

RÊVEBERÏYA XWESER A BAKUR Û
ROJHÏLATÊ SÛRYEYÊ
NÏVÏSGEHA DÏRAV Û DAYÏNAN
A NAVENDÏ

Jimar:

DÏrok: / /



الإدارة الذاتية لشمال وشرق سوريا
مكتب النقد والمدفوعات المركزي

الرقم:

التاريخ: ٢٠٢٤ / / م

According to the Central Monetary and Payments Law No. (9) of 2021,
especially Articles (6), (39), (40), (41), (42), (43), (44), (45), (46), (62)
And the minutes of the meeting of the Board of Directors of the Central
Monetary and Payments Office No. (2) dated 22/1/2024

Co-Presidency of the Central Monetary and Payments Office

Resolves:

Instructions for Licensing Microfinance Institutions

No. (1) of 2024

Article (1)

Tariffs

The words and expressions mentioned in the Regulations shall have the meanings assigned to them below, unless the context otherwise requires:

Autonomous Administration: The Autonomous Administration of North and East Syria.

Monetary Office: The Central Monetary and Payments Office for North and East Syria.

Board of Directors: The Board of Directors of the Central Monetary and Payments Office for North and East Syria.

Law: Central Monetary and Payments Law No. (9) of 2021

Person: A natural or legal person.

Applicant: The person who applies to the Monetary Office for a license to practice microfinance activities.

Microfinance Activities: Providing loan or financing and financial activities to eligible persons, and to persons who are unable to obtain financial services from the banking sector

wholly or partially, whether they are individuals, companies/micro or small enterprises, in accordance with the criteria specified in these instructions.

Microfinance Institution: A limited liability company, a joint stock company, or a branch of a foreign company licensed to practice microfinance activity in the autonomous administration areas of northern and eastern Syria in accordance with the conditions and requirements determined by the Monetary Office for this purpose in accordance with the provisions of the law and these instructions.

Branch: The workplace, which is legally subordinate to the MFI and carries out all or some of the microfinance activities in accordance with these Instructions.

Member: Member of the Board of Directors of the Microfinance Corporation or a member of its Board of Directors.

Founders: Natural or legal persons who have applied to the Monetary Office to obtain a license for a microfinance institution.

Microenterprise: means a legal entity or other organization comprising: (١) fifteen employees or less; (٢) annual sales of less than US\$٥٠٠,٠٠٠; and (٣) gross balance sheet .of less than US\$٥٠٠,٠٠٠

Small Business or Company: means an organization or company with (١) hundred or fewer employees; (٢) annual sales of less than US\$٥ million; and (٣) gross balance sheet of .less than US\$٥ million

Eligible Individual: A natural person whose gross annual income is \$10,000 or less; however, the Monetary Bureau may review this amount from time to time as needed to ensure that an individual earning less than 50% of the average individual annual income in the Autonomous Administration Areas qualifies as an eligible individual for the purposes of these Directives.

Consumer Loans and Financing: All types of loans and financing granted to individuals to finance the purchase of goods and services. To name a few: loans and financing granted for ...education, health, real estate maintenance, car purchase, purchase of electrical appliances .Etc

Related persons: A person with whom the MFI has any relationship that may lead to a .conflict of interest, according to instructions issued by the Monetary Office

Home Country: The country of the foreign branch of the MFI in which its general administration is located and headquartered.

Supervisory Authority in the home country: The body or authority directly responsible for .supervising the departments and branches of foreign microfinance institutions in its country

Equity: Represents the net value of a microfinance institution, which is the difference between assets and liabilities, excluding unaudited profits and profits resulting from revaluation. Equity includes

1. Paid-up capital.

2. Adjustments to capital

Accrued/retained gains and losses, undistributed current gains, current losses, and revaluation losses

4. Unrestricted grants and donations.

5. Special reserves

Principal Officers: the Director General or Regional and their deputies and assistants directors of departments and their deputies and assistants, branch managers, their deputies and assistants, internal auditor, compliance controller and persons with similar responsibility regardless of title and staff of other officials specified by the Monetary Office by instructions

Important Owner (Important Share): A legal person or natural person who owns or controls, directly or indirectly, (5%) or more of the shares of a limited liability company or a joint stock company.

Article (2)

General Provisions

1. These instructions aim to regulate and license microfinance institutions in the Autonomous Administration areas of North and East Syria.

2. It is prohibited for any person in the areas of the Autonomous Administration to use the phrase "microfinance" or its synonyms or any other similar expression in any language in his documents, publications, commercial address, name and publicity unless he holds a license issued by the Monetary Office, unless such use is under any legislation in force or by an international agreement to which the Autonomous Administration is a party.

It is prohibited for any person to engage in any microfinance activities in the autonomous areas without obtaining a prior written license issued by the Monetary Office

It is prohibited to register any company/establishment whose purposes are to practice any microfinance activities in self-management areas with the Registrar of Companies without obtaining the prior written initial approval from the Monetary Office

5. The license to practice microfinance activities shall be granted exclusively to a limited liability company, a joint stock company, or a branch of a foreign company, whether for-profit or non-profit, a license shall be granted to practice microfinance activities in

accordance with the laws in force in the autonomous management areas and in accordance with the provisions of these instructions.

6. No microfinance institution licensed by the Monetary Office may open or transfer a branch, terminate or suspend its business or any of its branches in the Autonomous Administration Areas permanently or temporarily, or stop performing some or all of the work it practices and permitted in accordance with the provisions of these Instructions or any legislation issued later without obtaining the prior written approval of the Monetary Office.

Article (۳)

Microfinance Standards

The loan or financing granted is considered a microfinance activity if the following eligibility criteria are met:

1. Standard of purpose of loan or financing

The main purpose of the loan or financing granted by the institution should be to finance and develop productive projects to contribute to reducing poverty and unemployment and achieving self-sufficiency for the customer, and the financing institution is allowed to provide consumer loans / financing to improve the living standards of its customers who have obtained loans or productive financing.

