

Syrian Arab Republic  
Prime Ministry

## Decree No. 3942

The Prime Minister,

By virtue of the provisions of Law No. 22 of 2005;  
Decree No. 47 of 2006;  
And pursuant to the proposal of the Board of Commissioners in its session No. (23)  
held on 08/06/2006,

Hereby decrees the following:

### **Licensing Regulations and Rules of Practice for Financial Services and Intermediary Companies**

#### **Introductory Provisions and Definitions**

##### **Article 1**

These regulations shall be known as the “Licensing Regulations and Rules of Practice for Financial Services Companies.”

##### **Article 2**

The following words and terms, in the context of the provisions of these regulations, shall mean the following:

- The Commission** : The Syrian Commission on Financial Markets and Securities;
- The Board** : The Board of Commissioners;
- The Stock Exchange** : The Damascus Stock Exchange;
- Issuer** : The legal entity that lawfully issues or shows the intention to issue securities;
- Agent** : The natural person working for the broker, approved administratively and technically by the Commission to carry out the licensed tasks of the broker;
- The Center** : The Securities Clearing Center and Central Depository;
- Licensed Company** : A financial services and intermediary company licensed by the Commission, which engages in one or more financial services as specified in these regulations;
- Executive Manager** : The general manager of the licensed company or the natural person who holds the highest authority in the licensed company regarding financial service operations.

### **Article 3**

A. Persons and companies are prohibited from engaging in any of the following activities without obtaining a license from the Commission.

- **Advice, Analysis, and Publication of Information Related to Securities:** constant advice and Consultancy to be provided to clients or others in exchange for money.
- **Brokerage in securities:**
  - The purchase and sale of securities on behalf of others for commissions;
  - The purchase and sale of securities for the broker's own account directly through the Stock Exchange.
- **Initial Offering Management:**
  - To set up on behalf of the Issuer all research and procedures necessary for the issuance of the new securities including registration of such securities at the Commission. The person performing such management is known as the "Issuance Manager";
  - To market the new securities and guarantee the purchase of the full issue of securities on behalf of the issuer due to the contract. The one who is performing such activities is known as "The Underwriter".
- **Investment Management:** The management of portfolios, including selling and purchasing, according to the client's authorization and the contract signed by both parties, which stipulates the investment policy of the client and the tasks and competencies of the Manager. Such management includes also the management of investment funds.
- **Investment Trusteeship:** This means to follow up and rectify the manner of managing clients' investments as well as the investment funds' applied by the Investment Manager in order to have it similar to the clients' investment policies.
- **Safe Custody:** the activities of the custodian shall include the following:
  - to organize and maintain records of the client's securities as well as to deposit them;
  - to manage the transfer of ownership of securities;
  - to deliver securities on behalf of the clients to the purchasing Financial Broker, and receive securities from the selling Financial Broker;
  - to send periodic reports to the clients about all of their transactions executed.
- Any other services or activities to be designated by the Commission.

B. Obtaining a license shall not be required, should the financial service be:

- performed among a mutual cooperative group of companies;
- within the context of a professional practice or another activity that is not related to securities, such as accounting and law practices;
- an implementation of a will.

C. The licensed company must abide by the following principles:

- To operate with full integrity;
- To conduct its business with skill, attention, and care;
- To apply all means and measures to function in an active, effective and reliable way to approve the appropriate policies and regulations for risk management;
- To ensure liquidity by maintaining sufficient financial resources to meet with all the demands that may arise in accordance to the Commission's instructions;
- To abide by sound practices on the Stock Exchange and comply with the Code of Professional Conduct;
- To protect clients' assets by applying sufficient protective measures;
- To inform the Commission of any significant change in the company's operations or organizational structure;
- To communicate with clients by providing them with information in a clear, fair and non-misleading way;
- To protect the interests of the individual clients by treating them fairly and acquiring their own benefit;
- To deal fairly with the conflicts of interest that may occur between the company and its individual clients, or between one client and another;
- To ensure that its guidance and management are proper and adequate for each individual client.

D. Licensed companies and the registered persons shall abide by all the rules and instructions applicable to them. They shall, without any delay, provide the Commission with all information, records, and documents required according to these Regulations.

