overseeing compliance with regulatory laws, decisions, instructions, policies, and procedures adopted by the institution and preparing the necessary reports.
3. Monitoring the institution’s compliance with all AML/CTF procedures.
4. Preparing periodic reports on its work results for the Board of Directors and the supervisory authority as appropriate.

Fifthly: Organizing the Work and Tasks of the “Compliance Monitoring” Directorate:

An integrated annual work plan is developed for the “Compliance Monitoring” Directorate, which is approved by the Board of Directors. An authenticated copy of this plan is sent to the supervisory authority within a deadline not exceeding the end of February of each year. The work mechanism ensures coordination among all units, and the tasks and responsibilities of the Compliance Monitoring Directorate are distributed among its constituent units as follows:

A. Tasks and Responsibilities of the Internal Banking Auditors Unit: The head of the Internal Banking Auditors Unit oversees the organization of the unit’s work. Internal banking auditors commit to executing their tasks in accordance with the regulatory decisions and circulars, especially Decision No. (16/M.C.C/S4) of 2003, which includes the fundamental regulations for internal banking auditors. Their responsibilities include:

   1. Preparing a draft annual supervisory task plan for the unit.
   2. Developing detailed procedures for implementing the supervisory mission and discussing them with the Director of the “Compliance Monitoring” Directorate.

3. Creating an initial audit program (action plan) for each supervisory task, including the timeline for task execution, and submitting it to the Director of the "Compliance Monitoring" Directorate.
4. Preparing a comprehensive guidance work manual that outlines the procedures for the supervisory tasks, with regular updates.
5. Exercising due diligence in carrying out the supervisory tasks (both planned and emergent) in accordance with the approved guidelines and procedures, in addition to providing the Board of Directors, the executive management, and the supervisory authority with reports on these tasks, each according to its jurisdiction, through the "Compliance Monitoring" Directorate.
6. Providing the Director of the "Compliance Monitoring" Directorate with quarterly progress reports that include all the unit's executed work, reasons for any deviations from the plan, and proposed remedies.
7. Identifying training needs for all staff in the unit and proposing them to the executive management through the Director of the "Compliance Monitoring" Directorate.

B. Tasks of the Compliance Unit:

The head of the unit oversees its work, which is summarized as follows:

1. Preparing a comprehensive guidance work manual that outlines the unit's procedures, with continuous updates.
2. Monitoring the institution's managements and departments as they periodically review all policies and procedures related to their work, updating them in accordance with developments in laws, decisions, and circulars issued by the supervisory authority, in addition to the approved internal guidelines, ensuring the ongoing proper adoption of amendments.
3. Receiving copies of correspondence related to precautionary seizure and account freezing[1] (lifting the seizure and unfreezing), following the institution's mechanism for receiving correspondence, alongside monitoring the relevant managements' actions to implement these measures and preparing reports on deviations when they occur.
4. Ensuring the existence of an appropriate mechanism for informing the Compliance Directorate and all employees in the institution of all laws, decisions, and circulars governing its work, besides establishing a detailed database for easy reference.
5. Reviewing international sanctions decisions and the individuals covered by them, as well as the measures taken by the institution regarding them, then assessing the institution's compliance with these measures by the executive management, in addition to compiling all sanctions decisions issued by the supervisory

[1] issued by various relevant authorities or by some managements within the same institution.

authority and other national and international supervisory authorities, creating a detailed database of these decisions.

6. Developing a draft annual work plan for the unit in coordination with other units in the Directorate.
7. Monitoring all actions taken by the institution to address complaints and reports received.
8. Ensuring the institution's compliance with the preparation of all required data and reports requested by the supervisory authority within the specified deadlines.
9. Submitting a quarterly progress report to the Director of the "Compliance Monitoring" Directorate, including all the unit's executed work during the quarter, reason for any deviations from the plan, and proposed remedies.
10. Identifying training needs for all staff in the unit.
11. Preparing semi-annual reports on non-compliance risks and proposed corrective actions.

C. Work of the Compliance with Anti-Money Laundering counter financing of terrorism (AML/CTF) Procedures Unit:

The head of the unit oversees its work in accordance with the guidance of the Director of the "Compliance Monitoring" Directorate (the reporting officer). The tasks of this unit are carried out in compliance with the decisions and instructions issued by the AML/CTF Authority, especially Decision No. 15 of 2015 and its amendments, as well as relevant legislation and executive instructions. The minimum tasks of this unit include the following:

1. Regularly reviewing the policies, procedures, and controls related to AML/CTF within the institution, and proposing necessary measures to ensure compliance with legal provisions related to AML/CTF, as well as their executive instructions and regulations.
2. Monitoring the application of policies, procedures, and controls related to AML/CTF through planned and emergency tasks and reporting the outcomes of these tasks to the institution's Board of Directors.
3. Continuously monitoring the institution's adopted procedures for managing money laundering and terrorism financing risks, especially the procedures taken to address observations arising from tasks related to this matter, including accountability.
4. Constantly monitoring the accounts and transactions executed by clients according to the unit's approved procedures. This monitoring should cover all banking operations that may carry money laundering or terrorism financing risks (financial transfers, cash transactions, credit facilities, foreign trade operations, etc.).