2. Customer Standard

The loan or financing may be granted to any of the following categories:

A. Qualified individuals.

B. Individuals who are unable to obtain financial services from the banking sector in whole or in part.

C. Micro or small companies and enterprises.

3. Maximum Value Standard

A. The maximum value of the loan or financing granted to any customer shall be (2%) of the MFI's equity or the total value of the outstanding balance of the credit/financing portfolio upon grant, whichever is greater.

B. The value of the loan granted to the individual or entity should not exceed (100,000) US dollars.

Article (4)

Ineligible persons

1. A person loses his/her eligibility to act as a director or participate in the management of a microfinance institution if that person

A. Have already been convicted by a court in any country of a criminal offence involving fraud, deception, embezzlement or misuse of funds or property, or punishable by imprisonment of more than six months

B. within the past ten years, either (1) the court declared bankruptcy or (2) entered into an arrangement with creditors; or

C. Has been barred or suspended from practicing the profession within the past ten years due to personal misconduct

2. Any person appointed Director or Director General of a licensed microfinance institution shall cease to hold such office immediately upon the occurrence of any of the events specified in paragraph (1) of this Article

3. Any licensed microfinance institution that appoints a person in contravention of paragraph 1 of this Article – or allows a person to continue to serve in contravention of paragraph 2 of this Article – commits an administrative offence and is subject to a fine of up to US\$25,000.

(5) Article

Applications and conditions for granting a license

1. The applicant for a license to operate a microfinance institution must submit to the Monetary Office the following: (a) a license application in accordance with the form attached to these instructions in Appendix 1; (b) the documents and documents specified in Appendix 1.

2. If the MFI is established under the law applicable in the autonomous management areas it must be regulated and registered as a limited liability company or joint stock company under the Companies Law (Law No. 6) of 2022, it must ensure that its Memorandum and Articles of Association comply with the applicable requirements issued by the Monetary Office. Once the license has been issued, no amendments may be made to these documents without the prior written consent of the Monetary Office

The PMA decides to grant a license to the MFI in light of the fulfillment of the following ٣ .
:conditions

A. There is no specific reason to believe that any significant owner or principal officer of the applicant is currently violating the Central Monetary and Payments Law, the Anti-Money Laundering and Combating the Financing of Terrorism Law, the instructions issued by the Monetary Office, or the criminal law applicable in the Autonomous Administrative Areas.

Every significant owner or principal shall make a declaration under oath, under penalty .B
.of perjury and fraud, that he is not ineligible under Article ٤ of these Directives

At the time of applying for a license, the MFI must have a minimum paid-up capital .C
of USD ٥٠٠,٠٠٠ if it is a joint stock company or a branch of a foreign company, and
USD ٤٠٠,٠٠٠ if it is an LLC, and after issuing its license, the MFI must ensure that the
amount of its capital that is not affected by losses must at all times be at least USD
.٢٥٠,٠٠٠

D. The chairman and members of the board of directors of the local institution, including representatives of the legal person and the main officers of the local institution or branches of the foreign company, may not be members of the board of directors, principal officers or employees of another financial institution, bank or other non-banking financial institution operating within the areas of self-administration, without obtaining the prior written approval of the Monetary Office.

E. The organizational and administrative structure, as well as the proposed policies and procedures for risk management, internal control, compliance, and AML/CFT should be appropriate for the conduct of various operations and activities.

F. The accounting policies and procedures shall be appropriate for the financial activity and sufficient for the preparation of financial statements in accordance with the International Financial Reporting Standards, the requirements of the law and the instructions issued by the Monetary Office.

4. Any person holding the position of a board member, a principal officer or any employee of a microfinance institution shall be suspended from his work during the investigation period of one of the crimes mentioned in Article (4) of these Directives.

5. The PMA shall have the right to issue a decision to dismiss a member of the Board of Directors or any key official or employee of licensed microfinance institutions in the cases mentioned in Article (4) of these Instructions.
6. It is prohibited for any employee to combine two positions in any of the MFIs, banks or other non-bank financial institutions licensed in the Autonomous Management Zones at the same time.

Article (6)

Procedures for granting initial approval

The application is examined and the initial approval for licensing a new MFI or licensing and transferring branches is granted in accordance with the following procedures:

1. The Monetary Office shall respond in writing to the applicant within 30 days from the date of receipt of the application about its completeness or not, provided that the response includes identifying the deficiencies that must be provided to the Monetary Office to decide on the application.
2. The applicant is given a maximum period of three months to complete the deficiencies, if any, otherwise it is considered a waiver by the applicant of his application, and he may submit a new application in accordance with the legislation in force at the time.
3. The Monetary Office takes a decision on the submitted application within 60 days from the date of its completion, and the applicant is informed of the decision in writing, either with the initial approval or rejection, with an explanation of the reasons in case of rejection.
4. In the event of the initial approval, the applicant monetary office is given a period of one year to complete the procedures for starting work, and at the end of this period, the readiness for the purposes of granting the final approval is assessed.
5. The Monetary Office may extend the period specified in the preceding item to complete the procedures for commencing work if the MFI provides sufficient justifications for the extension, provided that the extension period does not exceed three months and for one time non-renewable, and the initial approval granted shall be canceled if the procedures for commencing work are not completed within the extension period.
6. The Monetary Office may reject any of the founders or candidates for membership of the Board of Directors of the Local Finance Corporation and candidates for the positions of key officers of the local institution or branches of the foreign company, if it is proven that the candidate does not meet the requirements contained in these instructions.