### **The General Conditions of Licensing**

#### **Article 4**

A. In order to apply for a license or renew one to engage in any of the activities quoted in these Regulations. The applicant must be one of the following:

- A joint-stock company operating in all the activities and services quoted in these Regulations;
- A Syrian limited liability company whose activities are limited to financial brokerage, consultancy, and analysis;
- A local bank intending to engage in the activities and services indicated in these Regulations through an affiliate that is financially and administratively autonomous or through independent accounts.

B. The applicant must prove the following:

- Its ability to engage in the type and size of activity of the financial service specified in its application form according to these Regulations;
- Having the expertise and competencies sufficient to engage in the financial services specified in the application form according to these regulations;
- Having administrative expertise and applying all the financial systems, risk management policies, technical resources and operating measures and mechanisms that are adequate to commit to its commercial and regulatory obligations concerning the financial services specified in the application form;
- To ensure that its board members, managers, employees, and agents who shall engage in the financial services indicated in the license application have the necessary qualifications and experience in accordance with these Regulations, and are trustworthy and fair enough to engage in such services.

C. The capital of the applicant company must not be less than the total sum of the minimum capital required for each activity applied for:

Consultancy - Advisory	20,000,000	SL
Financial Brokerage	35,000,000	SL
Financial Broker and Dealer	50,000,000	SL
IPO Management	350,000,000	SL
Investment Management	150,000,000	SL
Investment Trusteeship	100,000,000	SL
Safe Custody	100,000,000	SL

D. The applicant company must settle an unconditional bank guarantee of no less than 20 percent of the minimum capital to the account of the Commission according to rules set by the Commission according to these Regulations.

### **Application for Foundation**

#### **Article 5**

A. Every company seeking to engage in one or more financial services must submit an initial application for foundation to the Commission, including the following documentations:

- A copy of the company's draft article of association, signed by the founders;
- The authorization issued by the founders to those representing them in foundation procedures and license application;
- A statement from the auditor showing approval of being appointed by the company;
- Should the company's capital include real shares, it shall provide all documentations necessary to estimate their value and complete all related procedures thereof;
- A detailed description of the types of activities and services to be practiced by the company;
- A copy of the draft regulations and instructions as to the work of the company, which may include for instance:

- The document trail that begins with the client seeking services of the company and ends with the company having completed the task and the client having been notified thereof;
- The administrative structure of the company showing the actual administrative competencies of the managers and employees who represent the company before others;
- The system for registering correspondence exchanged by the company and its clients;
- The company's system for record keeping, including a record for customer complaints;
- The company's internal control system and surveillance;
- The recovery and correction system used while operating;
- A detailed description of the rules and procedures to be applied in order to control undisclosed data and prevent from uncovering such data to unauthorized persons;
- The measures to be applied to prevent conflicts of interests;
- A list of the founder's names, nationalities, and addresses as well as their proportions of the company's capital.

B. All documentations indicated above shall be submitted to the Board for the initial approval on the foundation. Should there be any documents or information not presented, the applicant shall be notified within a month as to the date of filing the application in order to have such documents submitted. Should the company deny the request of foundation, such denial shall be justified and the concerned persons shall be informed within two weeks as to the decision thereof by a registered letter.

C. The company that has assumed the initial approval of the Commission shall complete the foundation procedures at the Ministry of Economy and Trade.

### **The Conditions and Procedures for Obtaining a License**

#### **Article 6**

Having fulfilled the foundation requirements at the Ministry of Economy and Trade, (and having assumed the Commission's approval to issue securities through a public offering if it is a joint-stock company), the applicant company shall submit a written application on the form prescribed by the Commission in order to obtain a license to practice any of the financial services stated. The applicant shall enclose the following:

- The name and address of the applicant and the locations of its branches, if any;
- An attestation proving the applicant's registration with the Ministry of Economy & Trade, and with the Central Bank of Syria if the applicant is a bank, in addition to the registration certificate which includes the names of the members of the board of directors or its management, and the names of those authorized to sign on behalf of the company along with their signature specimens;
- The articles of association and charter;
- The nature of the applicant's activity and the period of its practice;
- The names and addresses of the senior executive managers and a resume of their professional background in the securities field, in addition to the residential and work addresses of the employees, their professional capacities, job title, and a photocopy of their identity cards.

