The Monetary and Credit Council Decision (196/M.C.C/S4)

The Monetary and Credit Council, pursuant to the provisions of paragraph /**5**/ of /**Article 118**/ of the Central Bank of Syria Law and the Basic Monetary System No. /23/ dated 17 March 2002, and based on its memorandum in the session held on 5 April 2006,

decides the following:

Article 1: The adoption of the attached General Rules for Banking Risks and Defaulting Clients and requesting the banks operating in the Syrian Arab Republic to apply and implement the contents thereof.

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

Damascus on 5 April 2006

Chairperson of The Monetary and Credit Council
Dr. Adeeb Mayyaleh

Accredited by the Prime Minister
Eng. Muhammed Naji Itry

Secretary of The Monetary and Credit Council
Hana'a Audeh

General Rules for Banking Risks and Defaulting Clients

In accordance with /**Paragraph 5**/ of /**Article 118**/ of the Basic Currency Law No. 23 of 2002, banks operating in the Syrian Arab Republic are required to comply with the following:

Firstly - Declaration of Banking Risks:

1. Every bank operating in the Syrian Arab Republic must provide the Banking Supervision Department - Banking Risks Department at the Central Bank of Syria, with monthly nominal data including the amount and type of credit facilities granted for each client at the main center and all its branches, and the type of credit facilities utilized by each of them.
2. Through the nominal data, each bank must declare the amounts of credit facilities, whether granted or utilized, when these amounts for each client separately reach or exceed 500,000 SYP or the equivalent in foreign currencies on the last working day of the declared month.
3. The nominal data must include the type of credit facilities, their economic sector, and the guarantees provided against them, according to the classification specified in the attached form (annex 1).
4. To ensure the confidentiality of the Banking Risks Department's operations and the information it receives from banks or sends to them, a code numbering method is utilized to indicate banks, their branches, and their clients. The Banking Supervision Department takes all measures and procedures to ensure the confidentiality of the received information related to banking risks.
5. Banking risks data must be submitted according to the forms attached to these instructions on a compact disc (CD-ROM), which can be obtained from the Banking Risks Department along with the special software programming.
6. Each month, the nominal data is organized on a (CD-ROM) and sent to the Banking Risks Department in a sealed and stamped confidential envelope with the bank's seal and signature, indicating that the information in this letter matches the records and information of the concerned bank.
7. The magnetic disc containing the required data must be delivered to the Banking Risks Department prior to the 15th of the month following the month for which the data is organized.

Secondly - Banks Notification of Total Banking Risks:

8. The Banking Risks Department consolidates the monthly information received from banks and notifies each bank of the total credit facilities that each of their declared clients profits by from all banks, as shown in /**form 2**/ and /**form 3**/.

Banks are notified of the total banking risks of their clients before the 20th of the month following the month for which the data is organized, as mentioned in /**paragraph 1**/ and /**paragraph 2**/ above.

Thirdly - Utilized Forms:

9. In addition to the notification mentioned in /**paragraph 8**/ above, banks can request the Banking Risks Department to inform them of the value and type of facilities granted or utilized by a specific client, as well as details and information about them according to /**form 4**/ (Client Inquiry Request) attached with /**form 5**/ (Client Consent to Provide Personal and Financial Information), which includes the client's permission for the Banking Risks Department to inform the concerned bank of personal information about them and the status of their debtor accounts at all banks operating in the Syrian Arab Republic.
   The request according to /**form 5**/ must be accompanied by a copy of the identity card or a copy of the passport if the client is a natural person. If the client is a legal entity, the request must be accompanied by a copy of the commercial circular and a copy of the registration certificate in the Chamber of Commerce and Industry, with a statement of the legal form of the company and the names of the partners and shareholders.
10. The Banking Risks Department informs the concerned bank of the status of the debtor accounts of the inquired client according to /**form 7**/ (Client Account Status at the Banking Risks Department), as well as information specific to them according to /**form 8**/ (Information Statement about a Natural Person) or according to /**form 9**/ - (Inquiry Statement about a Legal Entity). If the client's name does not appear at the Banking Risks Department, the department responds to the inquiring bank according to /**form 6**/ (Client Account Status at the Banking Risks Department).
11. The Banking Risks Department collects an amount (<u>to be determined</u>) for each special response in execution of /**paragraph 9**/ above, within five days from the Banking Risks Department's response to the bank's inquiry request.
12. When a bank decides to grant facilities to a client after querying them from the Banking Risks Department, the bank fills out /**form 10**/ (Personal Identification Statement) containing information about this client if they are a natural person, or /**form 11**/ (Legal Entity Identification Statement) if they are a legal entity. In addition, the bank requests the Banking Risks Department to set a special banking risks number for the client, according to /**form 13**/ (Request for a Coding Number for a Client).
    The Banking Risks Department responds to the bank's request by allocating a secret number for the new client according to /**form 14**/ - (Setting a Coding Number for a Client at the Banking Risks Department). This number is utilized by the lending bank in all permits, statistics, and information sent from it to the Banking Risks Department at the Central Bank of Syria.

