

Prepared according to the Decree 55 of 2006

Decree 36 of 2008 and Decree 53 of 2009

STOCK EXCHANGE LAW

Part 1: Definitions and General Provisions

Article 1

The Stock Exchange Law seeks to regulate all procedures related to issuing securities, floatation, trading, settlement and transfer of ownership.

Article 2

(a) Definitions. The words and terms used in this Law, unless the context otherwise requires, shall mean the following:

The Commission	:	The Syrian Commission on Financial Markets and Securities established by Law (22) of 2005
The Board	:	The Commission's Board of Commissioners
The Chairman of the Board	:	The Chairman of the Commission's Board of Commissioners – the Commission's Chief Executive
The Stock Exchange	:	Damascus Securities Exchange or any other financial market established under the provisions of this Law, including: <ul style="list-style-type: none">▪ the organized market which regulates trading on the Exchange in company stocks governed by special listing terms determined by the Board;▪ over- the-counter market which regulates trading on the Exchange in company stocks governed by special loosened terms for listing in order to provide early liquidity for the securities listed in this market until the terms of their listing in the organized market are fulfilled
The Board of Directors	:	The Board of Directors of the Stock Exchange
The Executive Director	:	The Chief Executive Officer of the Stock Exchange
Member	:	The legal person that is a member in the market according to the provisions of this Law
Licensed Company	:	The legal entity licensed by the Commission to function in one or more of the services of broker, dealer, investment trustee, issuing manager and/or any other investment or consultancy services defined by the Commission according to the Law, regulations and directives pursuant thereto
Issuer	:	The legal person that lawfully issues or shows intention to issue securities
Trading Contract	:	The contract by which securities purchasing and selling are executed

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- Broker** : The legal person licensed by the Commission to engage in the business of a financial broker or dealer – he must have Syrian nationality
- Agent** : The natural person working for the broker, approved administratively and technically by the Commission to carry out the licensed tasks of the broker
- Beneficiaries** : Spouse and minor children
- Related Person** : Any person related to the Issuer:
- members of the board of directors of the Issuer, parent company, subsidiaries and affiliate companies
 - the general manager and all other employees that submit direct reports to the board of directors
 - persons that own or control ten percent or more of the shares of the parent company, the subsidiaries, or the affiliate companies
 - relatives of all natural persons mentioned above including the beneficiaries - spouses and dependent children
- The Center** : Clearing and Central Depository Center

(b) The words and terms that are not defined in this Law shall have the meanings assigned to them in Law (22) of 2005 and in the regulations and instructions issued thereto.

Article 3

For the purpose of the present Law, the term securities shall mean:

- tradable stocks of Syrian joint stock companies;
- tradable debt instruments issued by Syrian joint stock companies;
- tradable public debt instruments issued by the governmental entities in the Syrian Arab Republic;
- investment units issued by mutual funds and investment companies;
- any other Syrian or non-Syrian securities approved by the Board.

Article 4

Negotiable instruments, such as checks, bills of exchange, letters of credit, insurance policies, transfers and instruments that are exclusively exchanged among banks, shall not be considered securities.

Part 2: Damascus Securities Exchange

Article 5

(a) A market for securities trading, known as the Damascus Securities Exchange, shall be established in the Syrian Arab Republic enjoying a legal identity with financial and administrative autonomy. The Stock Exchange may then acquire and dispose of movable and immovable property, carry out all legal actions necessary to achieve its objectives including contracts, have the right to sue and to be sued while the Chairman of the Board of Directors shall have the right to appoint an attorney as its representative in judicial procedures. The

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Damascus Securities Exchange shall be related to the Commission and shall operate under its control.

- (b) The headquarters of the Stock Exchange shall be in Damascus.
- (c) The Damascus Securities Exchange shall operate according to the provisions of this Law, the provisions stipulated in the Law (22) of 2005 and its Executive Regulations, and all the instructions issued by the Board of Directors of the Stock Exchange after being approved by the Commission.
- (d) The Stock Exchange shall not be subject to the provisions stipulated in the laws and regulations related to the government and the public sector.
- (e) The Stock Exchange shall not engage in any commercial activity, seek any profit or benefit, and/or own or possess securities.
- (f) The Executive Director, the staff and employees of the Stock Exchange and its related operating centers shall not be subject to the provisions of the labor law for the employees of the government and the public sector; they are subject to the regulations for employment issued by the Board of Directors of the Stock Exchange in accordance with its powers quoted in this Law after these regulations are approved by the Board of Commissioners.
- (g) Notwithstanding what is stipulated in paragraph (d) of this Article, the provisions of the Syrian law on the collection of the public money shall be applied to collecting the Market's funds and obligations from others.

Article 6

Through sound, clear and fair trading in securities, the Stock Exchange aims at making available a favorable environment for facilitating investment and employment, and for providing adequate capital in order to develop economic activities. The Scope of tasks of the Stock Exchange include the following:

- A- Establish and apply the operating measures and procedures to guarantee efficient and transparent trading, and provide advanced operating mechanisms and trading engines as well as modern electronic and manual systems.
- B- Ensure that the listing requirements are just, efficient and transparent; implement sound trading rules; and provide information on the securities listed on the Stock Exchange.
- C- Customize sound, speedy and efficient rules and regulations for clearance and settlement through the Clearing and Central Depository Center.
- D- Prescribe the code of conduct for licensed financial services and intermediary companies and their accredited personnel, and apply it in the Stock Exchange, and set up standards for experience and training for such members.
- E- Ensure strong financial position of the financial services and intermediary companies through periodic auditing and check of their commitment to capital adequacy, and through arrangements necessary for protecting the funds and securities deposited with these companies.
- F- Disseminate information and indices and prepare reports on the Market's performance and activity.
- G- Establish cooperation with relevant regional and international markets, stock exchanges and organizations.
- H- Participate in updating the regulations governing the Market's business.