- The members of the board of directors and senior executive managers shall provide a certificate of no conviction of a felony or misdemeanor against honor or public ethics, in addition to a certificate of no verdict of pervious bankruptcy;
- The names of the owners of the company and their individual shares if the applicant is a limited liability company, or the names of the founders and main shareholders if the applicant is a joint-stock company;
- The name and the address of the company's auditor.
- The organizational structure, the feasibility study of the company, and the work plan including the expected financial data for 12 months as of the date of commencing its activities;
- Any modifications or changes occurred to the data used for founding the company;
- The proposed business procedures in writing;
- A list of the services to be offered;
- The basis of calculating the commissions or the charges of the services charged to the clients;
- An attestation indicating that the applicant has deposited all the required capital in the company's bank account;
- The form of the agreement by which the clients deal with securities, the form of opening an account, the forms of the client's periodic account statements, and the organizational statements necessary for business progress. The applicant may provide the Commission with such forms and statements upon receiving the license;
- A compliance manual indicating the company's future procedures to ensure an effective control of the activities to be licensed;
- Any agreement concluded between the applicant and any third party, whether Syrian or not, that is necessary for operating;
- Any other data deemed necessary or appropriate by the Commission for the licensing application.

### **Licensing: The Commission's Competencies & Procedures**

#### **Article 7**

A. When studying the application, the Commission may take any of the following actions:

- Conduct any investigations it deems appropriate;
- Request the presence of the applicant or its representative at the Commission for all clarifications related to the application;
- Request additional information the Commission considers necessary, as long as it is submitted within thirty days as to the date of the requesting thereof;
- Ensure that all the information provided by the applicant is accurate;
- Ensure the suitability of the location chosen for conducting business or the type of business requesting the license for.

B. The Commission may refuse to study the license application if the applicant does not provide the requested information, or if it does not provide it within the specified period.

C. Having received all the requested information and documents, the Commission shall inform the applicant in writing of that, and shall make any of the following decisions within 30 days from the date of notification.

- Approval;
- Request certain modifications;

- Justified denial.

D. Should the Commission approve to grant the license, it shall inform the applicant in writing of the list of the activities that are licensed and all the conditions and/or restrictions that it has deemed appropriate.

E. Should the Commission decide to deny the request for the license, it shall inform the applicant in writing thereof.

F. The applicant may not engage in any type of financial services or activities (or act as if it practices such activities) before receiving the approval on the license from the Commission.

### **Commencement of the Licensed Business**

#### **Article 8**

The company approved for license must fulfill the following requirements before commencing operations:

- To deposit an unconditional bank guarantee to the account of the Commission based on the form and amount quoted in these Regulations;
- To Pay a registration fee of 500,000 SL to the Commission only once;
- To provide written pledges signed by the members of the board of directors, partners, or senior executive managers ensuring that they shall comply with the provisions of these Regulations, and all the instructions and circulars issued thereto, as well as any modifications to be made to these Regulations.

### **Modification of License**

#### **Article 9**

A. The licensed company that wishes to change or modify its list of licensed activities must present a written request to the Commission for such purpose. The Commission shall study the application following the same procedures stated in Article 5 of these Regulations. The Commission may require an update on some or all the information and documentations presented with the previous license application.

B. The Commission shall finish studying the request to change or modify the list of the licensed activities within thirty days of receiving all information necessary.

C. Having studied the request, the Commission may approve the change and/or modification either whole or in part, or conditionally or unconditionally, or it may deny the request.

### **Revocation of License or Cessation of the Business Activity**

#### **Article 10**

A. The Board of Commissioners may revoke the license of any financial services company in the following cases:

- if one of the license conditions is no longer fulfilled;
- if the company has not settled all due charges;
- if the capital is below the minimum fixed by the Commission;
- if the bank guarantee is below the limits set by the Commission;
- if the company has grossly contravened any of its obligations stipulated in these Regulations;
- if the senior and junior staffs of the company lack the experience and administrative competencies necessary for the business or lack any of the qualifications related to integrity, reliability, trustworthiness and investor's protection; or if they do not comply with the instructions stated in the "Licensing Regulations".