Article (7)

Procedures for granting final approval

The premises are prepared, final approval is granted, and business is carried out to license a new microfinance institution or license and transfer branches in accordance with the following procedures:

1. The applicant, after obtaining the initial approval, shall invite the Monetary Office for the initial inspection of the proposed premises in preparation for obtaining approval to start processing it.
2. Commencement of equipping the headquarters in accordance with the requirements of Article (8) of these Instructions and the annex of the requirements for equipping the headquarters and branches No. (2) attached to these instructions, and any other requirements that the Monetary Office deems necessary.
3. In the event that the processing of the headquarters is completed within the period specified in item (4) of Article (6) and item (5) of Article (6) of these instructions, in the event that the PMC approves the extension of the deadline, the applicant shall invite the PMO to visit the headquarters to inspect its readiness in order to examine the extent to which all the required conditions are met in accordance with the processing requirements.
4. The initial approval shall be considered canceled if the license applicant does not meet all the requirements and conditions necessary to obtain the final approval within the processing period specified in items (4) and (5) of Article (6) of these Instructions in the event that the Monetary Bureau approves the extension of the deadline.
5. The Monetary Office completes the procedures for the readiness statement, and in the event that the applicant commits to meet the processing requirements, the Monetary Office issues the final approval to the Microfinance Corporation to practice its activity, provided that the following are available:
 - A. Completing the appointment of the Chairman and members of the Board of Directors of the local microfinance institution, appointing key officials in the local institution and branches of the foreign company, and submitting documents to the Monetary Office.
 - B. Provide a certificate proving the full payment of the paid-up capital.
 - C. Pay the lump sum license fees (for one time) and the annual fees for the headquarters and branches in accordance with the requirements of Article (21) of these Instructions.
 - D. Providing an advanced accounting and financial automated system to provide microfinance services and activities.
 - E. An audited statement of the incorporation expenses.
 - F. Approval of the Monetary Office on the appointment of the General / Regional Manager and his deputies or assistants , directors of departments and branch managers.
 - G. Organizational structure, descriptions, work procedures and approved financial and administrative powers.
6. The MFI must carry out its activities within three months from the date of obtaining the final approval.
7. If the Organization is unable to carry out its activities during this period, it shall justify in writing to the Monetary Office the reasons that prevented it from practicing its activities within the period specified above.
8. In the event that the Monetary Office is satisfied with the justifications provided by the Institution, it may extend the period for another three months, non-renewable.

9. If the institution does not practice its activity within the prescribed period, including the extension period, the license issued by the Monetary Office shall be canceled, and in the event that the institution wishes to practice the microfinance activity in the autonomous management areas, it must apply for a new license, and it shall be subject to the laws and instructions in force at the time.

Article (8)

Requirements for equipping headquarters and branches

The MFI shall comply with the requirements of equipping headquarters and branches in accordance with the fit-out requirements set out in Appendix (2) attached to these instructions - Requirements for equipping headquarters and branches.

Article (9)

Procedures for licensing a new local microfinance institution or branch of a foreign company

1. Procedures and requirements for submitting the application and obtaining the initial approval:

- A. The founders committee of the local finance institution or the authorized signatories of the board of directors of the foreign finance company shall submit in the event that the applicant is a branch of a foreign company according to the form specified for this purpose in (Appendix No. 1 - Microfinance Institution License Application)
- B. Pay a non-refundable license application fee for the headquarters and branches, if any, in accordance with the license fees specified in Article (21) of these Instructions.
- C. The procedures set forth in Article (6) of these Instructions shall apply with regard to the requirements for granting initial approval.

2. Procedures and requirements for obtaining final approval:

- A. The founders' committee submits documents that confirm the actual repayment of the paid-up capital, and the accounts in which the capital has been deposited.
- B. Provide the SAMA Office with a copy of the final organizational and administrative structure, job description, financial and administrative powers, and work procedures for all MFI departments.
- C. Providing an advanced automated accounting and financial system based on centralized data base and automatically linked between the headquarters and branches to practice the institution's activities in lending, financing and other services allowed, provided that this system meets the following requirements at a minimum:
 - 1) A central database that includes the headquarters and all branches of the institution.
 - 2) Able to centralize operations for all activities and services of the organization.
 - 3) Able to extract reports automatically for all the activities of the institution and all currencies traded in the areas of self-administration.
 - 4) Meet all periodic reports determined by the Monetary Office under instructions.

D. Equipping the headquarters, granting final approval and practicing the activity of the institution:

1. The procedures set forth in Article (7) of these Instructions shall apply with regard to the requirements and procedures for granting final approval to practice the microfinance activity.
2. Pay the lump sum license fee (one-time) and the annual license fees for the headquarters and branches in accordance with the license fees specified in Article (21) of these Instructions.
3. Commitment to commence work in accordance with the requirements set forth in Article (7) of these Instructions.

Article (10)

Procedures for registering a microfinance institution and issuing a license certificate

1. The Monetary Office shall issue a license certificate for the MFI to practice its activities, after completing the procedures and requirements for final approval.
2. The Monetary Office maintains a central register for the registration of licensed microfinance institutions, banks and other non-bank financial institutions, in which all information relating thereto is recorded.
3. At the beginning of each year, the Monetary Office publishes in the Official Gazette at the expense of the license applicant in addition to three newspapers that publish on a daily basis the list of microfinance institutions licensed to practice microfinance activities in the autonomous management areas and all banks and other licensed non-bank financial institutions, as well as any approvals for granting new licenses directly in the Official Gazette. In addition to publishing any changes that may occur on the list periodically, the Monetary Office publishes this list and its updates on the website of the Monetary Office.

Article (11)

Permitted Activities

Microfinance institutions may conduct the following business and activities:

1. Providing loans and financing in accordance with the criteria specified in these instructions.
2. Issuing internal and external remittances to its customers for financing purposes only, provided that they are used in the operations of granting and repaying loans and financing granted to the customer.
3. Carrying out the work of agent for its customers to provide services related to payment by mobile phone in accordance with the relevant legislation.
4. Accepting guarantees against loans and financing granted by the Corporation to its customers.
5. Opening accounts and employing funds with banks operating inside or outside the Autonomous Administration areas, in accordance with the instructions of the Monetary Office.
6. Accepting grants, grants and assistance from local and foreign institutions, provided that the conditions of these grants, grants and assistance are compatible with the objectives of the Microfinance Corporation, and that they are used in the exercise of the activities of the institution in providing microfinance loans to the target segments.
7. Borrowing from licensed banks inside or outside the autonomous administration areas, provided that:

The total volume of borrowing shall not exceed ۱۰۰٪ of the Corporation's equity and .A debts, and in the event of a desire to obtain loans or financing exceeding this limit prior written approval must be obtained from the Monetary Office, provided that it does .not exceed in all cases three times the Corporation's equity and debts based on it

B. Exploiting the loan to finance the main activities of the institution in granting loans and financing to its customers.

