

Syrian Arab Republic
Prime Ministry

Decree No. / 3945 /

The Prime Minister,
by virtue of the of the 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,

Issues the following:

Securities Issuing and Offering Act

Introductory Provisions and Definitions

Article 1

a. This Act is known as the Issuing and Offering Act.

b. The words and terms included in this Act shall have the meanings assigned to them hereunder, unless the context otherwise requires:

The Law : The Law No.22 of 2005 concerning the Syrian Commission on Financial Markets and Securities

The Commission : The Syrian Commission on Financial Markets and Securities

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 Stock Exchange or any other financial market established under the provisions of the Law

The Person : Any natural person or legal entity

Issuance : The process of issuing securities to float them in the market and invite the public for subscription

Offering : The process of inviting the public to subscribe in securities whose issuance has been approved

- Issuer** : The legal person that issues securities or announces its intention to issue securities
- Issuance Manager** : The legal person that practices the initial offering management as well as the marketing of securities on behalf of the issuer
- Subscription Bank** : The bank that is authorized and indicated in the issuance prospectus to receive application for subscription in the issued securities
- Public Offering** : The offer to sell the securities approved issuing by inviting the public for subscription
- Parent Company** : The company that controls another company or other companies through owning more than 50 percent of the capital thereof, including the holding company
- Subsidiary Company** : The company subject to the control of a parent company
- Sister Company** : A company is considered sister to another company when both companies are owned by, or related to one parent company
- Minority rights** : The part which is indicated in the financial statement and is the result of combining the net income with the net assets of a subsidiary as well as the returns on securities that are not owned by the parent company

c. Persons shall not float, offer, or market any securities in Syria without the approval of the Commission thereof. Such securities shall not be offered without an issuance prospectus approved by the Commission enclosing to all documents, information and statements quoted in this Act.

d. Persons shall not offer non-Syrian securities inside the Syrian Arab Republic, nor shall any Syrian person offer Syrian securities outside Syria prior to obtaining the Commission's approval thereof.

Issuance Conditions for Under-established Joint-Stock Companies

Article 2

a. Every joint-stock company that is in the process of establishment and intends to issue securities for subscription must obtain the Commission's approval. The request to obtain such approval must have the following documents attached to it:

- A copy of the company's charter and articles of association.
- A copy of the prospectus and the offer-related advertisement according to the form approved by the Commission.
- A feasibility study prepared by a specialized entity.
- The opinion of the legal consultant related to the compliance of the issuance procedures with the provisions of the laws and regulations in effect.

- A statement of the estimated expenses of the issuance.
- A statement of the real shares if any and the principles for estimating them according to rules.
- A copy of the contract concluded with the Issuance Manager who is licensed by the Commission.
- A statement with a clear, comprehensive analysis of the risk or potential loss related to investing in the securities offered for sale.
- Any authorizations or permits for the company obtained by the founders from any entity.
- A copy of the agreement concluded between the Issuance Manager and the Subscription Banks.
- A document from the bank confirming that all founders have paid the value of their shares.
- All other contracts containing essential information.
- A statement on the total number of shares at the company and the number of shares offered for public subscription.
- A receipt of payment of the charges fixed by the Commission.

b. The Commission may request any other additional information and/or statements.

Issuance Conditions for the Already Established Joint-Stock Companies Wishing to Increase Capital

Article 3

a. Any existing joint-stock company wishing to increase its capital through a public offering must obtain the Commission's approval thereon. The application to obtain such approval must have the following documents attached to it:

- A copy of the company's charter and articles of association according at the latest amendment.
- The decision to increase the company's capital by the extraordinary general board of the company; and the approval of Minister of Economy and Trade's on such increase.
- A feasibility study prepared by a specialized entity.
- A copy of the prospectus prepared according to the form adopted by the Commission.
- A statement of the estimated expenses of the issuance.
- A statement of the issuance premium if any and the method for calculating it.
- The method for increasing capital.
- A copy of the financial statements approved by the auditors for the three years preceding the offering or for the period as to the date of foundation to the date of subscription – whichever is shorter – according to the standards and regulations for preparing financial statements approved by the Commission.
- Any agreements concluded by the company.
- Any authorizations or permits obtained by the company.
- A copy of the proposed offer-related advertisement fixed according to the form approved by the Commission.
- A statement of all the contracts the company concluded in the period of three years prior to the offering with the contents thereof. Should the subject of the contract be the purchase of an existing establishment, the company shall then supply the

Commission with a general evaluation of the establishment prepared by an auditor who is not related to the company.