B. Every licensed company intending to cease operations in securities shall inform the Commission in writing thereof prior to the date in which it intends to close. It must also provide reasons for such decision:

- within forty-five days prior to the date of closing;
- or once the decision of ceasing the operations is made should the closing be a result of an external factor that the company has no control of.

C. Should the licensed company halt functioning in its financial services, it shall first finish all pending work for clients or it shall refer that to another licensed company. It shall also notify its clients within a reasonable period prior to closing.

D. A licensed company may ask for a revocation of its license. It shall then present a written request to the Commission three months prior to the proposed date for the revocation of the license.

E. The licensed company must include in its request sufficient information about its reasons of revocation in order to enable the Commission to decide whether it is appropriate to approve such request, postpone it, or demand some other procedure necessary for the protection of clients.

F. The Commission may deny the request to revoke the license should the license be necessary for any investigation relating to the company, or for protecting client's interests, imposing a ban, or demanding other obligations in accordance with these Regulations.

G. The Commission is entitled to suspend a company's license on its own if the company has not engaged in any work related to securities for twelve month.

H. The licensed company shall remain under the Commission's control for two years as to the date of revoking its license concerning any misbehavior and violations occurred prior to the revocation. Should any investigation be opened during these two years, the company shall be subject to the Commission's control until the investigation is over.



## **Registering Employees of Licensed Financial Services Companies**

### **Article 11**

A. The Commission shall accredit and register, according to these regulations, the natural persons working in the licensed companies. The Commission shall determine the positions that require registration.

B. Natural persons employed at licensed companies may practice any of the financial services set in these regulations only after they are registered at the Commission.

C. The registered natural person may engage in any of the activities or services mentioned in these regulations through one company only.

D. Only Registered persons shall occupy the following positions:

- The chief executive or the nominee member of the board of directors;
- The financial manager;
- The board members and partners;
- Senior executive officers or managers;
- Surveillance and control manager;
- Compliance auditor;
- Customer service employees as well as sales persons, investment advisors, investment portfolio managers, and corporate funding specialists in accordance with the descriptions set by the Commission.

E. In order to get registered, the natural person shall fulfill the following conditions:

- 1- To be competent and of good reputation and manners.
- 2- To have relevant qualifications and academic certifications.
- 3- To have enrolled in the courses approved by the Commission for acquiring the required registration or to have passed the examinations set by the Commission successfully.
- 4- To settle all registration fees and subscription.
- 5- To submit an application on the form approved by the Commission.

F. When studying the application, the Commission may perform any necessary procedure, such as:

- 1- To conduct any investigation deemed appropriate
- 2- To ask for the presence of the applicant or the representative of the company for all questions and clarifications related to the application.
- 3- To request more information.
- 4- To ensure that all the information submitted by the applicant is accurate.

G. The Commission shall study the application for registration within 30 days from receiving all information and documentations necessary. Having studied the application, the Commission may apply any of the following procedures:

- To approve the request of the applicant and add his name to its registers;
- To approve the request conditionally and with all restrictions appropriate;

- To postpone the decision for a period of time for further research and investigation, or for additional information;
- To deny the request with a statement of reasons.

H. The registered person must notify the Commission in writing within one week from the occurrence of the following:

- Change of his personal address, residential address, or business address.
- His employment by the company or termination of that, along with a statement of the reasons for such termination
- Whether any judicial proceedings has been carried against him, or whether he has been questioned by local or foreign authorities
- The shortfall of any of the registration conditions

I. Every registered person must abide by the principles of honor, integrity, fairness, honesty and the Code of Professional Conduct. He shall endeavor constantly for the interest of the clients and shall protect their rights.

### **Canceling the Registration of Natural Persons**

#### **Article 12**

A. The Commission may revoke the registration of any person working for a licensed company if he violates the registration conditions quoted in these regulations.

B. Should any person's registration be revoked, the licensed company shall immediately ensure that he ceases functioning in a position that requires registration.