Article 7

- (a) Securities shall be traded in the Stock Exchange through trading contracts executed by member brokers. Such contracts shall be registered in the records as well as in the accounts of the brokers or their clients according to the Market's Internal By-law and instructions.

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- (b) Manual and electronic entry records of the Stock Exchange as well as the documents issued by the Market shall be a legal evidence of the trade and date quoted in the records or accounts unless otherwise proven.
- (c) The stocks of the joint stock companies to which the terms for listing in either the organized or the over-the-counter market do not apply shall be exchanged at a **board** made up of the contracting parties or their representatives in presence of a qualified official or the company's agent according to the provisions of article 145 of the Syrian Commercial Law.

Article 8

- (a) The membership of the Stock Exchange shall be mandatory for all licensed financial services and intermediary companies, except for limited liability consultancy companies, and for all Issuers whose securities are listed in the Stock Exchange.
- (b) The **general assembly** of the Stock Exchange shall consist of the members who have settled all membership fees and annual subscription. The Stock Exchange's internal By-law shall define membership terms and responsibilities.
- (c) The powers of the **general assembly** shall include reviewing all matters related to the Stock Exchange and its development, particularly:
 1. Discussion of the Board of Directors' report on the Market's functions and future plan.
 2. Reviewing the auditor's report on the budget, closing accounts and financial position of the Stock Exchange.
 3. Elections of representatives of the listed financial services companies and joint stock companies as Board directors – the other members shall be previously appointed by a decision of the Prime Minister upon the proposal of the Board of Commissioners.
 4. Appointing an auditor as well as defining his remuneration.
- (d) The **general assembly** of the Stock Exchange shall meet in ordinary annual meetings, or in extraordinary meetings when necessary led by the Chairman or Vice Chairman. The internal By-law shall define the steps for convening a meeting, the legal requirements for meeting convocation and methods of decision-making.

Article 9

- (a) The Stock Exchange shall be managed by a Board of Directors composed of nine members designated by a decision of the Prime Minister based on the proposal of the Board of Commissioners. They shall choose the Chairman and Vice Chairman. The Board of Directors shall consist of:
 1. A member representing the Commission;
 2. A member representing the Central Bank of Syria;
 3. Two members representing licensed financial services and intermediary companies;
 4. Two members representing Issuers from member joint-stock companies;
 5. Three experts in financial markets chosen by the Board.
- (b) The term of membership of the Board of Directors shall be three years, and members mentioned in paragraph (a) 3, 4 and 5 may not be appointed for more than two successive sessions.
- (c) The Chairman of the Board of Directors shall represent the Stock Exchange before court or others. He may delegate any of his powers to the Vice Director or to any member of the Board of Directors.
- (d) The Vice Chairman shall substitute for the Chairman of the Board of Directors in case of absence or vacancy of his post.
- (e) The Executive Director shall attend the meetings of the Board of Directors and take part in the discussion without the right to vote.
- (f) The Internal By-law of the Stock Exchange shall define membership terms, procedures for convening meetings of the Board of Directors and methods of decision making.

Article 10

Under the supervision of the Board, the Board of Directors shall have the following functions and competences:

A- Managing and developing the Stock Exchange, including:

- 1) Adopting the necessary procedures to follow up the implementation of the provisions of this Law as well as the regulations, instructions and decisions issued according to it.
- 2) Monitoring the Stock Exchange operations to protect investors' interests, and to maintain a sound and fair basis for dealing. In this context and in case of necessity the Board of Directors shall suspend listing any security and shall then inform the Commission of that.
- 3) Preventing from selling a security on the day it is purchased.
- 4) Proposing to the Board the limits up and down for security price in one day.
- 5) Proposing to suspend the Stock Exchange business for one day.
- 6) Supervising the provision and publication of prompt and adequate information on securities trading, and verifying its correctness, accuracy and clarity.
- 7) Setting the most convenient days and hours for trading.
- 8) Adopting the estimated budget of the Stock Exchange and supervising its implementation.
- 9) Preparing the balance sheet and financial statements.
- 10) Prescribing the rules that regulate seeking service and assistance from experts to elevate the level of performance of the Stock Exchange.
- 11) Setting up a general training policy for the Stock Exchange's staff.
- 12) Accepting new members in the Stock Exchange.
- 13) Any other functions or competences according to the Commission's Internal By-law and regulations.