Owning real estate to be used in managing the business of the institution and exclusively .A in the establishment of the headquarters and branches of the institution, not exceeding .of the property rights ٪۳۰

9. Possession of shares or any movable or immovable property owned against a loan granted by the Corporation that defaulted and has not been paid, and the Organization shall in this case dispose of such shares or funds within a period of two years from the date of their acquisition, and this period may be extended with the prior written approval of the Monetary Office in the event that the Organization is unable to dispose of them during the two-year period.

Any other financial activities approved by the Monetary Office that do not conflict with the .۱۰ provisions of the Law and these Instructions

Article (12) **Prohibited acts**

Microfinance institutions are prohibited from carrying out any of the following actions:
Accepting deposits or providing banking business and services, with the exception of .۱ lending and microfinance activities mentioned in these instructions

2. Practicing commercial, industrial, investment or any other business other than what is permitted by these instructions.

Investing and trading in securities, whether for the account of the Corporation or for its .۳ clients, except for those securities specified by the Office in published instructions as .securities eligible as investment-grade securities

4. Work as an intermediary in local or international financial markets.

:Owning or dealing in real estate or property by buying, selling or bartering, except .۵

I. The property allocated for the management of the business of the institution (headquarters and branches), provided that the value of this property does not exceed 30% of the equity.

- II. Real estate or property owned by the Corporation against the fulfillment of a non-performing loan/financing, provided that the requirements of Article (11) Clause (9) of these Instructions are complied with.
6. Providing a loan or financing to any person who is not residing in the Autonomous Administration areas, or for the purpose of using it outside the Autonomous Administration areas without obtaining the prior written approval of the Monetary Office.

Article (13)

Minimum Capital and Equity Requirements

1. The paid-up capital of the MFI shall not be less than the limits set out below in accordance with the legal form of the MFI:

Minimum paid-up capital	Legal Form
(400,000 USD) four hundred thousand USD	Limited Liability Company / For-profit or Non-Profit
(500,000 USD) Five hundred thousand USD	Joint Stock / For-profit or Non-Profit Company
(500,000 USD) Five hundred thousand USD	Branches of a foreign microfinance company

2. The Corporation must permanently maintain that the total equity is not less than the minimum share capital, and in the event that the Corporation achieves losses that result in the equity falling below the specified level, the shareholders/partners must cover these losses in accordance with the requirements of the Monetary Bureau.
3. Leverage Ratio: The total borrowing from third parties should not exceed three times the total equity of the financing institution and the debts based on it.
4. Capital Solvency Ratio: The ratio of capital adequacy (total equity) to total assets should not be less than 25%.
5. A MFI may not raise or decrease its capital without obtaining prior written approval from the Monetary Office.

Article (14)

Branch Licensing

A. Application Procedures and Requirements:

1. Submit a license application signed by the Chairman of the Board of Directors of the Microfinance Corporation in accordance with the form prepared for this purpose (Appendix No. (3) - Application for Branching of the Microfinance Institution).
2. Pay a non-refundable license application fee in accordance with the license fees specified in Article (21) of these Instructions.
3. The application shall be accompanied by the following documents and documents:
 - A) The approval of the Board of Directors of the Corporation to establish the branch.

- B) The Chairman of the Board of Directors of the Corporation undertook to open the branch within the period specified in the instructions for licensing microfinance institutions.
- C) For financial institutions operating as branches of a foreign company, approval must be attached from the supervisory authority in the home country to branch in the autonomous areas of administration.
- D) An action plan for the branch to be established, including the estimated budgets of the expected financial situation for the next two years, and the organizational structure of the branch.
- E) The proposed names to fill the positions of branch manager and his deputy, accompanied by their CVs and scientific and practical certificates, noting that the approval of their appointment is linked to the approval of the Monetary Office.
- F) Lease contract or title deed for the branch headquarters.
- G) Any conditions and requirements that the Monetary Office deems necessary to consider the submitted application.

B. Studying the application and granting the initial approval:

1. The procedures set forth in Article (6) of these Instructions shall apply with regard to the requirements for granting initial approval.
2. The Monetary Office takes the following criteria when studying and deciding on the branching application:
 - A) The extent of the institution's compliance with the legislation and laws in force and the regulations and instructions in force regulating the work of microfinance institutions.
 - B) The capital and ownership rights of the Corporation shall not be less than the minimum limits prescribed in these Instructions.
 - C) The Corporation's commitment to complete the licensing requirements for the previously approved branches within the specified period.
 - D) The soundness of the financial, administrative, organizational and supervisory position of the institution and its freedom from any excesses or fundamental violations.
 - E) Availability of an advanced accounting and financial system based on centralized data base and automatically linked between branches to meet all the requirements of the Monetary Office mentioned in Article (9) of these instructions.

C. Equipping the headquarters, granting final approval and practicing work in the branch:

1. The procedures set forth in Article (7) of these Instructions shall apply with regard to the requirements for granting final approval.

2. Obligation to pay the one-time lump sum license fee for the branch and the annual fees in accordance with the license fees specified in Article (21) of these Instructions.
3. Commitment to commence work in accordance with the requirements set forth in Article (7) of these Instructions.

Article (15)

Moving Headquarters and Branches

1. Procedures for applying for transfer approval:

- A. Submit a written request signed by the Chairman of the Board of Directors of the Microfinance Corporation regarding the transfer according to the form prepared for this purpose (**Appendix No. (4) - Request to transfer the head office / branch**).
- B. The application shall be accompanied by the following documents and documents:
 - 1) Approval of the Board of Directors of the Microfinance Corporation for the transition.
 - 2) Approval of the supervisory authority of the home country in the case of branches of foreign microfinance institutions.
 - 3) Reasons and justifications for the transition.
 - 4) The total expected cost of the relocation.
 - 5) The expected time period for the completion of the transition.
 - 6) The detailed plan for the transition process, and how to move the work from the old headquarters to the new headquarters, according to specific schedules, in order to ensure business continuity and uninterrupted services provided to customers.
 - 7) Organizational structure of the headquarters/branch in case there will be amendments to the current organizational structure.
 - 8) Lease contract or title deed for the new headquarters/branch.
 - 9) Any conditions and requirements that the Monetary Office deems necessary to consider the submitted application.