C. Should the registered person cease functioning in a position that requires registration or resign, the licensed company must, within seven days, inform the Commission thereof on the specified form. The registration shall then be suspended immediately upon the notification of such and shall remain so until the Commission decides to apply any of the following:

- To approve canceling the registration;
- To approve that the person works for the company in a similar position;
- To cross out the person's name from the registers.

D. The registered person whose name has been deleted from the registers may present to the Commission his complaint and evidence.

E. The registered person shall remain subject to the control of the Commission for two successive years as to the date of revoking his registration concerning any misbehavior or neglect occurred before such revocation. Should any kind of investigation or procedures be started during this two-year period, the registered person shall remain controlled by the Commission until the end of the investigation/procedures.

### **The General Obligations of Licensed Companies**

### **Article 13**

All companies licensed to practice one or more of the financial services mentioned in these regulations must conform with the following professional rules and practices:

#### **A. As to approving clients,**

- The licensed company must have written work procedures for dealing with clients that shall agree with careful work methods. The company may then serve all clients properly. The licensed company must also apply the necessary measures to properly oversee and monitor such procedures as long as they abide by these Regulations and decisions and circulars issued thereto;
- Before providing any services (transaction, advice, or fund management), the licensed company must obtain proper identification of the client, his financial position, contractual capacity, and his investment expertise and objectives that are related to the services requested;
- The licensed company may not provide any services if the client refuses to provide any of the information requested in the preceding paragraph;
- The licensed company must provide its clients with service providing conditions, which specify the basis for securities transactions with and for the client with sufficient details on such basis for conducting transactions. The company must provide the client with the mentioned conditions prior to providing any services;
- Service providing conditions must be stated in a written agreement - one for each financial service provided to the client by the company. Such agreement must conform with the provisions of these Regulations and decisions and circulars issued thereto, and must come into force immediately upon receiving a copy signed by the client;
- The licensed company must maintain a file of all information obtained from the client.

#### **B. As to dealing with clients,**

- Regarding relationships with clients, licensed companies must be committed to confidentiality and the professional rules and practices indicated in these Regulations and the decisions and circulars issued thereto.
- In the context of customer care, every licensed company must at all times ensure that there is no conflict of interests in any transaction or service provided to its clients. Should there be any direct or indirect clash of interest between the company and any of its clients, the licensed company must disclose and clarify that in writing to the client with due regard to inside information. Should the client suffer a loss out of a conflict between the company's interests and his, he may ask the company to bear such a loss, unless:
  - the licensed company had disclosed that conflict of interest to the client;
  - the client had approved in writing that the company may provide him with services despite the conflict.
- The licensed company must not deal with clients, provide them with services, or manage their accounts unless it has taken all possible measures to help them understand the risks associated with the type of transactions and/or services provided.
- The licensed company may not deal with any client or provide advice or services to him unless such services are appropriate for the client's financial capacity based on the information and facts provided as well as his expertise and his investment objectives.

**C. As to maintaining records,**

- The licensed company must maintain all ledgers and accounting records necessary to operate properly in accordance with the Accounting Standards and in compliance with the rules, regulations, and instructions issued by the Commission.
- The licensed company must keep records that include the documents and information of each securities transaction to ensure that they comply with these regulations.
- The licensed company must maintain the records specified in these regulations for ten years, unless the Commission determines otherwise.
- The Commission may review the records of a licensed company, either directly or through a person designated for this purpose.
- The licensed company may maintain the records in every form available including electronically as long as it may be printed out and the following is fulfilled:
  - Provide the preventive precautions and measures sufficient for safety of information and for protection against falsification;
  - Ensure that all information and data is available clearly and precisely within a reasonable time for any person entitled to examine or review them.
- Should a current or former client requests records kept during a regular recording period, the licensed company must, within a reasonable time, provide the following:
  - All materials and/or written records related to the client that were sent or should have been sent to him by the company;
  - Copies of all correspondence received from or sent to the client concerning securities transactions.

