

The General Microfinance Decree:

The Syrian Arab Republic

Act NO. /15 /

In pursuance of the provisions of constitution and what the people's assembly approved in its /2/2007 session

The President of the Republic hereby:

Enacts the following:

Article 1- a- The Council of Currency and Crediting is allowed to license the establishment of Syrian/foreign social financial banking institutions hereafter called "Institutions".

b- these institutions can be established by Syrian, Arab or foreign entities that are known for experience and knowledge of such type of activities. Foreign sides must obtain the pre-approval of the Council of Ministers in order to operate in Syria.

c- after being established, these institutions may introduce other partners therewith for the expansion of the scope of their activities. It is conditional to obtain permission in advance from the Council of Ministers for partnership of foreign entities upon recommendation of Council of Currency and Crediting.

d- Public banks may participate in the creation of such institutions by virtue of prior consent of the Council of Ministers based on the proposal of the Minister of Finance upon the recommendation of the Council of Currency and Crediting in which their participation in capital is to be determined.

Article 2- The activities allowed for these institutions shall include acceptance of deposits, provision of micro credits, and other financial services such as micro-insurance services linked to the loans they provide to their target groups. There services might include reinsurance of loans they provide to a licensed insurance firms.

Article 3- The minimum capital of any one of these institutions shall be determined to be two hundred fifty million Syrian pounds to be paid in cash to the treasurer of Central Bank of Syria. Existing institutions are also allowed to consider a part of their loan portfolio as a part of the capital as shall be decided by the Council of Currency and Crediting subsequent to evaluation of these assets by a certified auditor authorized thereby.

Article 4- *The Council of Currency and Crediting may ask the institutions operating in this area or any one thereof to increase their capital in accordance with the extent of the growth of their activities and business in fulfillment of the international standards accredited for adequacy of capital.*

Article 5- non Syrian shareholders of these institutions may pay the value of their shares in the capital in foreign currency against the free exchange rate prevailing on the day of payment.

Article 6- With the prior consent of the Council of Currency and Crediting, each one of these institutions may establish a network of branches and offices, and

create mobile banking service units in the areas where such services are deemed to be needed.

Article 7- Institutions licensed pursuant to the provisions hereof undertake to:

a- Deposit, in a blocked (frozen) account without interest with the Central Bank of Syria, an amount equal to 5% of their paid capital. Such an amount shall be considered one of the elements of its fixed assets which is to be refunded at the liquidation of its activities.

b- Appoint immediately upon commencement of its activity one or more external commissioner to be nominated by the institution.

c- Abide by international accounting standards.

d- Use modern technologies in its operations.

Article 8- The statutes of the institution shall include all the provisions governing its activities and management. It shall be subject to the ratification of the Council of Currency and Crediting.

Article 9- The Council of Currency and Crediting shall set up the rules and precautions regulations needed for the continuity and safety of the operation of the institutions. It shall approve the proposed interest rates taking into account the special nature of their objectives and activities.

Article 10- Institutions created in pursuance of the provisions hereof shall be subject to control, supervision and follow-up of performance by the Council of Currency and Crediting through the relevant entities of Central Bank of Syria. Institutions are subject to the supervision of the General Authority for the Supervision of Insurance regarding their activities in micro-insurance. Institutions undertake to provide the periodic reports required by the Central Bank and undertake also to allow the inspectors of that bank to pay field visits entailed by its control. Institutions must also appoint internal bank auditors in accordance with the instructions of the Council of Currency and Crediting in this respect.

Article 11-

a - When necessary, institutions created in pursuance of the provisions hereof shall deal in foreign currency through commercial banks authorized to deal in foreign currency.

b - Institutions created in pursuance of the provisions hereof shall be allowed to transfer the following accruals abroad based on their duly legalized annual budgets and accounts:

- The interests, revenues and other costs incurred on the capital of the institution paid by non Syrian shareholders.

- Compensations and travel expenses of the non Syrian members of the boards of directors of the institutions and their directors general.

- 50% (fifty percent) of net wages, salaries and allowances, and 100% (one hundred percent) of the compensation of the end of employment receivable to non-Syrian experts, technicians and personnel operating for the institutions.

- Value of the sold/recovered shares of capital or the outcome of the liquidation of the institution capital related to non-Syrian shareholders.

Article 12- Institutions created in pursuance of the provisions hereof are prohibited to perform, whether directly or indirectly, the following activities:

a- practice of commercial, industrial and agricultural businesses and activities or any other activity which is not related to financial and banking services allowed by the foregoing Act or by the statutes of the institution that are issued in accordance with the provisions of this Act.

b- Participation or partnership in industrial, commercial, agricultural, services or tourism institutions.

c- Ownership of real estates except for the needs of the institution offices and practice of its activities.

Article 13- For all issues not contradictory to the provisions hereof, authorized institutions shall be subject to the laws, regulations and executive instructions in force and especially to the Law No /149/ of the year 1949 and its amendments, Law /28/ of 2001, and Law /23/ of 2003 as well as the Legislative decrees No /33, 34, 43/ of 2003 .

Article 14- Institutions to be created in pursuance of the provisions hereof shall be licensed pursuant to procedures set up by the Council of Currency and Crediting and validated by the Council of Ministers.

Article 15- This Act shall be published in the official gazette.

Damascus, // 2/ 2007

Bashar Al Assad

President of the Republic