- A receipt of payment of the charges fixed by the Commission.

b. Every company wishing to increase its capital through adding the reserves or the retained earnings or the issuance premium to the capital or capitalizing the debts must obtain the Commission's approval. The following documents must be attached to the request for approval:

- An application for the registration of the securities to be issued, enclosing the minutes of the meeting of the extraordinary general board and the Minister of Economy and Trade's approval of the decision to increase the company's capital. The above-mentioned documents must be submitted within five business days as to the date of the Minister's approval.
- A list showing the distribution of the shares issued through adding the reserves or the retained earnings or the issuance premium to those entitled thereto pro rata with their individual shareholdings in the capital at the end of the 15th day following the registration of the securities concerned with the Commission.
- A report including the details of the debts intended to be capitalized, the mechanism for estimating such debts, the manner in which the debts develop, and any other information requested by the Commission provided that it is signed by the chairman and the majority of the members of the board of directors as well as the auditor and the Issuance Manager, and that the report shall be disclosed to the public.

c. The company resulting from the conversion of its legal capacity into a public shareholding company, shall apply to the Commission for the registration of its securities within six months from the date of completion of the conversion procedures at the Ministry of Industry and Trade and the issuance of the final approval thereof.

Issuance Conditions for Other Securities

Article 4

Every company wishing to issue securities other than those stipulated in the Stock Exchange Act must obtain the Board's approval whether the issuance is in a public offering. A request to obtain such approval must have the following documents attached to it:

- A copy of the Issuer's articles of association according to the latest amendment.
- The general board's decision to issue the securities approved by the Ministry of Economy and Trade along with all the documents and reports presented to the Ministry in this regard.
- A copy of the financial statements approved by the auditors for the period of three years preceding the offering or the period as to the date of foundation until the offering – whichever is shorter.
- The type of the securities to be issued and full information thereon.
- The expected return on the securities and the method for calculating it.
- The dates and conditions for the refunding of the security.
- A statement of the issuance expenses, if any, and the method for calculating them.
- A receipt of payment of the charges set by the Commission.
- A copy of the issuance prospectus and offer-related advertisement prepared according to the form approved by the Commission.
- Any additional data deemed necessary by the Board.

Components of the Prospectus

Article 5

a. The issuance prospectus must be presented according to the form approved by the Commission for this purpose. It must include all the financial statements and information related to the Issuer, particularly the following:

- General information on the issuance and the Issuer, as well as a summary of the issuance terms;
- The Issuer's objectives, and guarantees related thereto;
- General information on the founders;
- The feasibility study and operating plan;
- subscription terms and procedures;
- The rights and obligations of shareholders;
- The tasks and competencies of the company's board of directors, and the privileges and allowances granted to the members;
- The obligations of the Issuer to the Commission, shareholders, and others;
- The stock index and the changes thereof comparing to other companies;
- Information on subsidiaries, and a statement of the ownership of shares, as well as data and financial statements of existing companies;
- A report from a consulting firm, which has not any connection to the members of the company's board of directors, founders, or executive managers, specifying the value of any real shares and the principles for such valuation;
- The types of securities issued and the rights related thereto;
- A detailed report on the number of members of the board of directors, their competencies, tenure, the method for selecting and dismissing members, and the method for granting real and financial benefits to such members;
- Disclosure of the names of the members of the board of directors and top management with a statement of the expertise and qualifications of each one;
- All documents confirming that all members of the board of directors or executive management have not been convicted of a breach of honor or trust, or have been ordered of bankruptcy;
- The company's internal bylaws;
- A detailed statement of the approximate expenditures of foundation and issuance;
- Details of all public offerings undertaken by the company during the past three years;
- Any other information of an impact on the securities that are the subject of the prospectus as determined by a decision of the Board of Commissioners.

