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الإدارة الذاتية لشمال وشرق سوريا  
مكتب النقد والمدفوعات المركزي

الرقم:

التاريخ: ٢٠٢٤/ /

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. () dated 22/1/2024  
Co-Presidency of the Central Monetary and Payments Office

Resolves:

Bank Licensing Instructions

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:** A person who applies to the Monetary Office for a license to conduct banking business.

**Banking:** Activity involving the acceptance by licensed banks of deposits from the public or other sources of financing payable for the purpose of investment and granting credit, activities practiced by specialized banks and business carried out by Islamic banks, or any work permitted by law and these instructions.

**Bank: A** public shareholding company licensed to conduct banking business in the autonomous administrative areas of northern and eastern Syria in accordance with the provisions of the law and these instructions.

**Local Bank:** The bank headquartered in the Autonomous Administration areas of North and East Syria.

**Foreign Bank:** A bank whose head office is outside the autonomous administration areas of northern and eastern Syria and is licensed to practice banking business in the autonomous administration areas in accordance with the provisions of the law and these instructions.

**Branch or office:** The place of business, which is legally part of a bank and carries out all or some banking activities in accordance with these instructions.

**Representative Office: A** workplace that has obtained a license from the Monetary Office and whose activities are limited to providing information and related activities, studying markets and investment potential, without practicing any banking business.

**Parent Country:** The country of the foreign bank in which its general management and head office are located.

**Supervisory Authority in the home country:** The body or authority directly responsible for supervising the departments and branches of foreign banks in the country of the bank.

**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.

**Significant share:** Possession of a person or group of persons working together or having a common interest, or having a kinship up to the second degree who owns or owns, directly or indirectly, a percentage equal to or greater than (10%) of the company's shares or voting power.

**Interested parties:** Any person who has a direct or indirect material or moral interest in the bank as he may influence or be affected by the bank's procedures, objectives and policies, taking into account the varying degree of interest among them.

**Electronic banking:** The use of electronic means in the implementation of banking operations, producing the same legal effects as physical documents and documents.

**Mandatory Reserve:** A percentage imposed by the Monetary Office under instructions issued by it on the total deposits of customers with the Bank.

**Deposit:** Liquid cash or value collected under any means of payment that is deposited with the Bank by any person, and the Bank shall be free to dispose of them with its obligation to refund the same to the depositor unless otherwise agreed, provided that this is by virtue of a written agreement between the Bank and the Person specifying the nature of the deposit and the amount of interest or return, if any.

**Credit:** All types of financing forms and direct and indirect facilities granted by banks of all kinds, loans granted by microfinance institutions, bonds and debt instruments purchased by banks, as well as acceptances issued by banks or guaranteed by them, with the right of the bank to recover their amounts with their interest or returns and any other dues thereon.

**Financial leasing:** It is a type of financing contract under which the legal owner of an asset gives the right to another person to use it, in exchange for periodic payments on a regular basis called leased rent. The owner of the asset is known as the lessor and the person who uses the assets by making regular payments is known as the lessee. Lease financing is one of the main sources available for medium and long-term financing where a person obtains facilities in using the asset without buying it. Under this agreement, ownership of the asset remains with the owner (lessor) and the other person is granted only The right to use it. At the end of the lease, the tenant has the option to either renew the lease or purchase the asset. The parties sign the written document to enter into a legal relationship and if any party fails to abide by the contractual terms will face legal consequences.

**Bill of exchange:** It is a written order that is not attached to a condition, addressed from one person to another, and signed by its author, requesting the person to whom it is addressed to pay, upon request, on a specified or specifiable date in the future, a sum of money to, to a specified person or to its order or to its bearer.

**Commercial paper:** It is a document that represents a legally enforceable promise or order to pay a specific amount of money and is a means of exchange and facilitation of financial transactions that have specific characteristics such as negotiability and enforceability, these papers can be transferred from one party to another by ratification or delivery, such as checks, bills of exchange and promissory notes.

## Article (2)

### General Provisions

1. These instructions aim to regulate the licensing of local and foreign banks in the areas of the Autonomous Administration of North and East Syria.
2. It is prohibited for any person in the Autonomous Administration Areas to use the word "bank" or "bank" or their synonyms or any other similar expression in any language in his documents, publications, business 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, provided that a permit is obtained from the Monetary Office.
3. The representative office is allowed to use the word "bank" or "bank" if it forms part of the name of the foreign bank, provided that the term "representative office" is used in the body of the designation.
4. It is prohibited for anyone to carry out any banking business in the Autonomous Administration Areas without obtaining a prior written license issued by the Monetary Office.
5. It is prohibited to register any company whose purpose is to practice banking in self-management areas with the Registrar of Companies without obtaining the prior written initial approval from the Monetary Office.
6. The license to practice banking business is granted exclusively to a public shareholding company in accordance with the laws in force in the autonomous management areas, while foreign banks wishing to license as branches are granted the license in accordance with the provisions of the law.
7. The shares of the founders of the local bank shall not be less than (20%) of the capital and not more than (50%), and the rest of the capital shall be offered for public subscription, after obtaining the initial approval of the license.
8. The founders open an account with the Monetary Office under the name of "Bank under establishment" and the value of the shares paid by the founders after deducting the expected value of the incorporation expenses shall be deposited in this account.
9. Other subscribers shall pay the value of their subscribed shares in the bank account under incorporation at the Monetary Office.
10. In the event that the subscription to the capital is not completed, the PMO has the right to allow the founders to cover the rest of the capital, extend the subscription period, reduce the capital or cancel the license.

11. In the event that the subscription is completed, and the bank obtains the final approval, the monetary office transfers the capital deposited with it in the "Bank under Incorporation" account to the bank to keep it in its own safes and carry out its banking activities.
12. The share of the natural person shall not exceed 5% of the bank's capital, and the shares owned by the relatives of the natural person up to the second degree shall be included in the calculation of these percentages.
13. The Monetary Office shall issue instructions specifying the procedures to be followed to acquire an important share, including obtaining prior written approval from the Monetary Office.
14. No bank may terminate or suspend its business in the areas of self-administration permanently or temporarily, or stop performing some or all of the business it practices and which are permitted in accordance with the provisions of the law and these instructions without obtaining the prior written approval of the Monetary Office.
15. No local bank may open, transfer, suspend the work or close a branch or office inside or outside the Autonomous Administration areas, or open, transfer, suspend the work or close a representative office abroad, or convert a branch into an office, or vice versa without obtaining the prior written approval of the Monetary Office.
16. No foreign bank may open an additional branch or office, transfer, suspend business, close a branch or office in the areas of self-administration or convert a branch into an office or vice versa without obtaining the prior written approval of the Monetary Office.
17. No bank may initiate any arrangements for the establishment or equipping of any premises without obtaining the prior written approval of the Monetary Office, including for leasing or owning real estate.

