Law No.24 dated 24 April 2006

Regarding the Licensing of Currency Exchange Institutions

The President of the Syrian Arab Republic

Based on the provisions of the Constitution

In addition to what the People's Assembly approved in its session held on 20 Safar 1427 AH

Corresponding to 20 March 2006 AD

The following is decided:

Article /1/

In the context of the application of this law, each of the following words and expressions indicates the meaning clarified for it below:

Currency Exchange Businesses: purchasing and selling foreign currency notes /banknotes/ and all payment instruments issued in foreign currencies and transferring them according to the provisions of this law and the current exchange regulations.

Currency Exchange Institutions: an exchange company or an exchange office, that is licensed through a decision of The Monetary and Credit Council to practice currency exchange business according to the provisions of this law.

Convertible Currency: any currency that can be dealt with and converted into other currencies freely in the global financial markets.

Central Bank of Syria Law: The law adopted by the Central Bank of Syria alongside the Basic Monetary System No. /23/ dated 2002.

/Article 2/

A. The Monetary and Credit Council has the right to license the establishment of institutions that engage in currency exchange businesses according to the provisions of this law and of the law No. /23/ dated 2002, provided that their activity is confined to currency exchange businesses
B. Currency Exchange Institutions are of two types:

1. Currency exchange companies, that are licensed as Syrian joint-stock companies.
2. Currency exchange offices, that are licensed as partnerships between natural persons of Syrian nationality and those equivalent.

C. Syrian citizens and public and private banks are allowed to contribute to the establishment of Syrian joint-stock currency exchange companies. In addition, well-experienced Arab and international currency exchange companies are allowed to contribute to the establishment of such companies.
D. When a public bank contributes to the establishment of a currency exchange company, prior approval must be obtained from the Council of Ministers, and in this case, the contribution of the public banking sector should not exceed /25/ percent of the capital of the company.
E. When Arab and international currency exchange companies contribute to the establishment of joint-stock currency exchange companies, prior approval must be obtained from the Council of Ministers, and it is stipulated that the total contribution of these companies in any of the licensed currency exchange companies does not exceed /25/ percent of the capital of the company.
F. It is prohibited for non-licensed currency exchange institutions to use the expressions "money changer", "currency exchange agent", "currency exchanger" or any similar expressions in any language, whether in its trade mark, brand name, trade name or in designating its commercial business type or in its advertising.

/Article 3/

Currency exchange institutions referred to in /Article 2/ of this law are founded under the following conditions:

A. All shares of currency exchange companies established as closed joint-stock companies must be nominal.
B. Founders of currency exchange institutions must be of good reputation and must not have been convicted of any crime affecting honor or integrity as listed in /Article 102/ of Law No. 23 of 2002.
C. Any transfer of shares or stakes in any currency exchange company or office is subject to prior approval from the Central Bank of Syria.
D. A withdrawing partner from any currency exchange office may not apply for a license in collaboration with others unless they provide proof of their complete withdrawal from the initial partnership. Also, principal shareholders in joint-stock companies may not participate in establishing another company for currency exchange operations.
E. The transfer of a currency exchange company's license to another party is considered null and void unless pre-approved by The Monetary and Credit Council. In this case, it is

considered a new license and is subject to all the licensing procedures and conditions outlined in this law.

/Article 4/

A. The founding document of a currency exchange company or office must specify the cash capital, which should not be less than /250/ two hundred fifty million Syrian pounds for currency exchange companies and /50/ fifty million Syrian pounds for currency exchange offices. The Central Bank of Syria can amend this minimum capital requirement at any time through a decree based on a proposal from The Monetary and Credit Council, and currency exchange institutions are given a one-year grace period for regularization.
B. A joint-stock currency exchange company is entitled to have three branches in addition to its headquarters without increasing its capital. It may open additional branches with prior approval from the Central Bank of Syria, and in this case, it must increase its capital by /50/ fifty million Syrian pounds for each additional branch. In remote areas determined by The Monetary and Credit Council, the minimum increase in the company's capital for a branch, as well as the capital of a currency exchange office in those areas, is set at /25/ twenty-five million Syrian pounds. The Monetary and Credit Council also determines how to handle the exchange machines belonging to these companies.
C. The entire capital and any subsequent increase must be paid in cash and in one installment at the Central Bank of Syria. Currency exchange institutions that have incurred losses must, within a maximum period of six months, either reconstitute their capital or reduce it, provided that it does not fall below the minimum prescribed by the provisions of this law.
D. Currency exchange institutions must permanently maintain a cash reserve equivalent to /25%/ of their capital and reserves, and this reserve must be deposited, in the company's name, in a bank acceptable to the Central Bank of Syria. The use of this reserve is subject to the controls and instructions issued by the Central Bank of Syria, and the returns on this reserve belong to the depositing exchange institution.
E. The Monetary and Credit Council has the right to amend the percentage of the cash reserve mentioned and may decide to partially or fully replace the cash reserve with a bank guarantee for either or both types of currency exchange institutions. The Council determines the amount and the conditions of the guarantee.
F. Partners may not borrow from the capital of the company, nor may their annual withdrawals exceed the net annual profits after paying tax obligations and deducting the mandatory reserve.