2. Studying the application and granting the initial approval:

- A. The procedures set forth in Article (6) of these Instructions shall apply with regard to the requirements for granting initial approval.
- B. The Monetary Office shall apply the same criteria set forth in Article (14) regarding the criteria for considering branching applications.

3. Equipping the headquarters and granting the final approval:

- A. The procedures set forth in Article (7) of these Instructions shall apply with regard to the requirements for granting final approval.
- B. MFI is committed to carrying out the transfer process according to the timetable to be determined and agreed upon, provided that the period does not exceed one year from the date of obtaining the initial approval.
- C. In light of the readiness statement, and the institution's commitment to complete all requirements, the final written approval for the transfer is granted, and after its issuance, the institution can start working at the new headquarters.
- D. A team from the Monetary Office conducts a field visit to the old headquarters to ensure that the institution evacuates the headquarters and removes all its belongings,

and the institution is not entitled to keep any belongings in the old headquarters except after obtaining the prior written approval of the monetary office.

- E. The Corporation is committed to informing its customers and the public of the transfer of its headquarters by announcing at the old headquarters in a prominent place and through its website and social media at least two weeks before the start of the transfer process, as well as after the completion of the transfer process, the same mechanism is done about the start of work in the new headquarters.

Article (16)

Temporary closure and permanent closure of headquarters and branches

1. Temporary closure

An MFI must comply with the following requirements and procedures when temporarily closing a headquarters or branch:

- A. Submit a written request from the Chairman of the Board of Directors of the Microfinance Corporation regarding temporary closure, according to the form specified for this purpose in (Appendix No. (5) - Request for Temporary Closure).
- B. The application shall be accompanied by the following documents :
 - 1) Approval of the Board of Directors of the Foundation for temporary closure.
 - 2) Approval of the supervisory authority of the home country in the case of financing institutions operating as branches of a foreign financing institution.
 - 3) Reasons and justifications for temporary closure.
 - 4) The organization's plan related to the temporary closure process, including the time period of closure, and how to deal with customer accounts and provide services throughout the closure period through an alternative branch, in order to ensure business continuity and uninterrupted services provided to customers.
 - 5) Any conditions and requirements that the Monetary Office deems necessary to consider the submitted application.
- C. The Monetary Office shall inform the Organization of its decision in writing approving or rejecting within one month from the date of completion of the temporary closure request, with an explanation of the reasons in case of rejection.
- D. In the event that the application is approved, the Organization shall initiate and complete the temporary closure procedures within a period not exceeding one year from the date of approval of the Monetary Bureau as a maximum.
- E. The Foundation is committed to informing its customers and the public at least two weeks before the start of the temporary closure process by announcing in a prominent place in the headquarters or branch to be closed and on the website and social media of the Foundation about the closure process until the end of the temporary closure period, in addition to announcing the temporary closure in the daily newspapers for the first three days from the date of the temporary closure.
- F. Upon completion of equipping the headquarters/branch, SAMA shall invite the Monetary Office to send a team to conduct a field visit to verify compliance with the requirements of temporary closure and compliance with equipping the headquarters/branch with the equipment and requirements specified in Article (8) of these instructions.

- G. The Organization shall resume practicing the activity through the temporarily closed headquarters / branch upon the end of the temporary closure period and the obligation to inform customers and the public of the date of re-practicing its activity in that headquarters / branch through the announcement by the same means and mechanism referred to in item (1/c) of this Article.
- H. SAMA shall pay all annual fees due from the temporarily closed headquarters/branch, and the Monetary Office may exempt the Organization from paying such fees throughout the closure period at the discretion of the Monetary Office.

2. Permanent closure

An MFI must comply with the following requirements and procedures when wishing to permanently close a branch of the MFI:

- A. Submit a written request from the Chairman of the Board of Directors of the Corporation regarding permanent closure according to the form prepared for this purpose (Appendix No. (6) - Permanent Closure Request).
- B. The application shall be accompanied by the following documents :
 - 1) The Board of Directors of the Microfinance Corporation approves the permanent closure.
 - 2) Approval of the supervisory authority of the home country in case of branches of foreign financial institutions.
 - 3) Reasons and justifications for permanent closure.
 - 4) The Corporation's plan regarding the permanent closure process, including the time period for the completion of the closure procedures, and how to deal with customer accounts and provide services through an alternative branch, in order to ensure business continuity and uninterrupted services provided to customers.
 - 5) Any conditions and requirements that the Monetary Office deems necessary to consider the submitted application.
- C. The Monetary Office shall inform the Organization of its decision in writing approving or rejecting within one month from the date of completion of the closure request, explaining the reasons in case of rejection.
- D. In the event of approval of the application, the Organization shall initiate the procedures for the permanent closure of the branch, provided that it is completed within a period not exceeding one year from the date of approval of the Monetary Office as a maximum.
- E. The Corporation is committed to informing its customers and the public at least two weeks before the start of the permanent closure process by announcing in a prominent place in the branch to be closed and on the website and social media of the Corporation about the permanent closure process, in addition to announcing this in the daily newspapers for the first three days from the date of starting the closure procedures, and directing customers to the alternative branch.
- F. The institution informs the monetary office of the completion of the closure procedures, and in light of this, a team from the cash office conducts a field visit to the closed branch to ensure that the institution evacuates it and removes all belongings of the institution.

- G. The institution is obligated to pay all annual fees due on the branch that was closed, and the monetary office may return the amount of fees for the remaining period of the year in which the branch was closed.
- H. These procedures shall not apply to the closure resulting from liquidation or cancellation of the license, which is regulated by the Monetary Office under special instructions issued by it for this purpose.

Article (17)

Liquidity requirements

The MFI must comply with liquidity requirements, in accordance with the criteria below:

- 1. Current Ratio:** The current assets ratio of the institution should not exceed 200% of the current liabilities that mature within one year.

Trading ratio measures the ability of an organization's current assets to meet and repay current liabilities that mature within one year.

Current assets are assets that can be liquidated during a year without realizing losses, such as cash and cash equivalents (bank balances), negotiable securities, advance expenses, unreceived accrued revenues, tax advances, and claims under collection.

Current liabilities that mature within a year include debts and loans owed to others, salaries, rents, taxes, interest and commissions payable to others, income received in advance, and any other outstanding expenses.