### **Article (3)**

#### **Applications and conditions for granting a license**

1. Submit a license application in accordance with the procedures specified in Article (14) and Article (15) of these Instructions.
2. If the applicant wishes to establish a local bank, it must be regulated and registered as a joint stock company under the Companies Law (Law No. 6) of 2022, and must ensure that its Memorandum and Articles of Association comply with the applicable rules and

requirements issued by the Monetary Office. No amendments may be made to these documents without the prior written consent of the Monetary Office.

3. The Monetary Office shall grant the bank a license in light of the fulfillment of the following conditions:
  - A. The founders' committee complies with the law, regulations and instructions issued by the Monetary Office, and the relevant legislation in force in the autonomous administration areas.
  - B. Not to convict any of the founders or applicants of any of the crimes referred to in item (7/c) of this Article.
  - C. The proposed capital shall be commensurate with the nature, size and type of activity required, and the capital shall not be less than the minimum prescribed by the Monetary Office.
  - D. The feasibility study and future projections of the applicant's financial conditions are well documented and his financial assets are sufficient to support his activities and maintain sufficient liquidity at all times to ensure the integrity of operations.
  - E. The members of the founders committee, those in charge of establishing the bank and the external auditor shall meet the requirements contained in the law and the instructions issued by the Monetary Office, and the qualifications, competence, appropriate experience, financial solvency and good conduct according to the estimates of the Monetary Office in order to ensure the efficient and effective conduct of activities.
  - F. The majority of the members of the Board of Directors of local banks, and the principal officials of local banks and foreign banks must be permanent residents of the Autonomous Administration Areas, unless otherwise necessary and with the prior written approval of the Monetary Office.
  - G. The Chairman and members of the Board of Directors, including representatives of a legal person and key officers, may not be members of the Board of Directors, a principal officer or an employee of another bank operating within the areas of self-administration.
  - H. The Chairman and members of the Board of Directors or a principal officer may not be members of the Board of Directors of a non-banking financial institution operating within the Autonomous Administration Areas, without obtaining the prior written approval of the Monetary Office.

- I. A member of the Board of Directors must be at least 24 years old when holding the position of Board member.
- J. 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.
- K. The ownership structure and the organizational and administrative structure should not hinder the effectiveness of control.
- L. The accounting policies and procedures shall be appropriate for the financial activity and sufficient for the preparation of financial statements in accordance with the requirements of the law and the instructions issued by the Monetary Office.
- M. The additional conditions set out below shall be met as determined by the Monetary Office in the event that the applicant is an institution affiliated with a foreign bank, a foreign holding company or an expatriate bank seeking to operate in the Autonomous Administration Areas as a branch:
  - 1) Be subject to an appropriate level of control on a pooled basis by the supervisory authority of the home country.
  - 2) Approval of the supervisory authority in the home country to establish a subsidiary or branch.
  - 3) The parent bank shall submit a written undertaking confirming its responsibility for the obligations arising from its branches in the Autonomous Administration Areas and undertaking to ensure the solvency of these branches.
  - 4) The home country adopts the principle of reciprocity with regard to the opening of branches and companies of local banks, and the Monetary Office may require understandings with the supervisory authority in the home country on the exchange of financial information, risk management practices in the home country and other aspects of common interest.
  - 5) Be registered in accordance with the legal requirements for licensing foreign companies in autonomous management areas.
4. The granting of the license should not have a negative impact on the safety and stability of the banking system according to the estimates of the Monetary Office.

5. The Monetary Office may impose any other conditions it deems necessary to regulate banks and to ensure that the applicant complies with the provisions of the law, regulations, instructions and decisions issued pursuant thereto.
6. In the event of applying for a branch to a bank operating in the areas of self-administration, the Monetary Office shall have the right to apply any of the provisions contained in these instructions as it deems appropriate.
7. No person may be a member of the Board of Directors or a principal officer of a licensed bank unless he meets the following conditions:
  - A. To be reputable.
  - B. To have the academic qualifications, practical experience and competence necessary for the work of the bank, as determined by the Monetary Office.
  - C. He must not have caused the collapse or serious loss of a banking institution, a non-banking financial institution or any other institution in which he served as a principal officer or member of its board of directors.
  - D. He should not have been declared bankrupt or unable to pay his debts so that he became defaulting.
  - E. He shall not have been convicted by a court of a final judgment of any of the crimes of theft, fraud, embezzlement, forgery, slander, bribery, bad credit, any crime against honor or public morals, or any crime of money laundering and terrorist financing, unless he has been rehabilitated.
  - F. To meet the conditions determined by the Monetary Office under the relevant instructions.
8. Any person holding the position of a member of the Board of Directors, a principal officer or any employee of the Bank shall be suspended from his work during the investigation period of one of the crimes mentioned in paragraph (7/c) of this Article.
9. Any person holding the position of a member of the Board of Directors, a Principal Officer or any employee of the Bank shall lose his position in the following cases:
  - A. If he is convicted of one of the crimes mentioned in paragraph (7/c) of this Article.
  - B. If the Board of Directors of the Bank requests the dismissal of the Chairman or one of the members of the Board for justified reasons to protect the interests of depositors and shareholders.



- C. If (1) the person holds a position as a board member or principal officer of another type of institution and is required to be removed from that position by the relevant supervisory authority ; and (2) the Monetary Office determines that the reasons justifying such dismissal require, to protect the interests of depositors and shareholders, that he must also be dismissed from his position with the Bank.
- D. If he violates the provisions of the law, regulations, instructions or decisions issued pursuant thereto, if his violation exposes the bank to serious risks.
10. The Monetary Office shall have the right to issue a decision to dismiss a member of the Board of Directors or any key official or employee in licensed banks in the cases mentioned in paragraph (7/c) of this Article, in the absence of a decision issued by the competent authority, as well as in the cases mentioned in paragraph (9) of this Article.
11. It is forbidden for any employee to combine two jobs in any of the banks or non-bank financial institutions at the same time.

#### **Article (4)**

##### **Procedures for granting initial approval**

**The application shall be examined and the initial approval for a new bank license or the licensing of branches, banking offices, payment and collection offices shall be examined and transferred 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 a specification of the deficiencies that must be provided – if any – 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.
3. The Monetary Office shall take a decision on the submitted application within three months from the date of its completion, and the applicant shall be 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 necessary, for a period not exceeding three months and for one time, provided that the bank provides justification for this, and the initial approval granted shall be canceled if the procedures for commencing work are not completed within it.
6. The Monetary Office may reject any of the founders or candidates for membership of the Board of Directors of the local bank and candidates for the positions of key officials in the senior executive management of the local bank or in the regional management of the foreign bank or in branches and offices, if it is proven that the candidate does not meet the requirements contained in the relevant law, regulations and instructions.