b. The prospectus must be signed by:

- The chairman, the members of the board of directors of the Issuer, the executive manager and the financial manager;
- The majority of the founders should the company be in the establishment stage;
- The Issuance Manager or Managers, as the case may be;
- The auditor who certified the accuracy of the financial statements and reports attached to the prospectus.

c. The issuance prospectus shall be effective once it is submitted to the Commission.

d. The Commission's Board of Commissioners may, based on a justified request of the Issuer or the Issuance Manager, decide to consider some information submitted with the prospectus confidential should the disclosure thereof may uncover trade-related secrets. Thus, the Board shall hold a session for special hearings in order to issue the appropriate decision regarding such a request.

Issuance of Stocks in Exchange for Real Shares

Article 6

Should stocks are issued in exchange for real shares whether at the time of foundation or in the case of increasing capital, the issuance prospectus must then include the following:

- A summary stating the financial and real assets provided in exchange for shares and the names of the providers, and indicating whether such providers are founders, members of the board of directors, or managing partners, as well as stating the extent of the benefit of the company from such assets, and the principles for valuating them.
- All rights of the real shares.
- A valuation report on the real shares prepared by a specialist, and the date on which the report is issued.
- The number of stocks issued in exchange for the real shares, and the names of the beneficiaries of such stocks.

Exemption from Issuing a Prospectus

Article 7

The Board of Commissioners may exempt an Issuer from submitting an issuance prospectus in the following cases:

- If the securities are issued by the Government of the Syrian Arab Republic.
- If the number of investors to whom the offer is directed does not exceed 50 persons, and such persons have the ability to evaluate and bear the investment risks.
- If the disclosure submitted to the investor is sufficient and precise enough to substitute the prospectus.

Modification of the Prospectus

Article 8

a. A supplementary issuance prospectus must be submitted to the Commission should the issuer learn at any time after the Commission has approved the prospectus of any of the following:

- Any noticeable change in the essential information included in the issuance prospectus or stated in any document required according to this Act.
- The occurrence of any additional key matters that must be included in the issuance prospectus.

b. The Issuance Manager must, after obtaining the Commission's approval, publish all amendments in at least two daily newspapers.

c. Should the amendments be related to a substantial matter that affects the Issuer's financial status, the Commission may suspend the offering and demand the Issuance Manager to return funds to subscribers.

Approval of the Issuance Prospectus

Article 9

a. It shall be prohibited to publish and allow the public to examine an issuance prospectus before the Commission's approval thereof.

b. The Commission shall approve an issuance prospectus having been convinced that the information contained in it is complete and meets with the requirements stipulated in this Act. The Board of Commissioners may reject or suspend any issuance prospectus in the following cases:

- should the issuance prospectus or any of the information enclosed not comply with the requirements of this Act, the instructions and decisions issued thereto, or the requirements of the public interest and investors' protection;
- should the issuance prospectus or any of the data enclosed contain inaccurate, imprecise, or misleading information; should the prospectus not include essential information that may enable the investor to make his investment decision; or should it include information presented in a way that makes other information in the prospectus incorrect, imprecise, or misleading;
- should the charges prescribed have not been settled.

c. The commission shall review the issuance prospectus within 45 days as to receiving all the required information and documents.

d. Should the Commission, upon reviewing the prospectus, find that the proposed offering of securities may not meet with the interests of investors or may violate this Act, it shall take any of the following measures:

- To conduct any inquiries it deems appropriate;
- To ask the presence of the applicant or its representative at the Commission for further explanations on the matters that the Commission finds relevant to the proposed offering;
- To ask the applicant or a others to provide additional information or to confirm the accuracy of information submitted in whatever manner the commissioner determines;
- To reasonably delay making a decision as it deems necessary to conduct further research and investigation.

e. Should the Commission, having taken all the measures provided in paragraph (d) of Article (9), decide that the offering, based on the issuance prospectus submitted, is still not in the interest of investors or may violate this Act or its implementing regulations, the Commission, having provided the Issuer with an adequate opportunity to submit its views, shall issue a notice to the Issuer of its non-approval of the issuance prospectus, or publish a notice prohibiting the offer, sale, or transfer of the securities in question.