B- Prescribing the regulations, rules and instructions necessary for Stock Exchange operations, and submitting them to the Commission. These shall include:

- 1) The Internal By-law of the Stock Exchange, employment regulations, and the financial and accounting system.
- 2) Terms and conditions for listing and trading securities in the Stock Exchange.
- 3) Rules for prompt, regular publication of information related to deals in the market.
- 4) Instructions for disclosure of all information the Stock Exchange deems necessary to be disclosed by the Issuers, shareholders and members of the market.
- 5) Code of Conduct for the Stock Exchange members and their employees, members of the Board of Directors including the Executive Director, and the staff of both the Stock Exchange and the Center prescribing all the disciplinary actions to be imposed on contraveners who violate this Code or any other terms and conditions quoted in the Internal By-law or regulations.
- 6) Regulations for settlement for disputes among the Stock Exchange members and/or between Members and their clients.
- 7) Charges Regulations defining commissions licensed companies should charge for services.
- 8) Data, information, documentation and records the Market should disclose.
- 9) Any other regulations and instructions necessary for investors' protection in terms of insuring justice, adequacy and transparency for all matters related to the Stock Exchange.

Article 11

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Every member of the Board of Directors must:

- disclose to the Commission and Stock Exchange about securities or shares he and/or his Beneficiaries have in any financial services company; and divulge any change therein within seven days of its occurrence;
- disclose any personal interest in any issue discussed by the Board of Directors for he should then leave the session and abstain from voting;
- maintain the confidentiality of the Stock Exchange data and abstain from disclosing it;
- abstain from using information he has access to as a member of or representative in the Board of Directors for his own benefit or another's.

Article 12

- (a) The Executive Director and Vice Director shall be designated by a decision of the Prime Minister based on the recommendation of the Board of Commissioners and the proposal of the Board of Directors of the Stock Exchange. They shall be nominated from among applicants who are expert in financial markets management and are educationally qualified – possessing a PhD or masters degree in economics and/or stock markets. They must meet the following conditions:
1. To have the Syrian nationality.
 2. To have full legal capacity.
 3. To have an experience of not less than ten years in the economic and financial fields.
 4. Not to have been convicted of a felony, a misdemeanor or any breach of honor or trust; and not to have had his services stopped or terminated because of any mentioned breach.
- (b) The Executive Director and Vice Director shall be barred from working in any governmental or public institutions or engaging in any commercial business.
- (c) The Executive Director shall be in charge of all of the Stock Exchange administrative, technical and financial affairs, and shall be responsible to the Board of Directors for all that, including the following:
1. Following up the implementation of the provisions of this Law and the Internal By-law, regulations, and instructions issued by the Stock exchange.
 2. Implementing the decisions of the Board of Directors.
 3. Monitoring trading transactions and operations on the Stock Exchange and canceling or amending the transactions that violate this Law, regulations or instructions in force.
 4. Signing all documentation and correspondence in order to facilitate the business of the Stock Exchange.
 5. Appointing the Stock Exchange's staff approved by the Board of Directors in accordance with the provisions of the employment regulations.
 6. Monitoring the proper performance of all Board members and staff as well as the business of the Stock Exchange.
 7. Preparing the draft budget of the Stock Exchange and submitting it to the Board of Directors before the thirtieth of November of every year.
 8. Submitting quarterly accounts to the Board of Directors.
 9. Submitting the budget and financial statements of the preceding fiscal year to the Board of Directors before the end of February of the following year.
 10. Performing all tasks and competencies assigned to him by the Board of Directors.
 11. Providing the Commission with copies of the decisions of both the General Assembly and the Board of Directors.
- (d) The Executive Director, Vice Director and the Stock Exchange's staff should inform the Commission, in writing, of all securities they own or dispose of once they are hired and in case of any change therein.
- (e) The Executive Director, Vice Director and the Stock Exchange's staff are barred from being partners or shareholders in any member Broker. They are prohibited to:

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1. make direct or indirect use of information they have access to due to working for the Stock Exchange in order to seek profit;
 2. disclose any confidential information they have access to due to their job in the market.
- (f) The Executive Director is entitled to authorize any of his powers to any senior employee in the market upon the approval of the Board of Directors provided that the authorization is specific and in writing. The Vice Director shall assume the powers of the Executive Director in case of absence or vacancy of his post.

Article 13

Funds of the Stock Exchange shall be made up of the following:

1. Annual membership fees and subscriptions.
2. Commissions charged by the Stock Exchange for the sale and purchase operations.
3. Allocations by the State (the Syrian Arab Republic).
4. Gifts and donations approved by Commission.
5. Fines quoted in the regulations of the Stock Exchange.
6. Any other funds or resources.

Article 14

The Stock Exchange must keep:

1. its accounting books and records via an accounting system established by the Board of Directors in accordance with the Accounting Standards;
2. all books, ledgers, and records the Stock Exchange needs in order to operate according to its Internal By-law and instructions.

Article 15

- (a) The Stock Exchange shall have an autonomous budget where the fiscal year starts on the first of January and ends on the thirty-first of December.
- (b) The Stock Exchange shall keep a general reserve – double its total expenditure stated in the preceding annual budget. The reserve shall be from the annual surplus after deducting all capital and recurrent expenditure needed.
- (c) Should there be a deficit in the budget in any fiscal year, it shall be covered from the general reserve. If the general reserve is not sufficient to cover the deficit, the Stock Exchange members must equally pay the amount needed to cover it. Such payments shall be considered a debt for them settled from net future revenues.

Part 3: Settlement Guarantee Fund

Article 16

- (a) A fund known as the (Settlement Guarantee Fund) shall be established by a decision of the Board of Directors and upon the proposal of the Commission. The Fund shall have a legal identity with administrative and financial autonomy.
- (b) The Fund shall be administered by an executive manager designated by a decision of the Board of Directors subject to the Commission's approval.
- (c) Membership in the Fund shall be mandatory for Financial Brokers, Dealers and any other entity specified by the Commission.
- (d) In particular, the Settlement Guarantee Fund shall seek:
 1. to cover the cash deficit of the Fund members, purchasers of securities;
 2. to cover the deficit in securities accounts of the Fund members that result from sale operations.