#### **Article (5)**

##### **Procedures for granting final approval**

**The premises are prepared, the final approval is granted, and the work is carried out to license a new bank or to license branches, banking offices, payment and collection offices in accordance with the following procedures:**

1. The bank shall, after obtaining the initial approval, invite the Monetary Office for the preliminary inspection of the proposed premises, in preparation for obtaining approval to start equipping it.
2. Proceed with the processing of the headquarters in accordance with the requirements of Article (6) of these Instructions and the Annex of Equipment Requirements No. (11) attached to these Instructions, and any other requirements deemed necessary by the Monetary Office.
3. In the event that the processing of the headquarters is completed within the period specified in item (4) of Article (4) and item (5) of Article (4) of these Instructions, in the event that the PMC approves the extension of the deadline, the bank shall invite the PMC to visit the headquarters to inspect its readiness for the purpose of examining the extent to which all the required conditions are met in accordance with the processing requirements.

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 (٤) and (٥) of Article (٤) of these Instructions in the event that the SAMA Office approves the extension of the deadline

5. The Monetary Office shall complete the procedures for the readiness statement, and in light of the results thereof, the Monetary Office shall issue the final approval of the bank to practice its activity, provided that the following are available:

A. The approval of the Monetary Office on the Chairman and members of the Board of Directors and key officials

B. Provide proof of payment of the full paid-up capital.

C. Pay the annual license fees and the lump sum fees for the headquarters and branches in accordance with the requirements of Article (٢٨) of these Instructions

D. Providing an automated and advanced banking system to provide banking services and activities.

E. An audited statement of the incorporation expenses

F. The approval of the Monetary Office to appoint the general or regional manager, deputies or assistants, directors of departments, branch managers and their deputies.

G. Organizational and functional structure, job descriptions, work procedures and approved financial and administrative powers

6. The bank shall carry out its banking activities within six months from the date of obtaining the final approval.

٧. If the bank is unable to engage in banking business during this period, it shall justify in writing to the monetary office the reasons that prevented it from practicing banking business within the period specified above

8. If the Monetary Office is satisfied with the justifications provided by the bank, it may extend the period for another three months, non-renewable.

٩. If the bank to which the final approval has been granted does not conduct its business within the prescribed period, including the extension period, the license issued by the Monetary Office shall be canceled, and if the bank wishes to practice banking business 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 (6)**

#### **Requirements for equipping headquarters, branches and offices**

The bank shall comply with the requirements of equipping the premises, branches and offices in accordance with the fit-out requirements set out below:

**:Headquarters building, branches and offices equipment .1**

A. The entire headquarters area should be to meet the needs of the bank from departments and sections, receiving customers and providing multiple banking services, taking into account that it is a headquarters, branch or office.

The space allocated to customers should be commensurate with the headquarters .B  
.space

C. The external facades of the headquarters should be sturdy and impenetrable and built with reinforced concrete.

Preparing a fortified room in which the main safe is fixed and sub-cash boxes, daily .D  
work portfolios, original documents and files related to the bank's work, and safety  
.deposit boxes are kept

E. Installing suitable protections for windows that are difficult to break, preventing access to them inside the headquarters, branch or office.

F. Provides a fortified room for computer servers.

G. The space allocated to employees should be commensurate with the number of employees to enable them to carry out their work appropriately.

H. Provides public facilities at the headquarters to serve employees and customers.

I. Provides emergency exits for each floor.

J. Equipment suitable for people with special needs.

K. Car parks for the public dealing with the bank, including parking for people with special needs.

**2. Administrative and organizational aspects**

**A. The bank must provide the cash desk team with the following documents for the purposes of the initial readiness detection:**

1. Organizational structure of the headquarters and branches.
2. A copy of the tenancy contract or title deed.
3. A copy of insurance policies (insurance against fire, theft, assets, employees).
4. A list of internal phone numbers for all departments, departments and key officials.
5. Immunization certificate for fortified rooms approved by an accredited engineering office.

6. Security safety certificate issued by the Directorate of Civil Defense.
7. Linking agreement with the security services.
8. A technical report on the size of the operating capacity of the electric generator, the actual volume of energy charged to the generator, and the amount of fuel required to operate the generator in the event of a 30-day outage.

**B. Records and documents to be provided and shared with the cash office team during the initial examination visit:**

1. Policies, work procedures and internal regulations of the bank.
2. Job description and description for all administrative positions in headquarters, branches and offices.
3. Administrative and financial powers for all administrative levels in the headquarters, branches and offices.
4. Register of fixed assets (real estate, devices and equipment).
5. A list of the powers granted to the information systems.

**3. Technical, security, office and equipment**

**A. Computer Room Equipment: The following equipment must be provided for the computer room:**

1. A central server at the headquarters and servers for branches and offices linked directly with the central server.
2. A central backup power system (UBS) capable of operating electrical loads in headquarters, branch or office.
3. Availability of sufficient cooling system for the computer room.
4. Central automatic fire suppression devices and manual fire suppression devices inside the room.
5. Protection and anti-theft protection system inside the room.
6. In-room surveillance camera.
7. The presence of an insulated floor inside the room and elevated from the floor.
8. The presence of a secure access door system for the computer room automatically linked to a program that records the entry and exit of authorized employees according to their job numbers.

## **B. Backup System:**

1. Provides written policies and procedures for retaining additional copies.
2. Waterproof and fireproof safe to keep additional copies in the headquarters and branches inside the fortified room.
3. Keep additional backups in a safe place outside the headquarters, branches and offices.

## **C. Fortified safe room fittings:**

1. The fortified room should be built of reinforced concrete that is resistant to penetration.
2. Fire and theft resistant iron clips to save documents and documents in a sufficient number for the size of the activity of the headquarters, branch or office.
3. Security doors suitable for the fortified room and a secure entry system (Door Access) is automatically linked to software that records the entry and exit of authorized employees according to their job numbers.
4. Central automatic fire suppression devices inside the room and manual extinguishing devices.
5. Protection and anti-theft protection system inside the room.
6. Surveillance cameras inside and outside the room.

## **D. Tellers staff room(s):**

1. The presence of a (Door Access) system on the rooms is automatically linked to a program that records the entry and exit of authorized employees according to their job numbers.
2. It provides a separation counter between the teller and customers.
3. Anti-theft security system inside the room.
4. Surveillance camera inside and outside the room.
5. Money counting machines, counterfeiting detectors, and a cheque reader.
6. Desks and seats for employees.
7. An alarm bell near every Teller employee.
8. Computers and network computers with automated banking system.
9. Office equipment (calculators, printers, photocopiers, stationery and stationery, scanners).

10. Telecommunications network equipment: (intercom telephone exchange, staff telephones, fax machines, telephone recording devices).

**E. Emergency exit equipment:**

1. Emergency exits are available for each floor.
2. Internal and external surveillance cameras for emergency exits.
3. Durable doors for emergency exits.
4. Lighting signboards with emergency exits (working when the power is cut off).

**F. Customer Hall Equipment:**

1. Provide suitable and sufficient seating for customers in the waiting room.
2. An automated system to organize the role for customers.
3. A price panel for currencies, interest, commissions and fees charged on banking services.
4. Surveillance cameras for the hall.
5. Suitable air conditioning or heating.