Offer-related Advertisement

Article 10

a. After the Commission approves the issuance prospectus and consents to the advertisement of the offering of securities on the Stock Exchange, the Issuance Manager must publish an offer-related advertisement in at least two daily newspapers one week before the subscription starts.

b. The offer-related advertisement must include the following information:

- The name and type of company, its headquarters address, its objectives, and how long it has been existed;
- The reference number and date of the licensing decision concerning the establishment of the company;
- The reference number and date of the Commission's approval on the prospectus and offer-related advertisement;
- The company's capital, and the number and nominal value of the shares;
- The names of the founders, and the address and nationality of each, as well as the quantity of the shares each has, their nominal value and the sums paid thereof in case of the newly founded companies; and the names and ownership percentage of the members of the board of directors in the case of the already established companies;
- Major stockholders in the company holding 5 percent or more of the capital;
- A description of the real shares , if any, and the names of the holders thereof, as well as a statement of the value of such shares and the principles for valuation;
- The period, terms, and procedures of the subscription;
- The number and nominal value of the shares offered for subscription, and the method for settlement;
- Issuance expenditures;
- Banks in which the subscription is conducted;
- Indication of the locations from which an investor may obtain an issuance prospectuses, including web site addresses.

Offering

Article 11

a. Securities are floated through public offer to the public to subscribe through banks.

b. The Issuer must specify, in the issuance prospectus, the period of the public offer and the period of the subscription or sale, as the case may be. The Commission's approval of the prospectus and offer-related advertisement shall be considered an approval of the specified periods.

c. The period of the public offer shall not be less than 20 days nor shall it be more than 90 days in any case.

Issuance Promotional and Advertising Campaigns

Article 12

- a. Should an issuer intends to set up promotional campaigns, the Issuance Manager shall inform the Commission of the timetable for such and the main points to be highlighted.
- b. All brochures, advertisements, and promotional campaigns must educate investors of the investment risks and must not focus on the positive aspects only.
- c. Should the Issuer wish to publish promotional advertisements for the shares offered, it must submit a draft of that to the Commission to study and provide the approval thereof before publication. The Commission may request the Issuer to make the appropriate changes in the advertisement if necessary.

Competencies of the Issuance Manager

Article 13

- a. The Issuer shall appoint an Issuance Manager from the companies authorized by the Commission.
- b. The Issuance Manager may order other subordinate agencies to perform some of the tasks assigned to it provided that it shall be legally responsible to the Issuer, Commission, and subscribers for the tasks assigned to such agencies.
- c. The Issuance Manager shall be responsible to the Commission for completing all the procedures concerning the issuance of the securities, subject of the offer.
- d. The Issuance Manager shall manage all matters concerning the issuance of securities, and undertake particularly the following tasks:
- To be the main connection point for all the Issuer, the Subscription Banks, and the Commission;
 - To ensure that the Issuer has fulfilled all the conditions of issuance according to the instructions issued by the Commission, and that it has particularly obtained all the approvals necessary for the offer, whether from the official bodies or the extraordinary general board;
 - To apply all necessary diligence required by the Code of Conduct in managing and organizing the issuance, including to ensure that the issuance prospectus contains all key and essential information that enables investors to form fully clear ideas, opinions, and expectations regarding the costs, benefits, and risks of investing in the securities offered for sale, and that it does not contain any incorrect, incomplete, misleading or obscure information – the manager shall sign a pledge thereof in accordance with the issuance prospectus form approved by the Commission;
 - To review the principles used to set the issue price after consulting with the Issuer, and ensure that such principles are disclosed;
 - to choose the Subscription Banks after consulting the Issuer, and conclude agreements with these banks specifying their duties and responsibilities according to the requirements issued by the Commission;
 - To prepare the issuance prospectus, submit it to the Commission after having the Issuer and the legal advisor review it and certify that they have conducted the review in accordance with the form prepared for this purpose and quoted in the issuance prospectus form, and to follow up the prospectus till it is approved;

