Syrian Arab Republic

The Monetary and Credit Council Decision (121/M.C.C)

The Monetary and Credit Council, pursuant to the provisions of the paragraphs /**2.C**/ and /**2.E**/ of /**Article 2**/ and paragraphs /**1 & 2**/ of /**Article 102**/ of the Central Bank of Syria Law and the Basic Monetary System No. /23/ dated 17 March 2002, and in light of the "Principles for Enhancing Sound Management of Banking Institutions" issued by the Basel Committee on Banking Supervision in September 1999, and based on the "Basic Principles for Effective Banking Supervision" issued by the Basel Committee on Banking Supervision in September 1997, notably /**Principle 14**/, and based on its memorandum in the session held on 15 March 2005,

decides the following:

Article 1: The adoption of the attached Principles for Enhancing Sound Management of Banking Institutions 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 15 March 2005

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

Principles for Enhancing Sound Management of Banking Institutions

Based on paragraphs /**2.C**/ and /**2.E**/ of /**Article 2**/ and paragraphs /**1 & 2**/ of /**Article 102**/ of the Central Bank of Syria Law and the Basic Monetary System No. /23/ of 2002, and in light of the "Principles for Enhancing Sound Management of Banking Institutions" issued by the Basel Committee on Banking Supervision in September 1999, and pursuant to the "Basic Principles for Effective Banking Supervision" issued by the Basel Committee on Banking Supervision in September 1997, notably /**Principle 14**/, banks are required to undertake the following:

Introduction:

The sound principles of bank management require adherence to procedures that:

- Define the bank's strategies and objectives.
- Execute daily operations and tasks in accordance with established policies, in harmony with laws and regulations, and monitor their implementation.
- Preserve the interests of those dealing with the bank.
- Protect the interests of depositors.

To fulfill these procedures, the following is necessary:

Article 1: The Board of Directors shall set strategic objectives, define policies and principles of operation, communicate them to all administrative levels within the bank, and ensure that the general management and executive management implement these objectives and policies, working to:

- Avoiding concentration of powers.
- Frankly discussing problems facing the bank when they occur.
- Preventing conflicts between the bank's interests and those of its clients.
- Avoiding overlapping of tasks.
- Preventing preferential treatment of related parties and associated entities.

Article 2: Clearly define the responsibilities and duties incumbent on all levels within the bank's organizational structure and implement them.

Article 3: Emphasize the importance of the competence of Board members who undertake specific tasks in the bank and their full awareness of the principles of bank management, being unaffected by any internal or external factors or pressures. The Board of Directors should periodically evaluate its achievements, identify difficulties faced, and any dysfunction affecting these achievements. This requires regular meetings with the general management and internal auditors of the bank to ascertain adherence to imposed laws, instructions, and policies, and to review the difficulties and problems faced by the bank.

Article 4: The general management shall conduct necessary oversight of the bank's operations, ensuring that significant decisions are made with the consent of more than one person, in line with the four standards of internal control, which include:

- Separation of tasks.
- Dual or counter-checking.
- Dual control.
- Dual signatures.

Article 5: Benefit from the outcomes of the work of internal auditors and external inspectors by enhancing their independence, taking appropriate and effective measures in a timely manner to correct situations they observe, whether regarding the effectiveness of internal control systems or audit outcomes.

Article 6: Apply the principle of institutional work ethics with transparency and clarity by providing the highest levels of disclosure that clarifies:

- The administrative structure of the bank and the relationship between departments and managements.
- The structure of the Board of Directors, including the number of members, their expertise, and their tasks.
- The structure of the general management, its responsibilities, duties, and the expertise and skills of its members.
- The limits of dealing with related parties and associated companies and the nature of such dealings.