**G. Protection and security equipment:**

1. Indoor and outdoor surveillance cameras.
2. A recording device for all cameras with enough storage capacity for a whole year and with high clarity.
3. A system of linking with the security services and civil defense.
4. Day guard (security staff work only and not assign them other tasks).
5. Anti-theft system.
6. Surveillance screens.
7. Fire alarm system and automatic fire suppression system.
8. Manual fire extinguishers.

**H. Generator Equipment:**

1. Availability of a generator suitable for the headquarters / branch / office.
2. The presence of fuel tanks for the generator sufficient to continue its work in the event of interruption for a period of not less than 30 working days.

3. It provides a convenient and safe place for the generator.
4. Provides fire alarm and fire extinguishing system (manual and automatic) for the generator.

**I. ATM equipment:**

1. Availability of at least one ATM machine at the headquarters/branch/office.
2. Equipping a fortified room for an ATM.
3. External surveillance cameras for ATMs.
4. Sufficient lighting and lighting for ATMs.
5. The presence of facilities for people with special needs to facilitate access and use.

**Article (7)**

**Constituent Assembly and General Assembly of Local Banks**

1. Banks shall obtain the prior written approval of the Monetary Office on the date of the meeting of the Constituent Assembly as well as each General Assembly and their agenda well before the date of the convening to be determined by the Monetary Office by a decision issued by it.
2. The meeting of the Constituent Assembly and any meetings of the General Assembly shall be attended by an authorized representative of the Monetary Office as an observer, and the delegate shall have the right to submit any observations or recommendations to the shareholders if he deems this appropriate in a manner that does not conflict with the provisions of the law in order to comply with the provisions of the law, the regulations and instructions issued pursuant thereto and any other relevant legislation.
3. The Monetary Office has the right to monitor the activities of the founding committees that precede the election of the Bank's Board of Directors.
4. The Monetary Office, in coordination with the competent authorities, has the right to invite the Bank's shareholders to hold the Bank's General Assembly meeting in the event that the Chairman and members of the Bank's Board of Directors do not comply with the invitation to hold the meeting in accordance with the Memorandum of Association, the Bank's bylaws or the relevant legislation, and to bear the related costs to the Bank.
5. The Monetary Office approves the decisions taken at the Constituent Assembly meeting and the General Assembly meeting, and they become effective from the date of ratification.

**Article (8)**

**Local Bank Board of Directors**



1. The executive management of each local bank shall be directed by a board of directors formed in accordance with the laws in force in the areas of self-administration and the bylaws of the bank.
2. In particular, the Board of Directors of the Bank shall have the following responsibilities and functions:
  - A. Setting objectives, formulating policies and developing the necessary strategies for the work of the bank, and approving the organizational structure of the bank, internal control systems and any other systems that regulate the work.
  - B. Adopting a comprehensive system to manage the risks to which the bank may be exposed, approving the appointment of a staff specialized in risk management, compliance control and internal audit, and ensuring that the executive management applies this system efficiently and effectively.
  - C. Follow up and monitor the various activities of the Bank, in accordance with the law, regulations, instructions and decisions in force, and the internal regulations of the Bank, and in line with the principles of sound institutional governance.
  - D. Election of a Chairman of the Board of Directors and one or two Vice-Chairmen.
  - E. Appointing the General Manager, Deputy General Manager of the Bank, and other key officials capable of managing the affairs of the Bank efficiently and effectively in accordance with the Bank's internal regulations.
  - F. Forming the necessary committees to supervise, plan and follow up on the activities of the Bank, determine their responsibilities and delegate them with the specified powers.
  - G. Any responsibilities specified by the law, instructions and decisions issued pursuant thereto by the Monetary Office, other relevant legislation, or the Bank's internal regulations.
3. The Chairman and members of the Board of Directors of the Bank shall perform their duties faithfully and confidentially, putting the interest of the Bank above any personal considerations when making decisions, and shall bear responsibility individually and collectively for any negligence or negligence that may cause harm to the Bank.

**Article (9)**

## **Bank Registration Procedures and Issuance of License Certificate**

1. The Monetary Office shall issue a license certificate to the Bank to conduct banking business, after completing the procedures and requirements for final approval.
2. The Monetary Office shall maintain a central register for the registration of banks of all kinds and non-banking financial institutions, in which all information relating thereto shall be 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 issued on a daily basis a list of all banks licensed to practice banking business in the Autonomous Administration areas and all non-banking financial institutions, and publishes any approvals for granting new licenses directly in the Official Gazette, in addition to publishing any changes that may occur on the list periodically, and the Monetary Office publishes this list and its updates on the website of the Monetary Office.

### **Article (10)**

#### **Banking business that banks are allowed to practice**

**Banks may conduct the following banking business and activities as determined by the Monetary Office:**

1. Accepting deposits of all kinds, whether with or without interest or returns.
2. Providing credit of all kinds and forms.
3. Financial leasing.
4. Buying and selling spot and forward money market instruments, debt securities, for his own account or for the account of clients.
5. Buying and selling debts, with or without recourse.
6. Providing clearing, settlement and collection services, money transfer, bonds, and payment instruments.
7. Buying and selling foreign currency.
8. Issuing and managing means of payment, including credit and debit cards, and cheques of all kinds.
9. Discounting bills of exchange and other commercial papers.

10. Providing banking services in accordance with the provisions and principles of Islamic Sharia, after obtaining prior written approval from the Monetary Office.
11. Providing custody services and managing valuables including securities.
12. Providing services as a portfolio manager, mentor and financial agent, or advisor.
13. Providing banking advisory services to customers.
14. Providing bancassurance services as an agent.
15. Providing financial information services.
16. Providing electronic banking services.
17. Interbank lending.
18. Managing subscription operations for the benefit of third parties, subject to obtaining the prior written approval of the Monetary Office.
19. Investing in property rights in accordance with the requirements of the law and the instructions issued by the Monetary Office.
20. Any activities derived from the above and any other financial activities approved by the Monetary Office, and do not conflict with the provisions of the law.

#### **Article (11)**

##### **Additional activities of Islamic banks**

**In addition to the permitted activities specified in Article (10) of these Directives, Islamic banks may practice the following additional activities:**

1. Banking activities that comply with the provisions and principles of Islamic Sharia.
2. Acting as a faithful undersecretary in the field of social services, providing good loans and managing funds allocated for social purposes.
3. Acting as a trustee for the administration of estates and the execution of wills in accordance with Sharia provisions.
4. Establishing companies in various fields, especially those necessary for Islamic banking activities, with the prior written approval of the Monetary Office.
5. Owning, selling, investing, renting and leasing real estate and property, including reclamation of owned or leased land, subject to obtaining prior written approval from the Monetary Office.
6. Establishing special risk protection funds for the benefit of the Islamic Bank or its customers, with the prior written approval of the Monetary Office.

7. Issuance and trading of Sukuk or any other Islamic financial instruments, subject to obtaining prior written approval from the Monetary Office.
8. Any other actions consistent with the instructions and decisions issued by the Monetary Office in a manner that does not conflict with the provisions and principles of Islamic Sharia.