- (e) Upon the approval of the Commission, the Board of Directors of the Stock Exchange shall issue an internal by-law in which instructions for the fund management are specified, as well as its membership fees, subscriptions, members' obligations, administration, operating mechanism and procedures, its obligations towards members, and the procedures for its liquidation.
- (f) The Fund shall be controlled and supervised by the Commission. It shall be subject to examination and its accounts to auditing.

Part 4: Clearing and Central Depository Center

Article 17

A center known as the (Clearing and Central Depository Center) shall be established in the Syrian Arab Republic and shall be affiliated to the Damascus Securities Exchange. It shall perform the safekeeping, depositing, registering, ownership transferring, clearing and settling of securities in exchange of commissions quoted in the Charges Regulations issued for this purpose.

Article 18

The regulations for the Clearing and Central Depository Center shall define the proper, effective procedures that guarantee accurate and lawful registration, settlement and clearance of securities on the Stock Exchange. As part of its operations, the Center may keep cash accounts for the clearance and settlement of deals. The Commission is authorized to approve, amend, suspend or cancel any of the Center's By-law and regulations.

Article 19

The Center shall be administered by an executive manager appointed by the Board of Commissioners upon the proposal of the Board of Directors of the Stock Exchange. He shall not pursue any other governmental or commercial job or have shares in any of the member financial services and brokerage companies. The Center's chief executive may be exempted from his post according to a decision of the Board of Commissioners upon the proposal of the Board of Directors.

Article 20

The Stock Exchange shall settle all expenditures of the Center and shall receive all of the Center's revenues.

Article 21

The Center membership is mandatory for Issuers and member financial services and brokerage companies, as well as any other entity approved by the Board of Commissioners.

Article 22

The Board of Directors of the Stock Exchange shall issue, upon the proposal of the Center's chief executive, the Center's internal by-law and the regulations and instructions necessary for the Center's administration, which includes the following:

1. Register, ownership transfer and settlement of securities traded on the Stock Exchange.

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2. Information, data and records that are considered confidential and the persons entitled to have access to.
3. Information and records the Center must disclose to the public.
4. Standards and code of conduct the Center's staff and employees must be subject to.

Article 23

The Center's internal by-law shall define its organizational structure, functions, membership terms and requirements, and all other administrative and financial matters.

Article 24

The Center shall charge the commissions, membership fees, subscriptions and other charges provided in its internal by-law.

Article 25

The Center and the Stock Exchange's staff, counselors and experts and all independent auditors shall not conceal any information on any registered security owners except for cases specified in the Stock Exchange instructions and regulations.

Articles 26

- (a) Registration and transfer of ownership of securities traded on the Stock Exchange as well as settlement and clearance of prices of such securities shall all be held as entries in the Center's records. The Center's records shall also fold mortgage or claims on securities traded on the market.
- (b) The Center shall be the sole entity authorized to register all ownership certificates of securities traded on the market. The manual and electronic data and accounts maintained by the Center, as well as all documents issued by it, shall be considered a legal evidence of securities ownership, registration, ownership transfer, and settlement of securities according to prices and dates quoted in the records, accounts or documents, unless otherwise proven.
- (c) Registration of securities shall become effective once the Center confirms the authenticity of ownership. The Center shall record all deals as soon as it gets informed of and/or receives them. Should the Center, for some reason, doubt the actual procedures or the consequences of a registration, or should a registration prejudice the interests or rights of others, the Center is entitled to make a tentative registration provided that it shall immediately adopt the necessary measures conducive to the final registration of the securities in question.
- (d) Should any person believe that the registered data requires correction or amendment, he must notify, in writing, the Center's executive manager or any person authorized to receive such notes. The Center shall correct or amend the registration after verifying the authenticity of the data that in question. However, such correction or amendment shall be only made after the owners of securities registered are informed and given a reasonable fixed duration to comment on the change or amendment required.
- (e) The Center shall issue a notification of registration upon the request of the investor. The Center's operating rules shall define the methods for informing all owners, on a periodical basis, of their securities registered in the Center.

Article 27

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The Center shall have the right to impose a lien on the securities owned by members who fail to settle their obligations that are crucial for the Center's functions.

Article 28

- (a) Notwithstanding other legislations, should a Financial Broker or member of the Center be subject to an order of bankruptcy, liquidation or seizure, and before proceeding to implant such an order in accordance to the regulations in force, the Center shall make the necessary actions, according to its effective instructions, to settle all the trading contracts to which the Broker or member was party before the order was issued. Such settled contracts shall be valid against other parties.
- (b) Despite the provisions quoted in paragraph (a) of this Article, the Center shall voluntarily or upon a request of some other concerned party, amend or cancel the whole or part of the trading contracts referred to in paragraph (a) of this Article, provided that such amendment or cancellation is justified.

Article 29

The Center may be transformed into a joint-stock company owned by members of the Stock Exchange once the suitable environment is available. A decision on that shall be issued by the Prime Minister upon the proposal of the Board of Commissioners stating all procedures and requirements relating to such transformation.