G. The management of currency exchange institutions must have practical experience and knowledge of exchange businesses and their risks, and the Central Bank of Syria assesses the adequacy of this experience.

/Article 5/

A. The Monetary and Credit Council shall issue a decision specifying the principles and procedures to be observed and the documents to be submitted when applying for licensing and registration of currency exchange institutions of both types, and their branches.
B. The entity applying for a license shall submit its application to the Central Bank of Syria, accompanied by the deed of association, in the case of partnership companies, and the company's statute, in the case of joint-stock companies. The Central Bank shall study it in light of the provisions of this law, the effective laws and regulations, the needs of the national economy, and the efficiency of the founders and those in charge of managing the entity applying for the license. The Central Bank shall refer the deed and the articles of association to the Ministry of Economy and Trade for ratification.
C. If the license application is approved and the Ministry of Economy and Trade ratifies the deed of association and the statute, The Monetary and Credit Council shall issue the licensing decision within three months from the date of registering the application in the Central Bank of Syria.
D. After the issuance of the licensing decision, the founders shall complete the procedures for notarizing their currency exchange institution with the Commercial Registry Secretariat at the Ministry of Economy and Trade.
E. The Central Bank of Syria shall then publish the licensing decision in the official gazette and, upon the request of the licensed entity, register the company or office in the registry of currency exchange companies and offices at the Banking Supervision Department. The company or office may not commence their business before this registration.
F. The Central Bank of Syria has the right to use consulting entities to study licensing applications, and the entity applying for the license shall bear the costs of this study.
G. The license for the licensed company or office shall be canceled if it does not commence its businesses within six months of the date of obtaining the license.
H. No company may be registered to practice currency exchange businesses, including money transfer or remittance operations, with any competent official entity without obtaining the approval of the Central Bank of Syria.
I. Every year, during January, all currency exchange institutions must apply to the Central Bank of Syria for renewal of registration and payment of the annual registration expenses determined by The Monetary and Credit Council.

/Article 6/

A. The headquarters of currency exchange companies must be located in one of the governorates’ centers chosen by the licensing applicant. Upon request from the company’s board of directors or founders and with the approval of the Central Bank of Syria, branches may be established in any of the governorates and cities of the Syrian Arab Republic.
B. Licensing for the establishment of currency exchange offices is granted in Syrian governorates’ centers or cities chosen by the licensing applicant, and they are not entitled to open branches.
C. To obtain a license for any currency exchange company or office, it is required to provide a suitable place of business approved by the Central Bank of Syria. Considerations for the needs of economic and tourist activities, as well as safety and comfort for the employees, must be taken into account when choosing the appropriate location. The headquarters or branch may not be relocated without obtaining prior approval from the Central Bank of Syria.

/Article 7/

A. No entity is allowed to practice or engage in currency exchange businesses without obtaining a prior license issued by The Monetary and Credit Council in accordance with the provisions of this law.
B. Currency exchange institutions are prohibited from engaging in any other business except for the currency exchange ones, that they are licensed to conduct.
C. Banks and joint-stock currency exchange companies licensed under the provisions of this law are the exclusive intermediaries for all matters related to the transfers and remittances of money within the Syrian Arab Republic and abroad.
D. Currency exchange companies and banks must comply with the provisions of the instructions issued by the Central Bank of Syria regarding the regulation of money transfer operations within the Syrian Arab Republic and abroad.

/Article 8/

Licensed currency exchange institutions operating in the Syrian Arab Republic may carry out the following operations according to the current exchange rates and the effective foreign exchange regulations:

A. Purchase of foreign currency banknotes and all convertible foreign currency payment instruments, bank checks, and traveler’s checks, and pay their value in Syrian pounds or in foreign currency banknotes.
B. Sale of foreign currency banknotes and checks in accordance with foreign exchange regulations.
C. Deposit the proceeds of bank checks, traveler’s checks, and any convertible foreign currency payment instruments in their accounts opened at locally licensed banks permitted to deal in foreign exchange.