## **Article (12)**

### **Prohibited acts**

#### **Banks are prohibited from doing the following:**

1. Entering into any transactions or practices of any kind that achieve, individually or collectively in agreement with other parties, a controlling position over the money, financial or foreign exchange markets in the areas of the Autonomous Administration.
2. Practicing commercial, industrial or any other business except as permitted in Articles (10) and (11) of these Instructions.
3. Owning or dealing in real estate or property by buying, selling or bartering, except:
  - I. The property designated for the management of the bank's business or to serve its employees, provided that such property does not exceed 20% of the bank's capital base, and in accordance with the instructions issued by the Monetary Office.
  - II. Real estate or property owned by the bank against the payment of a debt.
  - III. The Bank owns real estate and property in accordance with Article (10) Clause (3) of these Instructions related to financial leasing.
  - IV. Islamic banks own real estate and property for the purposes of practicing their banking activities, in accordance with Article (11) clause (5) of these Instructions.
4. Providing credit in any form to any person who is not residing in the areas of the Autonomous Administration in violation of the instructions of the Monetary Office in this regard.
5. Provide credit in any form to any person for the purpose of using it outside the areas of self-administration without obtaining the prior written consent of the Monetary Office.
6. Purchase of shares, bonds or any securities issued by institutions outside the areas of the Autonomous Administration without the prior written approval of the Monetary Office.

## **Article (13)**

### **Possession of movable and immovable property against the satisfaction of a debt**

Notwithstanding the provisions of Article (12) of these Directives, banks may possess shares or any movable or immovable property owned against a credit granted or purchased by them that defaulted and has not been paid, even if their value exceeds the percentage specified by the Monetary Office, and the bank shall in this case dispose of such shares or funds in accordance with instructions issued by the Monetary Office in this regard.

## **Article (14)**

### **New Local Bank License**

#### **1. Procedures and requirements for obtaining the initial approval:**

##### **A. Application Procedures and Requirements:**

1. The Founders Committee shall submit an application to the Monetary Office to license a new bank, including the headquarters of the General Administration and a minimum of one branch (the main branch) in accordance with the form prepared for this purpose (Appendix No. (1) – License of a new local bank).
2. Pay the non-refundable license application fee from the bank, the main branch and other branches, if any, in accordance with the banking licensing fees specified in Article (31) of these Instructions.
3. The application shall be accompanied by the following documents:
  - A. A list of the founders' quadruple names, the amount of their contribution, nationality, place of residence and curriculum vitae, including qualifications and experience, provided that the following are met:
    - 1) None of them has caused the collapse or serious loss of a banking institution, microfinance institution or any other institution in which he served as a principal officer or member of its board of directors.
    - 2) None of them has declared bankruptcy or been unable to pay his debts so that he became defaulting.
    - 3) He must not have been convicted by a court of a final judgment of the crimes of theft, fraud, embezzlement, forgery, slander, bribery, bad credit, crime against honor or public morals or any crime of money laundering and terrorist financing, unless he has been rehabilitated.

- B. A certificate of good conduct and a certificate of non-conviction for the founders and persons expected to be appointed to the positions of key officials of the bank issued in favor of the Monetary Office, provided that it is not more than three months old since its issuance.
- C. A list of the sources of movable and immovable property of each founder accompanied by a comprehensive financial statement.
- D. A statement of first- and second-degree kinship relations and interrelated and common commercial interests between the founders, so that the contribution of a natural or legal person or a group of persons working together directly or indirectly or having a kinship relationship up to the second degree shall not exceed 10% of the authorized capital of the bank, except with the prior written approval of the Monetary Office.
- E. A pledge from the founders that includes the following:
- 1) Covering at least 20% and not more than 50% of the bank's capital and allocating the rest of the capital for public subscription.
  - 2) Compliance with the laws in force in the areas of self-administration and the regulations and instructions issued by the Monetary Office.
  - 3) They shall bear jointly and severally the expenses of incorporation in the event that the establishment and publicity of the bank is not completed.
  - 4) Not to sell their shares or contributions before the lapse of one year from the commencement of the bank's operations without the prior written approval of the Monetary Office.
- F. An economic feasibility study including the future business plan and the expected estimated budgets for the first three years of the bank's work and the bases adopted in preparing this, provided that it includes at a minimum the following:
- 1) Sources of funding and investments.
  - 2) Establishment expenses and the mechanism of expenditure and control.
  - 3) Financial positions (balance sheets).
  - 4) Statement of profit and loss.
  - 5) Cash flows.
  - 6) Expected legal and monetary liquidity levels.

- G. The proposed organizational and administrative structure of the bank – headquarters and branches – and credit, financing and investment policies, risk management, internal control, compliance and combating money laundering and terrorist financing, in accordance with the laws and regulations in force in the areas of self-administration.
- H. Draft Memorandum and Articles of Association of the Bank (before being submitted for ratification by the Registrar of Companies).
- I. Lease contracts or title deeds for headquarters, branches and offices, provided that prior approval is obtained before renting or buying.
- J. Any other requirements, information or data that the Monetary Office deems necessary.

**B. Studying the application and granting the initial approval to the bank, the main branch and other branches:**

The procedures set forth in Article (4) of these Instructions shall be applied with regard to the requirements for granting initial approval.

**2. Procedures and requirements for obtaining the final approval of the bank, the main branch and other branches:**

- A. The founders' committee shall submit documents that confirm the actual payment of its shares in the paid-up capital, and the accounts in which the amounts have been deposited.
- B. The founders committee shall submit a statement of the incorporation expenses audited by an external auditor approved by the Monetary Office, explaining the percentage and reasons for deviation, if any, from the estimated expenses according to the feasibility study.
- C. Complete the registration procedures of the company (bank) in accordance with the Commercial Law and other relevant laws in force in the self-administration areas.
- D. Submit the proposed names for the membership of the Board of Directors and the proposed names to fill the positions of the General Manager, his deputies, assistants, directors of the basic departments, the main branch and other branches in the bank, accompanied by their curricula vitae and scientific and practical certificates for each

of them, noting that the approval of their appointment is linked to the prior written approval of the Monetary Office, provided that:

- 1) To be reputable.
- 2) To have academic qualifications, practical experience and competencies necessary for the work of the bank, in accordance with what is decided by the Monetary Office.
- 3) Not have caused the collapse or serious loss of a banking institution, finance institution or any other institution in which he served as a principal officer or member of its board of directors.
- 4) He should not have been declared bankrupt or unable to pay his debts so that he became defaulting.
- 5) He shall not have been convicted by a court of a final judgment of the crimes of theft, fraud, embezzlement, forgery, slander, bribery, bad credit, crime against honor or public morals or any crime of money laundering and terrorist financing, unless he has been rehabilitated.

E. The final organizational and administrative structure, job description, financial and administrative powers and work procedures for all departments of the Bank.

