

The Monetary and Credit Council Decision (204/M.C.C)

The Monetary and Credit Council,

pursuant to the provisions of Law No. 23 dated 17 March 2002, and its amendments,

and in light of the discussions held by The Monetary and Credit Council No. 237/2 dated 25 May 2023,

the deliberation of The Monetary and Credit Council No. 254/2 dated 31 May 2023, accompanied by a letter from the Banking Supervision Department,

and considering the memorandum presented during its session held on 7 June 2023,

decides the following:

First - Definitions:

Article 1: For the purposes of the application of the provisions of this decision, sectors¹ (production sectors and other sectors) are defined as follows:

1. Production Sectors: Refers to activities listed under sections (a, b, c, d, e, and f) of the Unified Classification Guide for all economic activities, as per Prime Minister's Decree No. 11 dated 5 January 2023.
2. Other Sectors: Refers to activities listed under sections (g, h, i, j, k, l, m, n, o, p, q, r, s, t, and u) of the Standard Classification Guide for all economic activities, as per Prime Minister's Decree No. 11 dated 5 January 2023.

Second - Controls for granting Credit Facilities for Financing Production Sectors:

Article 2: In addition to the controls that are established for granting credit facilities and adopted through The Monetary and Credit Council's decisions, operating banks are required to allocate credit facilities for financing production sectors, representing no less than 75% of the direct credit portfolio generated. When granting credit facilities to these sectors mentioned in **/item 1/** above, banks must adhere to the following controls:

1. A comprehensive economic feasibility study must be submitted for each project seeking financing. The study should be properly prepared, and must adhere to optimal feasibility assessment standards, demonstrating cash flows capable of covering debt obligations (including the facility amount and its interest/returns). Repayment terms should be determined to align with the project's nature and cash flow.

¹ The prohibition on granting loans or financing for the purpose of purchasing cars, whether for natural or legal persons, remains in effect. However, this exclusion does not apply to financing vehicles directly used for production purposes, such as tractors and harvesters.

2. The credit decision, including approval for granting facilities in accordance with the provisions of this decision, must be made by the authorized entity responsible for credit facilities, based on the bank's approved matrix of authorities. This should consider the client's creditworthiness, risk mitigation criteria related to financing, and the completion of all required documentation and evidence.
3. Disbursement of the facility amount should occur in stages corresponding to project implementation phases. Field visits to funded projects should be conducted, and reports for each implementation stage should be maintained in the credit files submitted to the granting authority before disbursing subsequent payments.
4. Financing ratios for projects should be linked to the value-added achieved by the project's output. The financing ratio should not exceed 70% of the total project cost as of the study submission date. However, this ratio can increase to 80% if any of the following conditions are met:
 - Projects relying on renewable energy sources.
 - Projects using locally produced inputs.
 - Projects demonstrating through their feasibility study that they can export more than 30% of their output.
5. If the provisions of Credit and Monetary Council Decision No. (169/M.C.C) issued on 4 April 2023 do not apply, a portion or the entire granted facility amount in Syrian pounds can be allocated to finance the necessary imports for production sectors according to the ratios stipulated in **/item 4/** above. These imports include machinery and production supplies. The imported items must be used **exclusively** for the funded project and remain the bank's responsibility.
6. The necessary foreign currencies required for financing the imports mentioned under **/item 5/** above should be purchased according to the Central Bank of Syria's instructions governing the sale of foreign currencies for import financing. The import process required for the project should follow the applicable controls specified in the effective Decisions.
7. Operating banks are prohibited from granting credit facilities without guarantees. The bank's matrix of guarantees shall be adopted. If the facility amount exceeds 1 per thousand of the bank's own funds, it shall be obligated to grant in exchange for obtaining a guarantee that is considered, under Credit and Monetary Council Decisions, a risk mitigator, amounting to no less than 100% of the granted facility's value (facility amount plus interest/returns). The guarantee can be retained in stages corresponding to project execution phases.
8. Credit facilities are granted to each project separately in accordance with the provisions of this Decision, and they are granted by a single bank only, (except for major projects that require financing through an equity from multiple banks). It is not permissible to regrant any new facilities for the same project until the completion of all stages is verified and the revenue from cash flows generated by the project is confirmed. The

client must sign a handwritten commitment stating that they will not sign, obtain, or benefit from any other credit facility contracts with any other operating banks, except for the contract signed with the bank for this specific project.

9. Credit facilities granted for public sector projects are not subject to the specified financing ratios mentioned in **/item 4/** above.
10. The disbursed amounts of credit facilities granted are credited² to the client's bank accounts, and the value of cash withdrawals from these transferred facilities must not exceed 50%.

Third - Controls for granting Credit Facilities for Financing Other Sectors:

Article 3: In addition to the controls that are established for granting credit facilities and adopted through The Monetary and Credit Council's decisions, operating banks must adhere to a set of controls when granting credit facilities to other sectors mentioned in **/item 2/** of **/Article 1/** above. These controls include:

1. Ensuring the availability of sufficient cash flows for clients to cover the debt burden (facility amount plus its interest/returns), supported by documents (income statements from the entities where they work, any other income directly related to the client or guarantors, bank account movements, etc.). Repayment terms and grace periods should be determined to align with the nature of the funded activity and the client's cash flows.
2. Assessing the client's creditworthiness and adopting risk mitigation standards related to financing at the time of granting. All required documentation and evidence must be completed to finalize the granting process.
3. The financing ratio should not exceed 75% of the total cost of the activity as of the date of submitting the facility request.
4. Due diligence should be exercised to ensure that the disbursed financing is used for the purposes for which it was granted.
5. Banks are prohibited from granting credit facilities without guarantees. The bank's matrix of guarantees should be adopted. If the facility amount exceeds 1 per thousand of the bank's own funds, it shall be obligated to grant in exchange for obtaining a guarantee that is considered, under Credit and Monetary Council Decisions, a risk mitigator, amounting to no less than 100% of the granted facility's value (facility amount plus interest/returns).
6. The disbursed amounts of credit facilities granted are credited³ to the client's bank accounts, and the value of cash withdrawals from these transferred facilities must not exceed 50%.