/Article 9/

1. In addition to what is mentioned in /Article 8/, closed joint-stock companies, and not offices, are entitled to carry out the following operations:
A. Sell foreign currencies deposited in their accounts at licensed banks according to the effective foreign exchange regulations. They may also use these accounts to cover the value of their imports of foreign currency banknotes.
B. Receive and execute remittances from abroad, whether in foreign currencies or Syrian pounds.
C. Assist the banking system in transferring money based on individual requests within the territory of the Syrian Arab Republic, especially to areas with no banking branches.
D. Export their surplus of banknotes after pledging to the Central Bank of Syria to return their value through remittances or checks incoming from abroad in foreign currencies and deposit them in their accounts at locally-licensed banks allowed to deal with foreign exchange, within a specific period, determined by The Monetary and Credit Council, after the date of export.
E. Transfer amounts in foreign exchange abroad for purposes allowed by the effective foreign exchange regulations.
2. Currency exchange offices are not allowed to perform any of the activities mentioned in this article.

/Article 10/

Currency exchange companies, and not offices, having prior approval of the Central Bank of Syria, are entitled to open current accounts at banks out of the Syrian Arab Republic, provided that the total balance of the accounts of any currency exchange company at any time must not exceed thirty percent of its capital.

/Article 11/

All transactions carried out by currency exchange institutions in all of their selling, purchasing, and exchanging foreign currencies are done at an exchange rate determined by the institution within the limits set by The Monetary and Credit Council.

/Article 12/

A. Currency exchange institutions are prohibited, under penalty of license revocation, from conducting any banking operations not specified in this law, especially the following:
    1) Opening or maintaining current accounts or deposits for clients in Syrian pounds or foreign currencies.
    2) Accepting deposits or custodies, granting loans or advances, or discounting commercial papers in Syrian pounds or foreign currency.
    3) Dealing in forward exchange markets.
    4) Opening or notifying letters of credit.
    5) Issuing guarantees or pledges in Syrian pounds or foreign currencies.
    6) Retaining any accounts or balances in foreign currency or Syrian pounds outside the Syrian Arab Republic without prior approval from the Central Bank of Syria or without adhering to the allowed limits.
    7) Dealing in global commodity markets and precious metals, foreign securities, or directly or indirectly investing any amounts in foreign currencies or Syrian pounds outside the Syrian Arab Republic, whether for its own account or for others.
    8) Obtaining any credit facilities from abroad, whether directly or indirectly. Furthermore, currency exchange companies and offices are not allowed to obtain bank loans from Syrian banks or from abroad for their activities or for speculation purposes.
    9) Lending or borrowing, managing a loan, participating in the issuance of loans, or mortgaging any of its assets without prior approval from the Central Bank of Syria for any of these operations.
    10) Issuing any form of payment or credit cards.

B. The Monetary and Credit Council may add other cases to those listed above as the public interest may require.

/Article 13/

No currency exchange institution established under the provisions of this law may partially or completely cease operations for any period of time without prior approval from the Central Bank of Syria.

/Article 14/

The Central Bank of Syria determines the basis for estimating the assets that constitute the equivalent of the capital of a currency exchange institution. Each institution is required to demonstrate that its assets indeed exceed its liabilities to others by an amount that is at least equal to the value of its capital.

/Article 15/

In accordance with the provision of **/Article 5/** of this law, each and every amendment intended to be made to the articles of association of currency exchange companies or deeds of association of currency exchange offices must obtain a prior approval of The Monetary and Credit Council.

/Article 16/

The Central Bank of Syria is entrusted with the supervision over currency exchange institutions, which must comply with the regulatory measures taken by the bank and the procedures it imposes to protect customers. Specifically, the institutions must:

A. Provide the Central Bank of Syria with accounting and statistical information, documents, and data that prove the legal and material conditions required for their operation, in accordance with the terms, forms, and deadlines set by the bank.
B. Maintain a special register to record daily transactions exceeding a certain amount determined by the Central Bank of Syria, including the date, sequential number, and name of the client involved in each transaction, after verifying their identity and address.
C. Keep regular accounting records in accordance with the provisions of the Commercial Law and its amendments, the requirements of the Central Bank of Syria, and international accounting standards. These records must be updated promptly, and the institutions must provide the Central Bank of Syria with a certified copy of their annual balance sheet and final accounts within three months from the end of their financial year, according to the models specified by the Central Bank of Syria. The Central Bank of Syria has the right to request any other periodic information or data it deems necessary to verify the soundness of the operations of the institutions and their compliance with the law and its instructions. The Central Bank of Syria also has the right to conduct inspections of their records through its employees or appointed auditors, to whom currency exchange institutions must provide these records and other documents or data.

D. Make the records of daily transactions the basis for the audit process conducted by internal controllers or the legal auditor.
E. Equip all their workplaces with the necessary equipment to detect counterfeit currencies.
F. A currency exchange institution must conduct its business under its trade name or brand name registered with the relevant authorities, using their trade name or brand name in all its printed materials, including receipts, documents, and correspondence.
G. Currency exchange institutions must display a prominent board at their business premises showing the purchasing and selling rates of foreign currencies and provide all clients with official receipts or notices bearing the stamp of the company or the office.
H. Currency exchange institutions must have adequate insurance for their offices and assets.