13. Banks must prepare new identification cards to replace old ones whenever there is a modification or change in the information related to each of their clients, according to /**form 10**/ (Personal Identification Statement) or /**form 11**/ (Legal Entity Identification Statement).

Fourthly - Expenses of the Banking Risks Department:

14. The expenses of the Banking Risks Department are borne by the banks operating in the Syrian Arab Republic, and independent accounting is maintained by the mentioned department to show its revenues and expenses.
15. The expenses of the Banking Risks Department are distributed among the banks based on the number of their clients, whose credit facilities are shown in the nominal data of the bank.
16. At the end of each six months, The Monetary and Credit Council determines the share of each bank from the expenses of the Banking Risks Department according to the rule specified in the previous /**paragraph 15**/.
17. Each bank must provide the Banking Risks Department at the Banking Supervision Department with its share of the expenses of the department, by transferring the amount to the account of the Banking Risks Department that is open at the Central Bank of Syria within five days from the date it is informed of its share in these expenses.

Fifthly - Regarding the Declaration of Current Clients:

18. Banks must, only once, compile a list of their clients whose credit facilities, whether granted or utilized, reach or exceed 500,000 SYP or the equivalent in foreign currencies on the last day of September 2005. They should organize an index of these clients on the date of the Banking Risks Department's commencement of its work, according to /**form 15**/ (Index of Clients / Natural Persons) and /**form 16**/ (Index of Clients / Legal Entities). These forms should be accompanied by identification cards for each natural person or legal entity whose name is listed in each form, as specified in /**form 10**/ and /**form 11**/.
    These indexes, along with the identification cards, prepared according to /**form 10**/ and /**form 11**/ should be submitted to the Banking Risks Department at the Central Bank of Syria by 30 September 2005.
    As for clients subject to the declaration system to the Banking Risks Department after 30 September 2005, their risks should be declared according to the above-mentioned section, entitled "**Firstly - Declaration of Banking Risks**".
19. The purpose of the client index is to consolidate the identity of current clients at each bank on separate records apart from the permits sent to the Banking Risks Department, in order to allow this department to assign unique coding numbers to each of these clients.
20. Each bank should complete its dedicated section according to /**form 15**/ or /**form 16**/, accompanied by identification cards for each natural person or legal entity. These forms

should be sent to the Banking Risks Department on a CD-ROM, along with a letter containing the information included in this CD and a sealed confidential envelope with the bank's seal and the signature of the person in charge, indicating that the information in the attached letter matches its records.

This envelope and its contents should be sent to the Banking Risks Department by 31 October 2005.

21. The pages of the general index of clients declared by the bank should be numbered sequentially.
22. Upon receiving the above forms, the Banking Risks Department should complete the information contained therein in the section dedicated to banking risks and assign each client whose name appears in them a secret number for later use in declaring their risks and in correspondence between the Banking Risks Department and the banks.
23. If the total credit facilities, whether granted or utilized, fall below the limit specified in these instructions, or if the concerned client is no longer a bank client, the bank shall keep the account number assigned to them unutilized, and it is not permissible for the bank to give this number to another client.

    The Banking Risks Department shall return the CD-ROM received, as indicated in /**Article 20**/ above, to the relevant bank, accompanied by a letter containing the information included in them, signed and sealed by the person in charge, as shown in /**form 15**/ and /**form 16**/, by 30 November 2005.
24. Alongside each CD-ROM containing the information mentioned in the forms within these instructions, each bank must attach a "Verification Statement" stamped and signed by the person in charge at the bank, including the total amounts shown in each form, in addition to another total with the client numbers listed in these forms, to ensure the accuracy and integrity of the data.