Part 5: Financial Services and Intermediary Companies

Article 30

Financial services and intermediary companies are the entities that carry out one or more of security-related activities:

- Consultancy, analysis and/or publication
- Intermediary services
- Initial offering management
- Investment management in securities and/or mutual funds
- Investment trusteeship
- Management of custody accounts
- Any other activities approved by the Board

Article 31

- (a) It shall be prohibited to engage in the activities of a financial services and intermediary company without obtaining a license from the Commission and without being listed in its records in accordance with the rules and conditions of the Licensing Regulations for Financial Services and Intermediary Companies.
- (b) It shall be prohibited for licensed companies to function in financial services and intermediary in the Stock Exchange unless they are members who have settled all membership fees and annual subscription according to the internal By-law of the Stock Exchange.

Article 32

Applications for the foundation of financial services and intermediary companies shall be submitted to the Commission according to the Licensing Regulations for Financial Services and Intermediary Companies.

Article 33

The Commission shall issue its decision to grant or deny a license within 90 days from submitting all required documents.

Article 34

To obtain licenses, financial services and intermediary companies must fulfill the following conditions:

- The applicant should be a Syrian joint-stock company, a limited liability company which exclusively operates in intermediary services, consultancy and/or analyses of securities, or a local bank that announces to engage in financial services and activities through an owned affiliate company, or through autonomous accounts.
- The company's activities must be limited to one or more of the activities referred to in Article 30.
- The applicant's capital paid on foundation shall not be less than the minimum set by the Licensing Regulations for Financial Services and Intermediary Companies according to the type of activity.
- The persons in charge of managing the company must have the experience and competence necessary to run it according to the Licensing Regulations for Financial Services and Intermediary Companies.

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- The applicant shall settle a bank guarantee which amount, rules and conditions shall be defined in the Licensing Regulations.
- Unless otherwise proven, the company's founders, managers and members shall not have been convicted of a felony, a misdemeanor, a breach of honor or any other violation quoted in the Corporate Law or Commercial Law, nor have they been ordered of bankruptcy.

Article 35

The Commission may issue a justified decision denying, suspending or canceling a license according to the rules and conditions stipulated in the Licensing Regulations for Financial Services and Intermediary Companies when the application contains misinformation, when the applicant does not fulfill the conditions stated in Article 34, or when the licensed company fails the duties and/or obligations stated in this Law or the regulations and circulars issued thereto.

Article 36

The Commission shall register all financial services and intermediary companies in exchange of membership fees and annual subscriptions defined in the Commission's Charges Regulations.

Article 37

Licensed financial services and intermediary companies shall abide by the rules and conditions stipulated in the Licensing Regulations for Financial Services and Intermediary Companies.

Article 38

A financial services and intermediary company shall stop its activity or start self-liquidation upon the Commission's approval and after it has settled all obligations.

Article 39

The financial services and intermediary companies shall maintain an outstanding competitive environment for operations. Such companies are prohibited to:

- jointly agree to fix charges or commissions for services or determine the types of services they intend to provide their clients with;
- jointly agree to lay, in any way, a negative effect on the Stock Exchange;
- possess or merge with another financial services and intermediary company without prior consent of the Commission.

Article 40

The Commission's Board of Commissioners is entitled to adopt a number of precautionary measures to protect the stability of the market as well as the interests of shareholders and investors, and to mitigate risks in the event of a contravention or violation of the Commission's regulations.

Article 41

The Commission's Board of Commissioners shall issue a decision establishing an association of all financial services and intermediary companies in order to guarantee their adherence to the

Code of Conduct, and raise their performance and professional level. The Board shall as well issue the internal by-law for this association.

Part 6: Investment Funds

Article 42

- (a) By a decision of the Prime Minister and upon the proposal of the Commission, funds aiming at investing in security-savings may be established.
- (b) Such investment funds shall be formed as joint-stock companies with the minimum paid-up cash capital specified in the Regulations for Collective Investment Funds issued by the Commission.
- (c) The Regulations for Collective Investment Funds shall set the rules necessary for investing the funds' finance and investment instruments that are negotiable according to the rules and conditions defined in it. The Regulations for Collective Investment Funds shall also define rules for the Fund's operations, specifically:
 - The organizational structure;
 - The accounting systems and operating measures;
 - Management and decision-making;
 - Depository procedures and customer service;
 - Fees, commissions and administrative charges;
 - Deals;
 - Performance reports; computing the value of assets and investment units; and publicizing;
 - Conditions and requirements for establishing new funds;
 - Requirements for the fund's financial and periodic reports
 - Liquidity and risk management

Article 43

- (a) The fund's by-law shall specify the percentage of the paid-up capital of the founded company to investors' finances in the fund. Such percentage shall not exceed what is stipulated in the Regulations for Collective Investment Funds. The fund shall issue securities equivalent to this money in the form of investment units of which the bearers shall participate in the results of the fund's investment. Subscription to such documents shall be done only through the banks licensed to perform that.
- (b) By-laws for investment funds shall define the issuing procedures of these units, the recovery of their value, the data they must include and the regulations governing their registration and negotiation on the Stock Exchange.

Article 44

Prospectuses for subscription in the investment units such funds offer for the public must include the following additional data:

1. investment policies;
2. methods of distributing annual profits as well as managing capital profits;
3. name of the entity that manages the activities of the fund, and an adequate summary of its previous work;
4. method of the periodic evaluation of the fund's assets, and procedures for recovering the amount of the investment documents.