F. Providing an advanced banking system based on centralized data base and automatically linked between the center and branches to meet and comply with the instructions and requirements of the Monetary Office, provided that it meets the following requirements at a minimum:

1. A central database that includes the general administration and all branches and offices of the bank.
2. Able to centralize operations for all activities and services of the bank.
3. Able to provide ATM and electronic banking services.
4. Able to extract reports automatically for all the bank's activities and all currencies traded in the areas of self-administration.
5. Meet all reports determined by the Monetary Bureau under instructions.

**G. Equipping the headquarters, granting the final approval and practicing work for the bank, the main branch and other branches:**

1. The procedures set forth in Article (5) of these Instructions shall be applied with regard to the requirements and procedures for granting final approval.



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 (31) of these Instructions.
3. Commitment to commence banking business in accordance with the requirements set forth in Article (5) of these Instructions.

## **Article (15)**

### **New Foreign Bank License**

#### **1. Procedures and requirements for obtaining the initial approval:**

##### **A. Application Procedures and Requirements:**

1. The parent bank shall submit an application signed by the Chairman of the Board of Directors to license a new foreign bank to operate in the autonomous management areas as a branch of the parent bank, provided that it includes a regional administration headquarters and at least one branch (the main branch) in accordance with the form prepared for this purpose (Appendix No. (2) – License of a new foreign bank).
2. Pay the non-refundable license application fee from the bank, the main branch and other branches, if any, in accordance with the banking licensing fees specified in Article (31) of these Instructions.
3. The application shall be accompanied by the following documents:
  - A) Approval of the Board of Directors of the parent bank to operate as a foreign bank in the areas of self-administration.
  - B) Approval of the supervisory authority in the home country for the bank to operate in the autonomous management areas as a foreign bank.
  - C) The Memorandum and Articles of Association of the parent bank and its registration certificate duly certified by the competent authority in the home country.
  - D) The organizational and administrative structure of the parent bank and the proposed organizational and administrative structure of the branches of the foreign bank in the areas of self-administration, including the regional administration and the proposed branches approved by the Board of Directors, credit, financing and investment policies, risk management and internal control,

compliance and combating money laundering and terrorist financing, in accordance with the laws and regulations in force in the autonomous administration areas.

- E) The audited financial reports of the parent bank on its business for the last three fiscal years, and its capital adequacy model for the same period.
- F) An economic feasibility study including the future work plan and the expected estimated budgets for the first three years of the bank's branches and the bases that have been adopted in this regard, provided that it includes the following:
- 1) Sources of funding and investments.
  - 2) Financial positions (balance sheets).
  - 3) Statement of profit and loss.
  - 4) Cash flows.
  - 5) Expected legal and monetary liquidity levels.
- G) A certificate from the supervisory authority in the home country stating that the parent bank is subject to its supervision, financial solvency, ability to face risks, and compliance with the instructions and regulations issued by it (reassurance certificate).
- H) A pledge signed by the Chairman and members of the Board of Directors of the parent bank to:
- 1) The commitment of the branches of the foreign bank to work in accordance with the laws in force in the areas of self-administration and the regulations and instructions issued by the Monetary Office.
  - 2) Responsible for all the obligations of its branches in the Autonomous Administration areas and ensuring the solvency of these branches, and bearing the parent bank for any losses that may be caused to its branches in the Autonomous Administration areas.
  - 3) Transfer the entire capital allocated to its branches in the autonomous administration areas specified in the instructions of the Monetary Office, cover any deficit that may be caused to the capital, and not transfer any profits outside the areas of the Autonomous Administration without the prior approval of the Monetary Office.

- I) A certificate of good conduct and a certificate of non-conviction for persons expected to be appointed to the positions of key officials in the bank's branches in the areas of self-administration, issued in favor of the Monetary Office, provided that it is not more than three months old.
- J) Lease contracts or title deeds for headquarters, branches and offices.
- K) Any other requirements, information or data that the Monetary Office deems necessary, provided that all documents and documents are duly certified.

**B. Studying the application and granting the initial approval to the foreign bank, the main branch and other branches:**

The procedures set forth in Article (4) of these Instructions shall be applied with regard to the requirements for granting initial approval.

**2. Procedures and requirements for obtaining final approval for the foreign bank, the head branch and other branches:**

- A. Registration of the foreign bank with the Registrar of Companies in the Autonomous Administration Areas as a foreign company in accordance with the provisions of the applicable Commercial Law.
- B. Deposit a capital deposit with the Monetary Office equivalent to 10% of the minimum capital required for foreign banks to operate in the Autonomous Administration Areas in accordance with the capital instructions and submit the supporting documents for the transfer of capital allocated to the Bank's branches in the Autonomous Administration Areas.
- C. Provide the Monetary Office with the names proposed to fill the positions of the Regional Director, his deputies, assistants, directors of departments and branches in the areas of the Autonomous Administration, accompanied by their curricula vitae and scientific and practical certificates for each of them, noting that the approval of their appointment is subject to the approval of the Monetary Office, provided that:
  - 1) To be reputable.
  - 2) To have academic qualifications, practical experience and competencies necessary for the work of the bank, in accordance with what is decided by the Monetary Office.

- 3) Not have caused the collapse or serious loss of a banking institution, finance institution or any other institution in which he served as a principal officer or member of its board of directors.
- 4) He should not have been declared bankrupt or unable to pay his debts so that he became defaulting.
- 5) He must not have been convicted by a court of a final judgment of the crimes of theft, fraud, embezzlement, forgery, slander, bribery, bad credit, crime against honor or public morals or any crime of money laundering and terrorist financing, unless he has been rehabilitated

D. The final organizational and administrative structure of the foreign bank in the areas of self-management, job description, financial and administrative powers and work procedures for all departments and sections of the bank.

E. Providing an advanced banking system independent of the banking system of the parent bank and based on centralized data base and automatically linked between the head office in the areas of self-administration and its branches to meet all the requirements of the cash office, provided that it meets the following requirements at a minimum:

- 1) A central database that includes the regional administration and all branches and offices of the bank in the areas of self-administration.
- 2) Able to centralize operations for all activities and services of the bank.
- 3) Able to provide ATM and electronic banking services.
- 4) Able to extract reports automatically for all the bank's activities and all currencies traded in the areas of self-administration.
- 5) Meet all reports determined by the Monetary Bureau under instructions.

**F. Equipping the headquarters, granting the final approval and practicing work for the bank, the main branch and other branches:**

1. The procedures set forth in Article (5) of these Instructions shall be applied with regard to the requirements and procedures for granting final approval.
2. Pay the lump sum license fee (for one time) and the annual fees for the headquarters and branches in accordance with the license fees specified in Article (31) of these Instructions.

3. Commitment to commence banking business in accordance with the requirements set forth in Article (5) of these Instructions.

## **Article (16)**

### **Forms of branching and works allowed according to forms of branching**

#### **1. Forms of branching:**

The permitted forms of bank branching are as follows:

- A. Branch.
- B. Banking office.
- C. Marketing office.
- D. Payment and collection office.
- E. Representative office.