- To prepare offer-related advertisement and publish it in local newspapers after both the advertisement and prospectus are approved by the Commission and at least one week before the subscription starts in the case of a public subscription;
- To provide an adequate number of prospectuses and subscription forms to the Subscription Banks and financial services companies, and ensure that these are available at such banks and companies during the subscription period by monitoring constantly the progress of the subscription;
- To notify the Commission within three days of the occurrence of any change or amendment in the information stated in the issuance prospectus after the prospectus is approved by the Commission – applying such changes shall need the Commission's approval; and amendments may not be introduced to any issuance prospectus without consulting the Commission;
- To obtain the Commission's approval of all the advertisements, publications, as well as promotional campaigns the company wishes to set up for the securities offered;
- To provide the Commission with periodic reports on the subscription results during the offer period, stating the number and nationality of subscribers, the shares been subscribed in, the subscription requests denied with a statement of the reasons for such denial, as well as all other data related thereto on the dates specified in the prospectus; and to recommend the suitable alternatives for stock allotment in the event of a surplus in the public subscription, or propose a method for disposing of the unsubscribed shares according to the terms contained in the issuance prospectus, as well as obtain the Commission's approval for stock allotment to subscribers;
- To send allotment notices to all shareholders and contact the Subscription Banks for returning surplus sums according to the timetable quoted in the issuance prospectus;
- To monitor the registration of the shares subscribed in with the specialized entities;
- To prepare a register of subscribers according to the requirements of the Damascus Stock Exchange and the Securities Clearing Center and Central Depository;
- To prepare for to convene a meeting of the establishment general assembly by sending invitations to shareholders and following up the preparation of the founders' report –such invitations may be sent directly with the allotment notices;
- To monitor handling of complaints submitted by subscribers in coordination with the Subscription Banks.

Responsibilities of the Subscription Banks

Article 14

The Issuance Manager shall appoint at least three Syrian banks through which the subscription shall be conducted. The Subscription Bank must undertake the following tasks and responsibilities:

- To allocate the adequate human, technical, and financial resources to support the subscription process.
- To appoint one or more employees with adequate competence and qualifications to manage the subscription operations in the bank. Such personnel shall be directly responsible to the Issuance Manager and subscribers for all issuance affairs. The issuance prospectus must state the names, addresses, telephone and fax numbers, as well as email addresses of such contacts.

- To prescribe all the programs and systems necessary for facilitating the sorting of the subscription applications, having all the applications contain complete information, and reducing errors as much as possible.
- To implement the subscription processes according to the terms specified in the issuance prospectus approved by the Commission.
- To accept the subscription applications that fulfill all the formal and objective terms and requirements stipulated in the issuance prospectus, and then sign the subscription application to indicate the acceptance.
- To submit reports to the Issuance Manager on the subscription results (the volume and value, as well as the number of applications) on the dates specified in the issuance prospectus and/or the agreements concluded with the Issuance Manager.
- To tackle, solve, and settle all the complaints of subscribers and render the unhandled ones to the Issuance Manager.
- To ensure that subscription applications and issuance prospectuses are available at all branches.
- To refund the extra sums to the subscribers' accounts immediately upon receiving an order thereof by the Issuance Manager. Within three days receiving such instructions, the Issuance Manager shall be provided with a report on the refund executed.
- To provide all the information requested by the Issuance Manager regarding the subscription notwithstanding the provisions of the banking laws.
- To refrain from accepting any applications after the official business hours on the last business day of the subscription period. The advertisement published in the daily newspapers must clearly state this point. Should the Subscription Bank intend to open in the evenings for subscription, it must notify the public thereof.

Violation of the Issuing and Offering Act

Article 15

a. The following shall be considered contraveners of the provisions of this Act:

- The Issuer who issues a prospectus that includes inaccurate statements concerning essential information or omits key information.
- The person who signs an issuance prospectus that includes inaccurate statements concerning key information or omits such information.
- The person who does not comply with the requirements of the prospectus set by the Commission.
- The person who sells securities through a public offering in the absence of a valid issuance prospectus.

b. The penalties stated in the Law No. (22) of 2005 and its Executive Regulations shall be applied to the above-mentioned violations.

Article 16

This decree shall be published and notified to the concerned for implementation.

Damascus, 28/8/2006

Prime Minister
Eng. Muhammad Najj Otri