Article 45

- (a) The investment fund shall keep the securities its finances are invested in at the Clearing and Central Depository Center.
- (b) The Investment Trustee of the fund shall assess and follow up on investments and verify their compliance with the investment policy stated in its by-law and the provisions of this Law and the regulations and instructions issued thereto.
- (c) The Investment Trustee must immediately inform the Commission as well as the auditors of the fund of any violation committed by the Investment Manager. The Investment Trustee shall also request the Investment Manager to make the necessary corrections. Should the latter not respond to the request, the Investment Trustee shall then refuse all the contravening investments and the fund shall not, in any way, bear any financial consequences.

Article 46

The fund must notify the Commission of all decisions it issues concerning the appointment of Board members and all managers of the fund's affairs, besides the data related to them within 30 days from the issuance of such decisions. The notification shall follow the form approved by Commission for this purpose. The Board of Commissioners is entitled to issue a decision to disqualify any of the members or managers when it finds it necessary for the protection of the investors' finances in the fund.

Article 47

- (a) The fund shall be administered by an Investment Manager, who shall have enough experience and competence in managing investment funds, according to a legal management contract, which shall be valid once the Commission accredits it.
- (b) The Investment Manager shall sign for the fund in all legal and financial matters, and he shall represent it before others.
- (c) The Investment Manager shall prepare an issuance prospectus for all investment units in the fund and he shall register those at the Commission. The Investment Manager shall also administer the fund according to the investment policy stated in its by-law and to the provisions of the Stock Exchange Law and the regulations and instructions issued thereto.

Article 48

The Investment Manager is not allowed:

- A. to carry out all the operations prohibited according to the fund's by-law;
- B. to use the fund's finances to found new companies or purchase securities from companies under liquidation or in a state of bankruptcy;
- C. to seek for his own self, for the managers or the staff any profit or privilege from the operations he performs;
- D. to have interest in any of the companies that he trades in their securities for the account of the fund;
- E. to buy, as well as his staff, any of the investment units in the fund;
- F. to borrow from others unless the management contract permits so and defines the limits for that;
- G. to invest the fund's finances in another fund he is managing;

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- H. to announce or publish incorrect data or misinformation;
- I. to conduct operations with the aim of increasing commission.

Article 49

- (a) The capital of the investment fund shall be divided into investment units with even equities and the responsibilities of the owners of such units shall be limited to their quotas in the capital.
- (b) Payments for the investment units shall be in cash in one installment.
- (c) The investment fund shall not operate or sell units before the issuance of its registration certificate and the completion of the requirements specified by the Board.
- (d) It is not allowed to seize the fund's finances as collateral or settlement of a debt contracted by one of the owners of the investment units.

Article 50

- (a) Investment funds may be organized as one of the following:
 - 1. An investment fund with variable capital – Open-end Fund
 - 2. An investment fund with fixed capital – Closed-end Fund
- (b) The Closed-end Fund shall have the right to issue investment units by public offer. Its units shall be listed in the Stock Exchange according to the Listing Instructions issued for such concern.
- (c) The Closed-end Fund may transform into an Open-end Fund should its own by-law stipulates so, provided that it complies with the provisions of this Law and the regulations and instructions issued thereto.
- (d) The Open-end Fund shall only issue or extinguish its investment units according to the quotation of the net value of its assets and by virtue of the principles and procedures approved by the Board of Commissioners.
- (e) The Open-end Fund shall not stop to issue or extinguish investment units on the issuance dates specified in its by-law. Exceptions may be determined by the Board of Commissioners.
- (f) The Open-end Fund must engage in high liquidity investments that are adequate enough to meet with all of its obligations.
- (g) The Board shall define the minimum liquidity ratio the Open-end Fund must maintain as well as the manner to calculate it.

Article 51

- (a) Investment funds shall have their accounts audited by the Commission's accredited auditors, whose charges will be determined according to the Commission's Charges Regulations.
- (b) In accordance with the Commission's rules and regulations, an auditor shall only audit the accounts of one fund at a time.

Article 52

By virtue of the Commission's Disclosure Instructions Act, investment funds shall disclose financial statements as well as information and reports just as all Issuers.

Article 53

Due regard to banking and insurance laws and upon the approval of the Commission, licensed banks and insurance companies in the Syrian Arab Republic may establish investment funds. The Regulations for Collective Investment Funds shall specify all licensing procedures and instructions for this specific activity.

Part 7: Code of Management Practices for Members of the Stock Exchange

Article 54

Due regard to Corporate Law, all members of the Stock Exchange, the Issuers and licensed financial services and intermediary companies, shall be subject to the provisions quoted in this Part number (7).