**D. As to information confidentiality,**

- The licensed company must maintain the information obtained from the client confidential, except when:
  - divulgence thereof is required according to Disclosure Instructions Act issued by the Commission;
  - the client approves such disclosure of information;
  - a reasonable disclosure is necessary to provide a specific service to the client himself.
- The licensed company must institute written policies for safe keeping the confidentiality of information and preventing leaks of any confidential or inside information obtained by the company, its officials, or its employees while providing financial services.

**E. As to providing notifications and periodic reports to clients,**

- The licensed company, when executing any transaction with or for a client, must immediately send him a notification of the execution. Such notification must conform to the form set by the Commission for this purpose.
- The licensed company managing the accounts of clients must send them periodic reports at least every three months on the transactions and balances of securities related to them.

**F. As to disclosure,**

- Without prejudice to the Disclosure Instructions Act issued by the Commission, every licensed company shall notify the Commission in writing within seven days of the occurrence of any of the following:
  - Any changes in the essential information provided in the license application or registration form regarding the name of the registered person and/or its reputation or behavior;
  - Establishing, possessing, selling, or liquidating any affiliate company with providing the name of the company and its main activity;
  - Any changes in the locations and addresses of the company's offices and/or branches;
  - Any changes regarding contracts, clearance arrangements, transaction settlements, or custody of customer funds and/or assets.
- The licensed company shall immediately inform the Commission of any of the following cases:
  - Any case of insolvency;
  - The imposition of a disciplinary actions by any regulatory body against the licensed person concerning securities transactions;
  - Having been convicted of violating any banking regulations, financial service related rules, Corporate Law, bankruptcy rules, or any other violation related to fraud or misconduct, or having been disciplined for premeditated tax evasion;
  - Approving or refusing a request, as well as granting or revoking a license to practice financial services or engage in the banking or insurance business in any other country;
  - The withdrawal, refusal or suspend of a membership application in a stock exchange or clearance center;
  - Any serious misbehavior perpetrated by the licensed person, or its related registered persons;
  - The resignation or severance of any of the following:
    - The executive chief, the nominee member of the board of directors, the financial manager, the member of the board of directors and/or partner, senior executives and managers, or the compliance auditor;
  - Any matter essential to the company's compliance requirements, the requirements of the parent company, or any of its affiliate registered persons;
  - Any essential changes in the information previously provided for the licensed person in any registration form for any of its current or prospective employees.

### **Obligations Related to the Type of the Financial Service**

#### **Article 14**

A. The licensed intermediary company shall, in addition to the requirements indicated in Article (13), comply specifically with the following:

1. Such company may only trade in securities of an Issuer through the Stock Exchange, unless the securities in question are exempted from this condition by a decision of the Commission;
2. The licensed company may only deal with a security after confirming its ownership and ensuring that it is not restricted, mortgaged, or prohibited from transfer of ownership.

3. The licensed company (Financial Broker) must open an autonomous account for each customer in order to trade in securities.
4. According to rules, the licensed company (Financial Broker) shall engage in purchasing and sale transactions for its registered clients only.
5. The licensed company (Financial Broker) must inform its clients of the following:
  - o Transactions executed on their behalf upon the execution of such.
  - o Transactions not being executed on their behalf once the validity of the brokerage authorization expires;
  - o Transactions which may constitute a clash of interests.
6. The licensed company must inform the Commission of any agreement with a bank once such agreement is effective, as well as any pledge or guarantee made for any other party. The company must also inform the Commission of all agreements, pledges, and/or guarantees of an affiliate company, any of its managers, members of its board of directors, executive officers, or partners that require a substantial commitment or affect its financial status. Such notification must be provided within seven work days of the end of the month.
7. The interaction between the licensed company and its clients for trading in the Stock Exchange shall be on a cash basis through cash accounts opened for the client at the company.

B. The company licensed to provide advice and analysis shall besides the obligations indicated in the Article (13) comply specifically with the following:

1. It shall provide a prior explanation to its clients as well as others that its duties are providing advice and analyses without any result guarantee;
2. Its advice may not contain any misinformation or deceitful data about the services provided to clients.