/Article 17/

Currency exchange companies, licensed under the provisions of this law, have the right to transfer the net profits and capital of their shareholders or partners from Arab and foreign currency exchange companies, or expatriate Syrians who have paid their contributions to the company's capital in foreign currency, out of the Syrian Arab Republic. This is permitted after obtaining a clearance from the financial departments and approval from the Central Bank of Syria.

/Article 18/

If the Central Bank of Syria finds that a currency exchange institution has violated the provisions of its deed of association, its articles of association, the Commercial Law, this law, the recommendations, or the measures imposed by the Central Bank of Syria, or if it has engaged in an act that harms the financial or tourism reputation of Syria or any other activities determined by The Monetary and Credit Council, the Council may impose the following administrative penalties:

A. Warning.
B. Prohibiting it from conducting certain operations or imposing any other limitation or restriction on its practicing of the business.
C. Banning the company's chairperson, authorized member, or any of the partners from practicing the business permanently or for a specified time.
D. Writing it off the register of currency exchange institutions.

/Article 19/

A. The managements of currency exchange institutions must ensure that all their operations are conducted in accordance with the principles and provisions of professional secrecy.
B. Currency exchange institutions may exchange information related to their clients with the Central Bank of Syria.

/Article 20/

It is not permissible to inspect, seize, or confiscate the offices or assets of currency exchange institutions, unless there is a written request from the Central Bank of Syria or upon request from the competent courts or the public prosecutor.

/Article 21/

Currency exchange institutions must avoid engaging in operations or activities that aim at or result in misleading market participants with the intention of influencing exchange rates, and they must avoid misusing the information they obtain by virtue of their work.

/Article 22/

A. Currency exchange institutions must comply with the provisions of the Anti-Money Laundering and Terrorism Financing Act and its amendments, as well as the related executive instructions.
B. Banks and currency exchange institutions must ensure that amounts equivalent to or exceeding five hundred thousand Syrian pounds, or its equivalent in foreign currencies, which are sold, purchased, or transferred from or to currency exchange institutions, are accompanied by the necessary documentary evidence that clarifies the nature of the transaction subject to purchase, sale, or transfer, the identity of the parties involved, and that these documents are retained appropriately.

/Article 23/

Each currency exchange institution must appoint a legal auditor with a good professional reputation, chosen from the list of legal auditors approved by the Central Bank of Syria, maintain proper accounting records, and submit the data of these records to the Central Bank of Syria in the manner it specifies.

/Article 24/

A. Notifications and receipts related to currency exchange operations and transactions are exempt from stamp duty.
B. Currency exchange companies and offices are subject to income tax on actual profits at a flat rate of 25 percent of net profits.

/Article 25/

A. Anyone who violates the provisions of paragraph /A./ of /Article 7/ of this law and practices currency exchange without a license shall be punished with imprisonment for 6-12 months and a fine of one million Syrian pounds.
B. Anyone who violates the provisions of paragraph /B./ or /D./ of /Article 7/ of this law shall be punished with a fine ranging from one hundred thousand to five hundred thousand Syrian pounds.
C. Anyone who violates the provisions of paragraph /C./ of /Article 7/ of this law by transferring or moving money within Syria or abroad without a prior license shall be punished with imprisonment for 6-12 months, confiscation of the transferred funds, and a fine equal to the amount of the transferred or moved funds.
D. Any other violation of the provisions of this law shall be punished with imprisonment for 3-6 months and/or a fine ranging from one hundred thousand to five hundred thousand Syrian pounds.
E. The attempt to commit any of these acts shall be punished with the penalty specified for the violation, and the penalties specified in the preceding paragraphs shall be doubled in case of recurrence.
F. The penalties outlined above do not preclude the pursuit and punishment of violators if the violation includes a crime that falls under the Anti-Money Laundering and Terrorism Financing Act.
G. Public right lawsuits regarding the violations mentioned in this article are only initiated upon a request from the management committee of the Central Bank of Syria.

/Article 26/

The Monetary and Credit Council has the right to suspend the business of currency exchange institutions and to temporarily cease their activities in the case of emergent or exceptional economic or monetary circumstances.

/Article 27/

Exchange institutions are subject to the provisions of the Commercial Law No. 149 of 1949 and its amendments, in everything that does not conflict with the provisions of this law.

/Article 28/

The necessary instructions for the implementation of this law shall be issued through a decision of The Monetary and Credit Council.

/Article 29/

This law shall be published in the official gazette.

Damascus on 26 March 1427 Hijri corresponding to 24 April 2006 AD.

President of the Syrian Arab Republic
Bashar Al-Assad