Article 55

In addition to what is stated in the Commercial Law, the competencies of the board of directors of every member company shall include the following:

- A- To approve commercial and financial policies of the company in order to achieve its objectives as well as its shareholders' rights;
- B- To draw up, review, and update plans necessary to implement the strategy of the company;
- C- To adopt all instructions and by-laws related to the execution of the company's affairs, as well as to define the competencies and terms of reference of the executive management;
- D- To adopt the disclosure policy and follow up on its implementation according to requirements of all supervisory agencies;
- E- To approve on the executive management's method for delegating and carrying out tasks;
- F- To monitor the work of the executive management and ensure the proper professional conduct that guarantees the achievement of the company's objectives and its compliance with the laws and regulations in force;
- G- To study the Related Persons' deals that are not part of the company's ordinary work in order to submit them to the general board of the company;
- H- To authorize the information to be provided to shareholders accurately and on the time specified in the Disclosure Instructions Act issued by the Commission;
- I- To monitor the performance of the company and evaluate its work and management;
- J- To set up a three-member committee for auditing by a decision defining the names of the members, their duties, and their rights;
- K- To set up other committees where decisions of such shall specify the members' names, rights, tasks and duties;
- L- To appoint the chief executive/general manager, and the key employees of the company identifying their rights and responsibilities;
- M- To evaluate the performance of all committees in tasks assigned by the board and the senior staff;
- N- To approve the quarterly and annual financial statements;
- O- To include in the board's annual report all kinds of data showing the company's continuous capability of carrying out the activities specified for in its by-law as well as the necessary credentials for that.

Article 56

Stock Exchange Law

The board of directors in the joint-stock company shall appoint one member to record the minutes of the meetings demonstrating all the topics and major details discussed, as well as the attendance, the decisions made, and the votes of all members on such decisions.

Article 57

The general board of the member company shall appoint auditors upon the proposal of the board of directors complying with the following:

- A- The auditing committee shall recommend the auditor exclusively from the Commission's list;
- B- The auditor shall be appointed for one fiscal year only; the same auditor/auditing firm may not be hired for more than four successive years and may be hired again after the elapse of two fiscal years;
- C- The auditor appointed shall not handle any other tasks besides auditing that may influence his judgment and impartiality;
- D- As part of his job, the auditor must inform shareholders of all significant matters, such as:
 - The extent to which the company's internal control systems and surveillance are adequate and effective;
 - The extent to which the company is able to engage in the business; such information shall be submitted with a report independent from the board of directors';
 - The extent to which the company is committed to enact all by-laws and regulations and the extent to which such laws are convenient, effective as well as well-applied.
- E- The auditor shall report the board of directors of all violations and contraventions. Should a serious violation be disposed, the auditor must then provide the Commission with such report.

Article 58

The board of directors of the member company must check, at least once a year, the effectiveness and adequacy of the internal control systems of the company and must include such actions in the report submitted to shareholders.

Article 59

- (a) Staff of the executive management of every member company shall be hired via contracts where their rights and duties shall be defined.
- (b) All staff of the executive management shall be fully responsible to the board of directors of the company. Members of the board of directors shall not have the right to interfere in the daily work.
- (c) The executive management shall operate according to the organizational structure which specifies all tasks and competencies of the executive staff, and which is approved by the board of directors of the company.
- (d) The executive staff must disclose to the board of directors in details all the financial transactions and commercial deals in which they or their beneficiaries have interests that may overlap with the interests of the company in general.
- (e) Without prejudice to the competitive quality of the company, its confidentiality, and its interests, the annual report must include a summary of the management's deliberations on and analyses of the matters cited hereinafter, as well as the opinion of the board of director's on them:

- The strategy of the company and its vision for development
- Investment opportunities and obstacles
- Analysis of the company's products
- Detailed description of the company's work
- Risks
- The internal control system and its adequacy
- Statement on the company's financial performance

Part 8: Issuing and Offering Securities

Article 60

(a) All companies mentioned hereunder shall obtain licenses after approval of the Board:

- The joint-stock companies under foundation that seek to issue and offer securities to subscription
- The established joint-stock companies that seek to increase capital by a public offering
- The joint-stock companies that seek to increase capital by incorporating reserves, profits, and/or issue premiums, or by capitalizing debts
- The corporations that are converted to joint-stock companies in order to issue securities
- The companies that seek to issue securities different from the ones quoted in the Stock Exchange Law

(b) In order to obtain the approval of the Board mentioned in paragraph (a) of Article no. (60), applicants should enclose the documents, statements and information stipulated in the Issuing and Offering Act.

Article 61

Joint-stock companies shall not have their securities offered for public or private subscription until their issuance prospectus is approved by the Commission and is sent to purchasers before the date of the sale according to the rules and procedures identified in the Issuing and Offering Act.

Article 62

Issuance prospectus shall be prescribed according to the forms approved by the Commission and must include financial statements and information about the Issuer. Basically, it shall include the following:

- A- According to the Commission's rules, the information which provides an adequate description of the Issuer, nature of its work, and the persons managing it – board members, executive managers, senior staff and main partners;
- B- According to the Commission's rules, the information which provides an adequate description of the securities to be issued in terms of quantity, price and related rights, as well as the privileges attached to other securities owned by the Issuer, if there must be any. Such description shall include the methods adopted to dispose of the issue proceeds and to cash commissions for underwriters;
- C- A clear statement on the Issuer's financial status and all important financial information including the budget, the profit and loss account and the cash flow provided that they are audited by an accredited auditor;
- D- Any other information the Commission requests and/or permits in accordance with the regulations it issues in order to help investors and counselors take their own decisions in investing in the securities to be issued.

Article 63

- (a) Having reviewed every issuance prospectus, the Commission shall announce its acceptance or rejection thereof. Should the Commission approves the prospectus, it shall then specify a validity period for it.
- (b) Once an Issuer learns about a change in the data put in the prospectus, it must then notify the Commission in writing of the change in the data, which may influence the value or price of the securities it is offering to the public. The Issuer must also arrange and publish a press release disclosing such a change. The Commission's acts and regulations shall define the kind of information to be disclosed as well as the requirements the press release must fulfill.