5. Receiving reports on suspicious internal operations, analyzing and evaluating them, and forwarding related recommendations to the reporting officer within the institution.
6. Providing immediate and accurate responses to requests for information received from the authority regarding AML/CTF.
7. Preparing the required periodic reports in accordance with effective decisions, special reports on auditing AML/CTF procedures, and any additional emergency action plans to address identified deficiencies. These reports are submitted to the institution's Board of Directors and subsequently to the AML/CTF Authority.
8. Developing a comprehensive guidance work manual that outlines the unit's procedures, with continuous updates.
9. Submitting a quarterly progress report to the Director of the "Compliance Monitoring" Directorate, including all the unit's executed work during the quarter, reasons for any deviations from the plan, and proposed remedies.
10. Identifying training needs for all staff in the unit.

D. Duties and Responsibilities of the Director of the "Compliance Monitoring" Directorate:

1. Supervising all units within the "Compliance Monitoring" Directorate and ensuring their effective performance of assigned tasks.
2. Developing a comprehensive work plan for the Compliance Monitoring Directorate, submitting it to the Board of Directors for approval, and monitoring any deviations from the plan throughout the year, and their causes along with proposing appropriate corrective actions.
3. Contributing to the promotion of a compliance culture across different administrative levels within the institution.
4. Reviewing and approving the guidance work manuals specific to the directorate's units.
5. Ensuring having job descriptions for all positions within the Compliance Monitoring Directorate, including that of the director.
6. Assessing the training needs of all directorate employees, creating an integrated training plan for the directorate (including the director's training needs), and coordinating with the Human Resources Management to incorporate these needs into the institution's comprehensive training plan.
7. Organizing the training process within the directorate by nominating suitable employees for internal or external courses that meet training requirements, develop skills, and enhance competencies, besides monitoring any training process, the implementation of the training plan by the executive management, and the effectiveness of training and trainees through evaluation reports for each training course. These reports should be submitted to the Board of Directors and the supervisory authority during the month following the end of each quarter.

8. Supervising the preparation of the audit program (action plan) for each supervisory task, approving it, and providing guidance to the auditors as needed.
9. Overseeing the execution, organization, and evaluation of supervisory tasks to ensure compliance with approved procedures, accuracy of outputs, and assessing the responses of relevant parties within the institution to the observations received, and proposing appropriate recommendations within the report and submitting it in parallel to both the Board of Directors/ Chief Executive Officer and the supervisory authority, according to jurisdiction.
10. Monitoring the directives issued by the Board of Directors and/or the supervisory authority regarding the results of supervisory tasks, the quarterly reports submitted, and the actions taken by the executive management in response, and providing guidance to unit heads within the directorate based on the results of this monitoring, while maintaining comprehensive files for each supervisory task containing all relevant details.
11. Supervising the periodic review of policies and procedures related to the work of the institution's managements and departments, in addition to ensuring their approval by the Board of Directors and disseminating them to all relevant employees through appropriate means.
12. Reviewing the quarterly achievement reports prepared by the directorate's units and compiling a comprehensive quarterly achievement report reflecting the actual work of the Compliance Monitoring Directorate. This report should cover the execution of the plan, emergency tasks, and other activities during each quarter. It should also summarize the results of tasks and actions taken, with the report submitted to the Board of Directors and the two reports of the Internal Auditors Unit and the Verification Unit shared with both the Banking Supervision Department and the Combating Money Laundering and Terrorism Financing Commission, provided that this is done during the month following the quarter covered in the reports.
13. Managing administrative matters related to directorate employees, including various types of leave in line with the institution's approved policies, in addition to monitoring periodic work reports, correcting performance as necessary, regularly evaluating employee performance based on established assessment criteria within the institution, considering the nature of work within the Compliance Monitoring Directorate, encouraging employees to achieve optimal results and proposing rewards, annual increases, and penalties as appropriate, with recommendations submitted to the Board of Directors.
14. Preparing and submitting reports on suspicious operations to the AML/CTF Authority.
15. Carrying out all other duties assigned to the reporting officer under the legal provisions related to AML/CTF.

16. Coordinating with the institution's internal control units represented by the Risk Management, Internal Audit Management, and Sharia Audit Management, if it is an institution operating under Islamic law[2]. This coordination aims to integrate the supervisory process, avoid duplication in task execution, and monitor risks. The following steps are involved:
    - Coordinating during the preparation of annual supervisory plans and mutual access to internal reports from the control units to monitor risks and corrective and remedial actions taken regarding the observations in those reports, while maintaining confidentiality.
    - Exchanging notifications related to specific operational risks with the Risk Management Department within the institution.

Sixthly: General Provisions:

1. The "Compliance Monitoring" Directorate and/or any of its employees shall not engage in any executive tasks within the institution. This includes membership in executive committees or handling matters related to precautionary and executive reservations and account freezes.
2. The activities of the Compliance Monitoring Directorate are subject to audit by the Internal Audit Management, as assigned by the Audit Committee. The results shall be reported to the Board of Directors for appropriate action.
3. The periodic performance evaluation of the Compliance Monitoring Director and the employees within the directorate does not fall within the scope of the internal audit's responsibilities. Thus, it shall not be delegated or assigned to undertake this task.

Article 2: Financial institutions operating under these provisions shall take the necessary measures to implement the guide mentioned in /**Article 1**/ above by no later than the end of the third quarter of the current year.

Article 3: This decision shall be communicated to whom it may concern for implementation.

Chairperson of The Monetary and Credit Council
Dr. Hazem Qarfoul

Accredited by The Prime Minister
Eng. Imad Khamees

[2] Taking into consideration the coordination with the Internal Supervision Directorate at Public Banks.