The trading ratio is calculated according to the formula below:

$$\text{Turnover} = \text{Total Current Assets} / \text{Total Current Liabilities} \leq 200\%$$

$$\text{Current Ratio} = \text{Total Current Assets} / \text{Total Current Liabilities} \leq 200\%$$

- 2. Cash Ratio:** The liquidity ratio of the institution must not be less than 100% of current liabilities.

The liquidity ratio measures the ability of an institution to pay its current obligations at the same moment in which it calculates the ratio, so current assets are only taken into account cash and the like (balances with banks), and liquidable securities without achieving losses only. This ratio is calculated through the equation below:

Cash ratio = (cash + securities) / total current liabilities ≤ 100%

Cash Ratio = (Cash + marketable securities) / Current Liabilities ≥ 100%

Article (18)

Prudential criteria for the loan and financing portfolio

The MFI must comply with the requirements of the prudential standards below:

1. The outstanding balance of the total loan and financing portfolio granted to the Foundation's clients should not exceed 90% of the total equity and outstanding balance of debts (borrowing) and grants with the Corporation.
2. The total loans and financing granted to one customer shall not exceed the limits set out below:
 - A. The maximum amount of total loans or financing granted to any client shall not exceed (2%) of the MFI's equity or the total value of the outstanding balance of the loan and financing portfolio on the date of grant, whichever is greater.
 - B. The value of the outstanding balance of the total loans and financing granted to the individual or establishment shall not exceed (100,000) US dollars.
 - C. Loan granting procedures should be based on a methodology based on the expected cash flows of the loan and personality analysis, professional analysis of the underlying risks, and the availability of risk management procedures in accordance with good practices.
3. The ratio of the loan and financing portfolio to total assets should be between 60% and 85%.
4. Ratio of loans and non-performing financing to the total portfolio of loans and financing: should not exceed 5%.
5. The ratio of provisions against non-performing loans should not be less than 85%.

Article (19)

Requirements for periodic reports and financial statements submitted to the Monetary Office

1. All microfinance institutions shall provide the Monetary Office with reports, financial statements, and other information related to their activities periodically in accordance with Annex No. (7) – Financial Statements and Periodic Reports.
2. All MFIs shall send copies of the audited financial statements to the Monetary Office , in accordance with instructions issued by the Monetary Office.
3. The Monetary Office has the right to request the MFI to answer any issue, subject or inquiry regarding the reports and financial statements during the period it decides.

Article (20)

Field Inspection

1. The Monetary Office shall have the right to assign an inspector or inspection team to inspect any microfinance institution at any time to examine books, records, automated systems and financial statements. This mandate covers all MFIs and their branches operating in the Autonomous Administration, so that the inspection includes at least the following:
 - I. Verify the soundness of the financial position, capital adequacy, asset quality, business effectiveness, management evaluation, profit quality, and liquidity adequacy to meet legal and operational requirements.
 - II. Evaluate the performance of internal control, preventive and corrective measures, financial control, and the compatibility of internal policies with the provisions of laws and instructions related to the management of various activities.
 - III. Verifying the integrity and efficiency of the automated systems used, the availability of bilateral control and separation of powers, the adequacy and accuracy of their outputs and their fulfillment of business needs and the requirements of the Monetary Office.
 - IV. Verifying the availability of policies, standards and work procedures that ensure the implementation of microfinance activities in their proper framework and the extent of commitment to them and updating them in line with developments in the work environment.
 - V. Verifying the efficiency of the department in managing risks, monitoring and controlling them, and employing and investing funds optimally for the benefit of the institution.

2. All microfinance institutions shall provide to the inspectors of the Monetary Office in charge of inspection and inspection all required books, records, accounts, documents, facilitating access to automated systems, and any other facilities they deem appropriate to complete the inspection and inspection task.

Article (21) License Fees

1. Amount of fees

The Monetary Office collects the following fees from MFIs:

A. Non-refundable license application fees:

For each branch	About Headquarters	Legal Form
100 USD	200 USD	Limited Liability Company/For-profit Company
50 USD	100 USD	Limited Liability Company/Non-Profit Company
250 USD	500 USD	Joint Stock / For-profit Company
150 USD	300 USD	Joint Stock / Non-Profit Company
250 USD	500 USD	Branches of a foreign microfinance company

B. Lump sum fees (one-time):

For each branch	About Headquarters	Legal Form
300 USD	1,000 USD	Limited Liability Company/For-profit Company
100 USD	500 USD	Limited Liability Company/Non-Profit Company
500 USD	2,500 USD	Joint Stock / For-profit Company
250 USD	1,250 USD	Joint Stock / Non-Profit Company
500 USD	2,500 USD	Branches of a foreign microfinance company

C. Annual Fees:

For each branch	About Headquarters	Legal Form
200 USD	700 USD	Limited Liability Company/For-profit Company
100 USD	350 USD	Limited Liability Company/Non-Profit Company

300 USD	1,500 USD	Joint Stock / For-profit Company
200 USD	1,000 USD	Joint Stock / Non-Profit Company
300 USD	1,500 USD	Branches of a foreign microfinance company

2. Fee Payment Date

A. Fees shall be paid at the Monetary Desk Fund as follows:

1. Application fees when submitting a new license application.
2. Lump sum fees (one-time) when the license is granted by a written notice issued by the Monetary Office before a new license is issued.
3. Annual fees at the beginning of the calendar year and no later than the thirty-first of January of each year.

B. A fiscal year is considered to be twelve months beginning on the first of January and ending on the thirty-first of December of each year.

C. The annual fees for the new branches are calculated on the basis of the percentage of the number of months of the first year and the calculation starts from the date of issuance of the final approval to practice the work and the fractions of the month are considered a full month for the purposes of calculating the fees.

D. The delay in paying the annual license fees beyond the thirty-first of January of the year leads to a doubling of the amounts overdue, but if the delay exceeds a period of thirty days from the thirty-first of January of the year, this leads to the temporary closure of the branch whose annual license fees are not paid, and it will not be allowed to reopen until after paying double the late license fees. Otherwise, the branch's license will be withdrawn and permanently closed and the institution will be obliged to pay the unpaid fees, and the monetary office may take the control measures it deems appropriate against the institution.