Article 64

The Board of Commissioners shall reject the prospectus if:

- A- the prospectus does not include the information quoted in Article (62) of this Law;
- B- the prospectus includes misinformation about essential matters and/or false or deceptive statements; or the prospectus disregards important information that may make it misleading and inappropriate;
- C- the prospectus charges are not fully paid to the Commission;
- D- the Issuer does not submit the reports, statements and documents stated in the Issuing and Offering Act.

Part 9: Disclosure

Article 65

- (a) Every Issuer must prescribe a manual method for disclosure which provides all kinds of procedures, instructions and mechanisms in order to comply with the requirements stipulated in the Disclosure Instructions Act.

- (b) All entities subject to the supervision of the Commission shall comply with the Accounting Standards prescribed by the International Accounting Standards Board in arranging all financial statements and data.

Part 10: Investigation, Inspection and Penal Liability

Article 66

The Stock Exchange is entitled to conduct all necessary investigation, inspection and/or auditing to monitor the compliance of its own staff with the provisions of this Law and all the regulations, instructions and decisions issued thereto. The Member and its Related Persons should facilitate the staff's commitment to the laws by providing them with all the data they request.

Article 67

- (a) Upon the approval of the Board of Directors, the Executive Director is entitled to set up a committee to investigate in any violation of the provisions stipulated in Article (10) paragraph (b) of this Law that may be committed by a Member or any of his associates.
- (b) The committee referred to in paragraph (a) Article (67) shall be made of a judge named by the Minister of Justice as president, two from the Stock Exchange's staff as members, plus any qualified person as member.
- (c) The Committee shall invite any member of the board or management of the Member as well as any of its employees or counselors in order to hear their testimonies on the alleged violations of the Member.
- (d) Such testimonies including all questions and answers shall be recorded in minutes, on which the committee's president and members as well as the person testifying shall sign.
- (e) The committee is entitled to summon to its investigation sessions any of the Stock Exchange's staff, advisors, experts or any other person it finds necessary to attend provided that he shall not have the right to vote or participate in the decision making.
- (f) For reporting purposes, the committee shall have the right to audio or video record its investigation sessions.
- (g) The committee shall submit its report to the Executive Director including all procedures executed and all conclusions and findings. The Executive Director shall submit it afterwards to the Board of Directors of the Stock Exchange.

Article 68

- (a) The Board of Directors shall take into consideration the committee's report submitted and shall impose one or more of the following disciplinary actions:
 - 1. admonition;
 - 2. warning;
 - 3. a financial fine not less than ten thousands and not more than one million Syrian Liras;
 - 4. restrictions on the activities of the contravener and/or any of the persons associated with it for a period to be fixed by the Board of Directors;
 - 5. suspending it or any of the persons associated with it from working at the Stock Exchange for a period to be fixed by the Board of Directors;
 - 6. terminating its membership.
- (b) Before imposing any penalty, the Board of Directors shall give the Member and/or the person associated with it an opportunity to hear its statements on the alleged violations attributed to it. The Board shall be satisfied with a written reply on the alleged violations instead of or after hearing its testimony.

- (c) The decision imposing any penalties referred to in paragraph (a) of this Article shall be conveyed to the person concerned on the business day following the making of the decision. The decision shall contain the following:
1. practices or conduct proven to have been committed or failed to have been performed by the person concerned;
 2. quotation of the provisions of the Stock Exchange Law, and/or the regulations, instructions or decisions issued thereof that the person concerned has contravened;
 3. The penalty imposed

Article 69

The person against whom a disciplinary action is taken may appeal the decision before the Board within five business days from the date of its notification. The Board's decision on the appeal shall be final and shall go into force.

Part 11: General Provisions

Article 70

Non-Syrians of Arabs and foreigners who have lawfully transferred their finances into the Syrian Arab Republic are allowed to invest in the Damascus Securities Exchange according to the regulations issued by the Board for this purpose. Such investors may transfer their money plus the profit back abroad in the light of the valid rules of foreign currency.

Article 71

- (a) Should a dispute occur among members of the Stock Exchange or their representatives in the market, arbitration shall be the settlement and any transaction executed in the Stock Exchange by any of the dispute members shall be considered an acceptance of it. The Regulations as to Arbitration and Dispute Settlement shall specify the measures and procedures for arbitrating such disputes.
- (b) Court shall deny the cases in which disputes can be settled by virtue of the Regulations as to Arbitration and Dispute Settlement.
- (c) The disputes in which the Commission, the Stock Exchange or the Center is member shall not be subject to provisions of the Regulations as to Arbitration and Dispute Settlement.

Article 72

The Board of Directors of the Stock Exchange shall perform all acts and procedures necessary to establish the Damascus Securities Exchange within one year from the date its members are nominated.

Article 73

The Chairman of the Board of Commissioners as well as all Board members, the Board of Directors members and Executive Director of the Stock Exchange shall have immunity that only the Supreme Court is entitled to trial their conduct after such cases are referred to it by a decision issued by the Prime Minister. Public claim shall not have proceedings on any contravention performed through handling their posts except by virtue of a decision of the Supreme Court.

Article 74

Stock Exchange Law

Upon a decision of the Prime Minister and once it is convenient, the Stock Exchange may be converted to a joint-stock company owned by the members of the Stock Exchange. The company shall still be subject to the control of the Syrian Commission on Financial Markets and Securities.