Sixthly - Regarding the Declaration of Returned Checks and Clients in Default:

25. It is necessary to organize and maintain detailed data related to checks drawn on accounts of their clients, which are returned without payment due to insufficient balances in the accounts on which these checks were drawn, either wholly or partially.
26. The bank on which the returned check is drawn must inform the drawing client about the returned check and the reason for its return, and invite them to settle the check within a maximum period (of ten days) from the date of return. This settlement can be done by the drawer through the following methods:
    a. Paying the value of the returned check.
    b. Conducting a written settlement with the last beneficiary before the notary public regarding the returned check and delivering it to the relevant bank. In this case, efforts should be made to disable or destroy the returned check.

c. Providing the relevant bank with a letter from a judicial authority requesting the suspension of the procedures related to the returned check, along with an explanation of the reasons justifying this suspension.

27. If the drawer fails to settle the returned check through any of the methods mentioned in /**Article 26**/ above upon the expiration of the ten-day period from the date of return, the bank must request that the Banking Risks Department at the Central Bank of Syria include the name of the drawing client on the list of defaulting clients, according to the information provided in the attached /**form 17**/, taking into account whether the drawer is a natural person, legal entity, or acting as an agent for the drawer.
28. The bank should notify the Banking Supervision Department at the Central Bank of Syria / Banking Risks Department of the name/s of the person/s authorized to submit the statement mentioned in /**Article 26**/ above, along with their signature form/s.
29. Banks refrain from delivering a checkbook to a client whose name is listed according to /**Article 26**/ above.
30. The Banking Risks Department at the Central Bank of Syria compiles the data sent to it by the banks according to /**form 17**/, and then disseminates it to the banks participating in the banking risks system at the end of the last working day of each week.
    The information from /**form 17**/ is included according to the following sequence:
    a. Alphabetical order of the last names of defaulting clients, showing all the information next to each client's name as mentioned in /**form 17**/, in case the drawer is a natural person. Or, according to the alphabetical order of the name of the institution if the client is a legal entity.
    b. Historical sequence of their submission to the Banking Risks Department.
31. Banks may submit a personal inquiry request to the Banking Risks Department about any new client they intend to deal with before issuing them a checkbook for the first time, in exchange for a fee of (<u>amount to be specified</u>) Syrian pounds per request.
32. The name of the defaulting client remains recorded in the data prepared by the Banking Risks Department, as detailed in /**Article 29**/ above, as long as the value of the returned check has not been paid or its status has not been settled.
    If the bank requests to remove the client's name from these records, the bank on which the returned check is drawn must notify the Banking Risks Department in writing, confirming the client's payment of the check's value or explaining the reasons for the removal request.
33. A client's name cannot be removed from the records prepared by the Banking Risks Department until after a period of time has elapsed on these records, which is:
    a. Six months if the client's name is listed by the Banking Risks Department for the first time.
    b. Two years if the client's name is listed by the Banking Risks Department for the second time.

c. Three years if the client's name is repeatedly listed by the Banking Risks Department.

34. Any person whose name appears in the records prepared by the Banking Risks Department may directly approach this department to settle their status, accompanied by the following documents:
    - Identity card or a copy of the power of attorney given to them, along with all supporting documents if the person is a natural person.
    - A letter from the bank on which the returned check is drawn, confirming the payment of the check's value.
    - A copy of their bank statement from the bank on which the check is drawn, showing how the returned check's value was paid.
    - A clearance between them and the beneficiary, registered with the notary public, confirming the payment of the returned check's value to the beneficiary and the receipt of the original check.
35. Banks must print the text of /**Article 652**/ and /**Article 653**/ of the Penal Code issued by Legislative Decree No. 148 dated 22 June 1949, and the text of /**Article 517**/ of the Commercial Law issued by Legislative Decree No. 149 dated 22 June 1949, in addition to printing the following text:
    "The name of the client who defaults on the payment of the check signed by them is listed on the defaulters list at the Banking Risks Department in the Central Bank of Syria and is prohibited from using the checkbook according to the system set forth in these instructions."
36. Banks must obtain the written prior consent of the owners of checking accounts held with them and from clients who receive new checkbooks, agreeing to the application of the provisions of this system in case of returned checks drawn by them.
37. The banks participating in this system bear the expenses of the Banking Risks Department, each according to the number of returned checks drawn on them (or) equally.

Seventhly - General Provisions:

38. The Central Bank of Syria bears no responsibility whatsoever for any losses or damages resulting from delays, omissions, or errors made by banks concerning the data they provide or those made by the Banking Risks Department as a result.
39. The provisions of /**Article 106**/ of the Basic Monetary System apply in case a bank is delayed in submitting the data specified in /**Article 2**/ of this system.
40. The provisions of /**Article 127**/ of the Basic Monetary System apply in case a bank does not comply with the provisions of /**Article 5**/ of this system.