#### **2. Banking business allowed according to the forms of branching:**

The permitted banking business, activities and services according to the form of branching shall be as follows:

##### **A. Branches:**

- 1) Accepting deposits of all kinds, whether with or without interest or returns.
- 2) Providing credit and financing of all kinds and forms.
- 3) Financial leasing.
- 4) Providing clearing, settlement and collection services, money transfer, bonds, and payment instruments.
- 5) Buying and selling foreign currency.
- 6) Manage payment methods, including credit and debit cards, and checks of all kinds.
- 7) Discounting bills of exchange and other commercial papers.
- 8) Providing banking services, in accordance with the provisions and principles of Islamic Sharia, to Islamic banks after obtaining prior written approval from the Monetary Office.
- 9) Providing custody services and managing valuables including securities.
- 10) Providing electronic banking services.

- 11) Any activities derived from the above and any other financial activities approved by the Monetary Office, and do not conflict with the provisions of the law.

#### **B. Banking Offices:**

- 1) Accepting deposits of all kinds, whether with or without interest or returns.
- 2) Providing payment and collection services.
- 3) Buying and selling currencies.
- 4) Providing clearing, settlement and collection services, and money transfer.
- 5) Manage payment methods, including credit and debit cards, and checks of all kinds.
- 6) Providing electronic banking services.
- 7) Preservation of valuables.

#### **C. Marketing Offices:**

- 1) Opening accounts provided that deposit, withdrawal or any other banking services are not provided.
- 2) Marketing all banking products and services provided by the bank.

#### **D. Payment and collection offices:**

- 1) Providing payment and collection services for service institutions' fees.
- 2) Buying and selling foreign currencies.
- 3) Depositing and withdrawing from the accounts opened for the bank's customers, provided that the office does not open accounts.
- 4) Providing payment and collection services.

#### **E. Temporary Funds in Service Institutions:**

These funds are opened temporarily for a maximum of four months, non-extendable for the purposes of facilitating citizens such as municipalities, traffic departments, public sector institutions, insurance companies, universities and institutes, and others. Its business is limited only to providing payment and collection services collected by these institutions.

#### **F. Representative Offices:**

Studying local markets and investment possibilities without carrying out any banking business, in addition to following up the interests of the bank he represents in the areas of self-administration.

## **Article (17)**

### **Licensing branches and offices for local and foreign banks operating in autonomous management areas**

#### **1. Licensing branches, banking offices, payment and collection offices and marketing offices**

##### **A. Application Procedures and Requirements:**

1. Submit a license application signed by the Chairman of the Board of Directors of the Bank in accordance with the form prepared for this purpose (Appendix No. (3) – Application for branching local and foreign banks).
2. Pay a non-refundable license application fee in accordance with the license fees specified in Article (31) of these Instructions.
3. The application shall be accompanied by the following documents and documents:
  - A) The approval of the Board of Directors to open the branch or office.
  - B) The Chairman of the Board of Directors undertakes to open the branch or office within the period specified under the licensing instructions
  - C) Approval from the supervisory authority in the home country of foreign banks to branch out in the areas of self-administration.
  - D) An economic feasibility study for opening a branch or office, including estimated budgets for the expected financial situation for the next three years.
  - E) The proposed organizational structure of the branch or office in accordance with the rules of best practices for bank governance.
  - F) The proposed names to fill the positions of the branch / office manager and his deputy, accompanied by the CV and scientific and practical certificates of each of them, noting that the approval of their appointment is linked to the approval of the Monetary Office, provided that the requirements mentioned in Article (14) item (2/w) of these instructions are met.
  - G) Tenancy contract or title deed for the branch or office.

- H) 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 (4) of these Instructions shall be applied 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 bank's compliance with the legislation and laws in force, and the regulations and instructions in force and regulating the banking business.
  - B) The bank shall maintain the minimum paid-up capital and capital base and that the capital adequacy ratio of local banks shall not be less than the minimum prescribed by the instructions.
  - C) The allocated capital and the capital base of branches of foreign banks operating in the areas of self-administration and the percentage of their capital adequacy shall not be less than the minimum prescribed by the instructions, as well as the capital adequacy ratio of the parent bank shall not be less than the minimum prescribed by the supervisory authority in the home country.
  - D) The Bank's commitment to complete the licensing requirements for the previously approved branches within the specified deadline.
  - E) The soundness of the financial, administrative, regulatory and supervisory position of the bank and its freedom from any fundamental violations or violations.
  - F) Availability of a branch of the bank in the governorate in which it wishes to branch in the form of a banking office or a cash office.
  - G) Availability of an advanced banking system based on centralized data base and automatically linked between branches to meet all the requirements of the Monetary Office mentioned in Articles (14) and (15) of these instructions.
  - H) Commitment to meet all security and protection requirements for its departments, branches and offices, and to provide emergency exits to all floors of the headquarters when they wish to rent or purchase the construction of new headquarters, and equip their headquarters to suit people with special needs.



### **C. Equipping the headquarters, granting final approval and practicing work:**

1. The procedures set forth in Article (5) of these Instructions shall apply with regard to the requirements for granting final approval.
2. Obligation to pay the lump sum license fee (for one time) for branches or offices and the annual fees in accordance with the licensing fees specified in Article (31) of these Instructions.
3. Commitment to commence work in accordance with the requirements set forth in Article (5) of these Instructions.

### **Article (18)**

#### **License for Branch of Local Banks Abroad**

##### **A. Prerequisites for external branching:**

1. The bank's paid-up capital shall not be less than the minimum prescribed in accordance with the instructions of the Monetary Office, and its capital adequacy ratio shall not be less than 15%.
2. The results of the bank's business for the last three years should be profit and there should be no accumulated losses.
3. Formation of an external branching reserve of not less than the value of the capital allocated for external branching.
4. The bank's compliance with the laws, regulations and instructions in force in the areas of self-administration.
5. The bank should have an efficient and effective system of control, internal control and risk management.
6. Efficient and effective AML/CFT environment at the Bank.
7. The Bank undertook to assume its responsibility towards foreign branches in terms of their compliance with legislation and covering any losses they may incur.

##### **B. Application Procedures and Requirements:**

1. Submit the branch application signed by the Chairman of the Board of Directors of the bank according to the form prepared for this purpose (Appendix No. (4) – Application for an external branch license for a local bank).
2. Pay a non-refundable license application fee in accordance with the license fees specified in Article (31) of these Instructions.