C. The company licensed as a safe custodian shall, in addition to the obligations stated in Article (13), abide by the following:

- Separating safe custody of securities from any of its other activities;
- Providing the necessary capabilities and procedures to safe keep securities and protect them against theft, fire, and any other risks;
- Opening accounts for its clients according to the procedures used by the Center;
- Being prohibited from disposing of the securities it maintains, except according to the Law, and the regulations, instructions, and decisions issued thereto and/or according to the contract signed with the client.

D. The company licensed to engage in investment management shall besides the obligations indicated in the Article (13) comply specifically with the following:

1. The Investment Manager shall manage the client's portfolio according to the contract signed, or according to the prospectus in if it is a mutual fund. It shall then act as a careful professional.
2. The manager of the licensed company must abide by the following:
  - o Separating the securities owned by each client from the ones owned by the him;
  - o Maintaining separate accounts for each client or portfolio he is authorized to manage, as long as each account contains the investments, interest received, and

- dividends, as well as all expenses sustained by the Investment Manager as a result of managing the client's portfolio, if such expenses are found and the details thereof;
- Not including the value of any managed portfolios in the assets or liabilities, as well as the returns on securities, profits, and/or capital losses resulting from trading;
  - Showing the market value of his clients' portfolios as clarification in his financial data.
  - Not acquiring any facilitation in exchange for client's portfolios, and not using such portfolios as a guarantee for any of his obligations.
3. The manager of the licensed company will provide his clients with a monthly report unless the agreement with the client stipulates shorter periods. The report shall contain the following:
    - All details of the client's portfolio, including a description of the securities contained, their quantity, the nominal value of each security as well as its market value, the securities whose value has not yet been settled, and the client's cash balance as to the date of the report;
    - All purchasing and sale transactions executed, with the dates and details of each transaction;
    - Interests collected during the month, profits, and distribution of shares;
    - Expenses sustained by the Investment Manager from managing the client's portfolio;
    - Any significant occurrences that may affect the risks expected by the Investment Manager regarding the client's securities;
    - Upon the client's request, the Investment Manager shall provide all the documents and information related to managing the portfolio.
  4. The licensed company must maintain the records and documents related to each investment transaction and all associated details.
  5. The licensed company must handle complaints from its clients according to rules. It shall maintain a special record for complaints and the details of their being handled. It shall provide the Investment Trustee with a copy of such complaints.
  6. Companies are prohibited from combining Investment Trusteeship of a client's account with the Investment Management of the same account.

E. A company licensed to engage in promotion and underwriting shall, in addition to the obligations indicated in Article (13), abide by the Securities Issuance and Offering Act and shall abide especially by the following:

1. The licensed company shall engage in Issuance Management according to the issuance contract signed with the Issuer. It shall undertake on behalf of the Issuer the marketing of the public offering, including publication in the media, complying with one of the following methods:
  - **Offering:** the company exerts its best efforts to attract investors to subscribe without any pledge, commitment or confirmation to sell a certain amount of the securities intended to be issued;

- **Underwriting:** the company exerts its best efforts to attract the public to subscribe, with a pledge to purchase part or all of the securities issued at a set price, according to the coverage contract signed with the Issuer.
- 2. The licensed company, when preparing the issuance prospectus, shall obtain the necessary pledges from the Issuer that all the information provided is accurate and complete. The Issuance Manager shall then be responsible for all the information obtained from the Issuer and stated in the prospectus. The Issuer must provide the Issuance Manager with any new critical information or any critical modifications to information already provided, including the data contained in the prospectus during the subscription period.

### **Tasks of the Board of Directors, Executive Administration, and Compliance Auditor**

#### **Article 15**

A. The board of directors of the licensed company, or the board of executives, as the case maybe, shall institute the general policies of the company, oversee their execution, and be responsible for the following duties and competencies:

1. Enact the company's by-laws which determine its various tasks and competencies to ensure administrative and financial oversight of all operations;
2. Take all necessary procedures to comply with the Law and the other legislations that are related to the company's work field;
3. Take all necessary measures to achieve accurate information provision to the Commission, according to the Law, and the regulations, instructions, and decisions issued thereto;
4. Approve a compliance manual for the company and monitor its execution.