² This condition does not apply to Islamic banks, as their nature does not allow for delivering facilities to clients in cash.

³ This condition does not apply to Islamic banks, as their nature does not allow for delivering facilities to clients in cash.

7. Personal loans granted to low-income individuals⁴ are exempt from the application of /item 3/ and /item 6/ of this article.

Fourth: Controls for granting Rollover/ Revolving Credit Facilities

Article 4: In addition to the controls that are established for granting credit facilities and adopted through The Monetary and Credit Council's decisions, operating banks must ensure that rollover/ revolving credit facilities do not exceed 10% of the direct credit portfolio generated. When granting this type of facility, the following controls apply:

1. Due diligence must be exercised to ensure that granting or renewing facilities is exclusively for working capital financing purposes.
2. Documentation and records proving the client's (whether natural or legal) direct activity for the past three years prior to the granting/renewal date must be obtained.
3. Active cash flow movements in the client's accounts during the three years preceding the facility request/renewal must be verified. Additionally, a genuine business relationship with the client should be established through historical records demonstrating that these cash flows result from active business operations.
4. Rollover/ revolving credit facilities must be granted to the client by one bank only, and the client must sign a handwritten commitment stating that they will not sign, obtain, or benefit from any other rollover/ revolving credit facility contracts with any other operating banks, except for the contract signed with the bank for this specific facility.
5. Due diligence must be exercised in monitoring and overseeing the movements of rollover/ revolving credit facilities.
6. The client's creditworthiness should be evaluated, and risk mitigation standards related to financing should be adopted during granting. All required documentation and evidence must be completed to finalize the granting process.
7. The limits for rollover/ revolving credit facilities should not be raised until one full year has passed since the granting or renewal.
8. Renewal of rollover/ revolving credit facilities is only allowed after evaluating the facility's movement and linking it to cash flows from projects or activities undertaken by the client. In cases where the assessment result indicates "weak movement⁵," renewal

⁴ **Low-income individuals** include those who receive regular fixed income. For example, workers subject to the provisions of Law No. 50 of 2004 and workers subject to the provisions of Law No. 17 of 2010, military personnel, and internal security forces. It also includes retirees receiving pensions from the Social Insurance Foundation/Insurance and Pension Foundation, as well as individuals receiving fixed income from a professional or trade organization and those receiving permanent benefits according to relevant laws and regulations of the Ministry of Social Affairs and Labor.

⁵ **The rollover/ revolving credit facility is considered weak in movement if any of the following conditions are met:**

- a. Deposits totaling less than 15% of the highest utilized limit during each quarter.

should only occur after a time period of no less than 3 months, during which the client's credit file is reviewed, granting controls are verified, and the client's activity is monitored and their actual needs for renewal are assessed.

9. Restructuring rollover/ revolving credit facilities or classifying them as "non-performing" is only permissible in the form of a reduced loan. The entire utilized balance must be converted into a fixed-term loan, repaid in regular installments over a maximum period of two years from the date of restructuring or rescheduling.
10. Guarantees that mitigate risks, according to Credit and Monetary Council relevant decisions, must be obtained at no less than 150% of the granted facility's value.
11. The disbursed amounts of granted credit facilities should be credited to the client's bank accounts, and cash withdrawals from these accounts are strictly prohibited. The granted limits should be utilized exclusively through bank transfers.

Fifth - General Provisions:

Article 5: Operating banks are allowed to grant direct credit facilities in Syrian pounds exclusively for production sectors against the collateral of minted gold (in pounds or ounces) at no less than 100% of the granted facility's value (facility amount plus interest/returns). The value of these collaterals cannot be released until the entire credit facilities have been repaid.

Article 6: Operating banks are prohibited from granting direct credit facilities in Syrian pounds for import financing purposes, and limiting those facilities to foreign currencies. However, this article does not apply to import financing specified in **/item 5/** of **/Article 2/** of this Decision.

Article 7: Operating banks are prohibited from granting credit facilities or financing for the purpose of covering the value of commodities/cash insurance required under the regulations for import financing and export credit commitments.

Article 8: The following banks are exempt from the application of the specified ratio in **/Article 2/** of this Decision: Real Estate Bank, Loan Bank, and Savings Bank.

Article 9: The provisions of this Decision do not apply to microfinance banks.

Article 10: Operating banks are granted an exemption that ends on 31 December 2023 to rectify their conditions in accordance with the requirements outlined in this Decision.

Article 11: The implementation of Credit and Monetary Council Decision No. 433/M.C.C dated 30 December 2021, is terminated. Additionally, any conflicting provisions from previously issued Decisions and circulars are also invalidated.

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- b. Failure to turnover in the debit account at least once every two consecutive quarters. Turnover rate: Facility deposits / average outstanding balance during the year.
 - c. Usage exceeding 110% of the granted facility limit on any given day within the period.

Article 12: The Banking Supervision Department will issue the specific forms related to this Decision.

Article 13: This decision shall be communicated to whom it may concern for implementation.

Damascus, on 8 June 2023

**Secretary of The Monetary and Credit
Council
Muhammed Al-Qamha**

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

**Accredited by the Prime Minister
Eng. Hussain Arnouss**