3. Fee Waiver

In the event that the Organization or any of its branches ceases to practice work under the prior approval of the Monetary Office, whether the suspension is permanent or temporary, the Board of Directors of the Monetary Office has the right, upon a reasoned request, to exempt the Organization from annual fees or part thereof from the date of closure until the end of the fiscal year or until the date of its return to work.

Article (22)

Interruption of the work of the institution

No microfinance institution may terminate or suspend its business in the areas of self-administration, or stop performing some or all of the work it practices and which are permitted in these instructions without obtaining the prior written approval of the Monetary Office, and the Monetary Office has the right to set the procedures and conditions for terminating the work in order to maintain financial stability in the areas of self-administration.

Article (23)

Anti-Money Laundering and Combating the Financing of Terrorism Requirements

All licensed MFIs must comply with the AML/CFT requirements referred to in the AML/CFT Law, particularly those related to international sanctions, including the Syrian Civilian Protection Act (Caesar Act as long as it is in force), in terms of complying with the following:

- A. Adopting electronic systems to examine the names of customers on international sanctions lists.
- B. Immediately suspend dealing and freeze the accounts and operations of names that are included in the international sanctions lists.
- C. Examine incoming and outgoing transactions and remittances to verify that the names associated with these transactions are not listed or linked to names listed on international sanctions lists.
- D. Verifying that transactions and transfers carried out for the benefit of its clients are not related to sectors covered by international sanctions lists.
- E. Inform the Anti-Money Laundering and Terrorism Financing Directorate at the Monetary Office, immediately and without any delay, of any operations associated or suspected of being associated with names listed on international sanctions lists, provided that the reported reports are accompanied by the balances of the transactions that have been frozen in addition to customer files (know your customer form, and transaction statements).

Article (24)

Confidentiality and non-disclosure requirements

1. The Monetary Office shall issue instructions regulating the confidentiality of information relating to MFI customers, their indebtedness and transactions, allowing, but only to the extent necessary, the following: (1) Exchange of information and data related to the indebtedness of MFI customers between MFIs, other non-bank financial institutions, and banks; (2) The availability of such information and data necessary for the effective granting of credit and risk management. These instructions shall ensure that such information and data is not disclosed publicly or to anyone who does not have The right and legal authority to access such information and data.
2. Except where disclosure is required by law or court order, or where disclosure is approved in writing by the customer concerned, it:

- A. All current and former directors and principal officers, employees, auditors, consultants and external contractors of the MFI Corporation must maintain the confidentiality of all information and documents related to clients obtained in the course of carrying out their duties.
- B. Such person may not disclose any such information or enable a third party outside the Bank to access it, unless such third party satisfactorily demonstrates that he has the right and legal authority to access such information and data.

The prohibitions in this paragraph (2) also apply to any person who has obtained such information or data by any means, including by virtue of his profession, employment or occupation, whether directly or indirectly.

- 3. Without prejudice to the general application of paragraph (2), the following cases shall be exempt in particular from the confidentiality requirements specified in paragraph (2):
 - A. Disclosure of information to persons working in the Financial Control Department at the Monetary Office and to external auditors as necessary or appropriate to enable such persons to carry out their duties in accordance with the Monetary Office Law and the relevant regulations and instructions.
 - B. Disclosure of information and documents that may be requested by the Monetary Office or its employees in connection with conducting legal supervision activities on financial institutions.
 - C. Disclosure of information to the Anti-Money Laundering and Combating the Financing of Terrorism Unit of the Monetary Bureau in accordance with the Anti-Money Laundering and Combating the Financing of Terrorism Law and/or the relevant regulations or instructions.
 - D. Disclosure and exchange of information relating to MFI customers, borrowers and their guarantors: (1) for use by the credit registry of the Monetary Bureau, or the Credit Bureau regulated by the Monetary Bureau; and/or (2) with banks, MFIs or any other companies or parties specifically approved by the Monetary Bureau, to facilitate the exchange of such information.
 - E. Under the prior written consent of the Monetary Office, when two or more MFIs are actively engaged in a potential merger or acquisition, the person(s) appointed by the boards of directors of the MFIs concerned shall have the right to exchange among themselves confidential business information – but only to the extent that

such information is necessary to assess the envisaged transaction. However, it is required: (1) non-disclosure of personal information to customers; and (2) persons who obtain such information shall strictly maintain the confidentiality of such information and shall be personally liable for any damages resulting from their negligence or willful disclosure of any such information to unauthorized third parties.

Article (25) **penalties**

Penalties shall be imposed on anyone who violates the provisions of these instructions in accordance with the penalties below:

1. Any individual who is the main owner or senior manager of a legal entity or organization that conducts the business of a microfinance institution without a license – or who does such business after the license is suspended or revoked – is subject to a fine not exceeding US\$20,000 or imprisonment for a term not exceeding one year or both.
2. Any person who deliberately withholds or fails to provide any document or information or makes a statement in any report, balance sheet or any other document or in any information required or provided under or for the purpose of any provision of these Regulations, and a person who knows or should have reasonably known to be false or misleading in any material aspect, commits an offence and is liable to a fine of up to US\$10,000 or imprisonment for one year, or both.
3. If any executive director , director or employee of an MFI mismanages the MFI's affairs or abuses his position for the direct or indirect benefit of himself or any of his partners or family members, he commits an offence and is punishable by a fine of up to US\$10,000 or imprisonment for two years or both.
4. The court may also order the person convicted and sentenced under paragraph 3 of this article to return to the microfinance institution any or all of the funds in question and other property acquired by him, his partners or family members.
5. Notwithstanding the foregoing, no one may be imprisoned except by order of a competent court after a full and fair trial, and the accused has the right to counsel.
6. All fines and penalties imposed under this Article shall be subject to administrative and judicial appeal in accordance with the laws governing such appeals.