B. The executive manager of the company shall apply the following:

1. Make all necessary steps to achieve internal oversight and surveillance on the company's operations and ensure their compliance with the Law, and regulations, instructions, and decisions issued thereto;
2. Provide the Commission with all the requested information and data according to these Regulations, and all instructions, and decisions issued thereto;
3. Oversee the registered persons and employees, including the compliance auditor, to ensure that they are operating according to the Law, the regulations, instructions, and decisions issued thereto.

C. The company must assign a compliance auditor who is technically registered at the Commission. His duties shall include:

1. To apply specific procedures to ensure that the company and its registered persons and employees achieve the level of compliance required by Law, and the regulation, instructions, and decisions issued thereto;
2. To perform mainly the following duties:
  - To ensure that the company, the registered persons, and the employees have a clear understanding relating to the financial services offered by the licensed company;



- To prepare a compliance manual that shall be constantly updated and shall include specific procedures to ensure the level of compliance of the company and its registered persons with the Law, and the regulations, instructions, and decisions issued thereto. Such manual shall be consistent with the company's internal oversight procedures;
  - To enhance and carry out training courses in order to educate all the registered persons of the company in relation to the law, and the regulations, instructions, as well as the internal oversight procedures of the company;
  - To provide advice for the registered persons of the company in relation to understanding and implementation of the Law, and the regulations, instructions and decisions issued thereto;
  - To document all procedures related to monitoring the registered persons as specified in the compliance manual;
  - To carry out investigation promptly in case of occurrence of a possible violation by any registered person or any client of the company, and document the results of such investigation or any procedure that has been carried out by the company in that relation;
3. The duties mentioned above in section C. must not conflict with any other tasks assigned to the compliance auditor. The executive manager of the company shall ensure there are no conflicts of interest related to all duties of the compliance auditor;
  4. The company must comply with the following:
    - Enable the compliance auditor to perform the duties mentioned above in section (C) of Article (15);
    - Inform the Commission immediately once the company replaces the compliance auditor or dismisses him with specifications of the reasons of such.

## **The Association of Financial Services and Intermediary Companies**

### **Article 16**

Licensed financial services and intermediary companies shall form an association in order to guarantee adherence to the Code of Professional Conduct, and raise the performance and professional level. The Board shall issue the internal by-law of this association prescribing the association thereof, as well as all membership conditions. Such companies may form a joint company amongst themselves to provide technical information services.

## **General Provisions**

### **Article 17**

A. Should the Commission find that the Company is facing risk or that its activities threatens the stability of the Stock Exchange or the interests of any of the company's shareholders' or clients, or should a shortfall in any of the licensing conditions quoted in these Regulations occur, the Commission may promptly suspend the given license or registration for the period it deems appropriate and may carry out any or all of the following measures:

1. To restrict, suspend or revoke the license or registration for the period it deems appropriate;

2. To appoint an observing member on the company's board of directors or board of executives, as the case may be, for the period deemed appropriate by the Commission. Such member shall have the right to participate in the board's deliberations without voting, and may record in the minutes of the meeting his points of view regarding all decisions made;
3. To require the company to increase its guarantees to the amounts deemed appropriate by the Commission;
4. To liquidate the provided guarantees.
5. Any other measures the Commission is entitled to take according to the Law.

B. The Commission is entitled to appoint an auditor other than the auditor hired by the company, if it believes this is necessary, in order to conduct some specific auditing operations during a specific period at the company's expense.

C. All information and data provided to the Commission by the company and the registered persons must be by written letters duly signed by them.

D. Should the company fail any of its obligations to a client, operate in a way that negatively affects his interests, or commit any kind of errors or violations, the client may demand compensation for the damages sustained as a result thereof.

E. The Company shall deal with the client's complaints and shall document and keep the taken procedures and results of such complaints in a special record.

F. The company's auditor shall not be a debtor or a creditor to the company or any of its affiliates, nor shall he be a guarantor of any of its debtors.

G. The Commission shall issue the necessary forms necessary to obtain the information required according to these Regulations.

#### **Article 17**

These Regulations shall be published and informed to the concerned persons for implementation.

Damascus, on 28/08/2006

Prime Minister  
Engineer Mohammad Naji Otri