Article (26)

License Cancellation

1. The Monetary Office has the right to revoke the license of the MFI in the following cases:
 - A. If the license was granted based on incorrect information contained in the license application or the documents attached to it.
 - B. If the Organization does not commence its work within the period specified in Article (7) of these Instructions.
 - C. If the Monetary Office finds from the basis of office and field control that the assets of the institution are insufficient to meet its liabilities.
 - D. If the institution ceases for a period of more than three months from granting microfinance loans.
 - E. If the Organization makes changes that affect the nature of its activity and work contrary to the terms of the license granted to it.
 - F. If the institution no longer has the minimum capital and reserves as determined by the Monetary Office or is no longer able to fulfill its obligations to its creditors.
 - G. If the institution repeatedly fails to comply with the provisions of the law, regulations, instructions and decisions regulating the work of microfinance institutions, and in a manner that poses a threat to the interest or financial stability in the areas of self-administration.
 - H. If the institution merges or transfers its ownership to another financial institution, part of its assets are sold without obtaining the prior written approval of the Monetary Office.
 - I. If the license of another finance institution is revoked in which 50% or more of the shares of that institution are held.
 - J. If the institution is declared bankrupt or decides to liquidate it.
 - K. At the request of the Foundation with the necessary voting majority.
2. The Monetary Office shall have the right to revoke the license of a finance institution operating as branches of a foreign company in the cases specified in paragraph (1) above of this Article in addition to the following cases:
 - A. If the license of the foreign company in the home country is revoked.
 - B. If it is proven that she is unable to continue working.

3. Cancellation or suspension of a license is, legally, tantamount to weakening or seizing a valuable property right. Consequently, such cancellation or suspension is subject to administrative and judicial appeal in accordance with the laws governing such appeals.

Article (27)

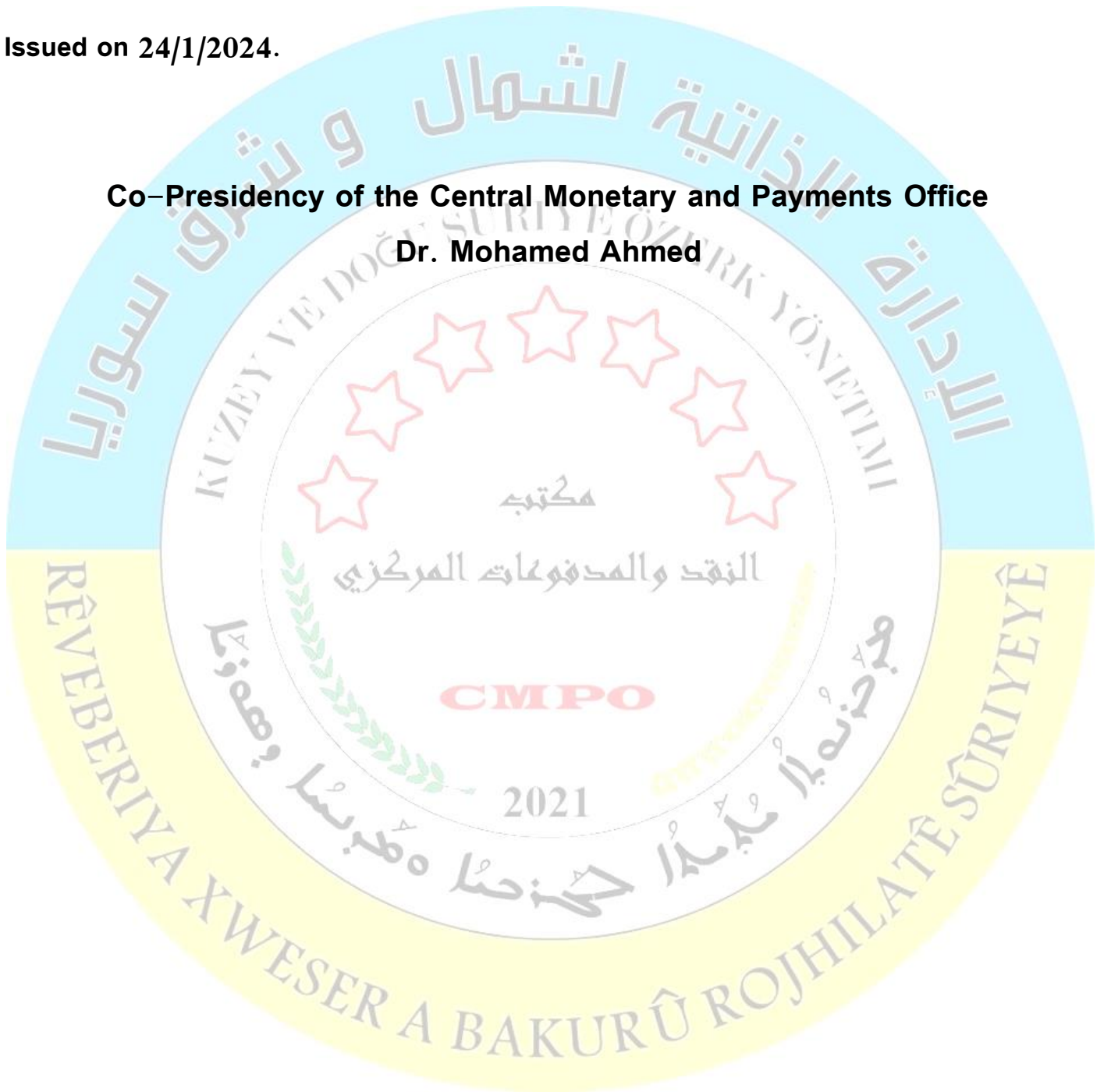
Validity and implementation

All competent authorities in the areas of the Autonomous Administration of North and East Syria, each within its competence, shall implement the provisions of these instructions and their provisions shall be applied from the date of their issuance.

Issued on 24/1/2024.

Co-Presidency of the Central Monetary and Payments Office

Dr. Mohamed Ahmed



Index of Appendices to the Instructions for Licensing Microfinance Institutions

Accessory Name	Attachment Number
Request for a Microfinance Institution License	1
Requirements for equipping headquarters and branches	2
Finance Institution Branching Request	3
Request to Transfer Headquarters or Branch	4
Request for Temporary Closure of a Headquarters or Branch	5
Request for Permanent Branch Closure	6
Financial statements and periodic reports of microfinance institutions	7

These supplements are an integral part of this instruction.