3. The application shall be accompanied by the following documents:

- A) The approval of the Board of Directors to open the branch or office.
- B) An economic feasibility study for opening a branch or office, including estimated budgets for the expected financial situation for the next three years.
- C) The procedures of the host supervisory authority, the conditions for granting a license, the instructions related to the subjection of foreign branches to office inspections and field inspections by the parent supervisory authority and the periodicity of such activities.
- D) A written policy and procedures that regulate the relationship of the Bank's General Administration in the areas of self-administration with the Bank's external branches in terms of internal and external audit, compliance and combating the financing of terrorism (AML/CFT), risk management, inspection, and financial and administrative powers.
- E) The proposed organizational structure of the branch or office in accordance with the rules of best practices for bank governance.
- F) The proposed names to fill the positions of the branch or office manager and his deputy, accompanied by the CV and scientific and practical certificates of each of them, noting that the approval of their appointment is linked to the approval of the Monetary Office, provided that the requirements mentioned in Article (14) item (2/d) of these instructions are met.
- G) A written undertaking signed by the Chairman of the Board of Directors that includes the following:
  - 1. Compliance with the laws and any instructions issued by the Monetary Office regarding the external branch or the activity of the external branches.
  - 2. Comply with the laws of the host country and the instructions of the supervisory authority responsible for banks therein.
  - 3. Provide all the required data and reports from the Monetary Office about the activity of the branch or external office.
  - 4. Provide the Monetary Office with the following requirements regarding the external branch after starting work:

- A. Any losses realized by the Bank's external branches or offices and the failure of the Bank to cover such losses without obtaining the prior written approval of the Monetary Office.
- B. Transferring the profits of the branches and offices realized annually to its head office and showing this in the consolidated accounts of the bank, taking into account the instructions of the supervisory authority in the host country.
- C. Internal audit reports and external audit on the work of branches and external offices.
- D. Any directives from the host supervisory authority and any audit reports directly related to the work of branches and external offices.
- E. Final and interim financial statements of branches and external offices.
- F. Assessment of the Bank's General Management of the various risks facing its external branches and the adequacy of the provisions and reserves constituted.
- H) Tenancy contract or title deed for the branch or office.
- I) Any conditions and requirements that the Monetary Office deems necessary to consider the submitted application.

### **C. Study the application and grant approval**

1. The Monetary Office shall respond in writing to the bank within 30 days from the date of receipt of the application about its completeness or not, provided that the response includes specifying the deficiencies that must be provided to decide on the application.
2. The bank is given a period of three months from the date of response to complete the deficiencies, and in the event that they are not completed within this period, this is considered a waiver by the bank of its application, and it must submit a new application if it continues to wish to open the external branch.
3. The Monetary Office shall take a decision on the submitted application within three months from the date of its completion and inform the bank of its decision in writing, either approval or rejection, with an explanation of the reasons in case of rejection.

4. In the event that the approval of the Monetary Office is issued, the Bank shall proceed with the licensing procedures in the host country in accordance with the legislation in force therein, and the Bank shall provide the Monetary Office with the approval of the host supervisory authority upon obtaining it and the date of its commencement of work, and a statement of the expenses of establishing the external branch approved by the Bank's external auditor with an explanation of any deviations from the estimated expenses in the feasibility study.
5. The bank must obtain the prior approval of the Monetary Office for any trends towards the transfer, closure or temporary or permanent suspension of the branch or external office.
6. The bank must obtain the prior written approval of the monetary office to designate the branch manager or external office.
7. Obligation to pay the lump sum license fees (for one time) and the annual license fees in accordance with the requirements of Article (31) of these Instructions.

### **Article (19)**

#### **Licensing of Representative Offices Abroad for Local Banks**

##### **A. Application Procedures and Requirements:**

1. Submit an application for licensing a representative office abroad for the local bank signed by the Chairman of the Bank's Board of Directors according to the form prepared for this purpose (Appendix No. (5) – Licensing a representative office for a local bank).
2. Pay a non-refundable license application fee in accordance with the license fees specified in Article (31) of these Instructions.
3. The application shall be accompanied by the following documents:
  - A) The approval of the Bank's Board of Directors on the opening of the External Representative Office.
  - B) The feasibility study, business plan and activities will be carried out by the representative office to be licensed.
  - C) Procedures of the host supervisory authority, conditions for granting a license and instructions relating to the activities of representative offices.

- D) A written undertaking signed by the Chairman of the Board of Directors that includes the following:
- 1) Comply with the laws and any instructions issued by the Monetary Office regarding external representative offices or their activities.
  - 2) Comply with the laws of the host country and the instructions of the supervisory authority responsible for banks therein.
- E) The proposed organizational structure of the External Representative Office in accordance with the rules of best practices for bank governance.
- F) The proposed name for the position of Director of the Representative Office, accompanied by a CV and scientific and practical certificates.
- G) Tenancy contract or title deed of the office.
- H) Any conditions and requirements that the Monetary Office deems necessary to consider the submitted application.

**B. Study the application and grant approval:**

1. The Monetary Office shall respond in writing to the bank within 30 days from the date of receipt of the application about its completeness or not, provided that the response includes specifying the deficiencies that must be provided to decide on the application.
2. The bank is given a period of 30 days to complete the deficiencies, and in the event that they are not completed within the specified period, the bank's application is void, and it must submit a new application if it continues to wish to license the external representative office.
3. The Monetary Office shall inform the Bank of its decision in writing approving or rejecting within 60 days from the date of completion of the application for the representative office license, explaining the reasons in case of rejection.
4. In case of approval, the bank may proceed with the procedures for licensing the representative office in accordance with the requirements of the supervisory authority in the host country, provided that prior approval is obtained from the monetary office to name the director of the office.
5. The Monetary Office shall be provided with the final approval of the host supervisory authority on the opening of the Office and the date of commencement of its activity.

6. The bank must obtain the prior approval of the Monetary Office for any trends towards the transfer, closure, temporary or permanent suspension of the Representative Office.
7. Obligation to pay the one-time lump sum license fees and the annual license fees in accordance with the requirements of Article (31) of these Instructions.

### **Article (20)**

#### **Licensing Representative Offices of Foreign Banks in Self-Administration Areas**

##### **A. Application Procedures and Requirements:**

1. Submit an application to open a representative office for a foreign bank in the areas of self-administration signed by the Chairman of the Board of Directors of the bank according to the form prepared for this purpose (Appendix No. (6) – Application for licensing a representative office for a foreign bank).
2. Pay a non-refundable license application fee in accordance with the license fees specified in Article (31) of these Instructions.
3. The application shall be accompanied by the following documents:
  - A) Approval from the supervisory authority in the home country to license a representative office of the bank in the areas of self-administration.
  - B) The approval of the Bank's Board of Directors to open a representative office in the areas of self-administration.
  - C) The business plan and activities will be carried out by the representative office to be licensed.
  - D) A pledge signed by the Chairman of the Board of Directors of the Bank to open the representative office within the specified period and the commitment of the representative office to work in accordance with the laws in force in the areas of self-administration and the instructions of the monetary office.
  - E) The Memorandum and Articles of Association of the parent bank and the certificate of its registration in the home country duly attested.
  - F) The audited financial position of the parent bank for the last three years.
  - G) The proposed organizational structure of the Representative Office in accordance with the Code of Best Practice for Banking Governance.
  - H) The proposed name for the position of Director of the Representative Office, accompanied by a CV and scientific and practical certificates.

- I) Tenancy contract or title deed of the office.
- J) Any conditions and requirements that the Monetary Office deems necessary to consider the submitted application.

**B. Study the application and grant approval:**

1. The Monetary Office shall respond in writing to the bank within 30 days from the date of receipt of the application about its completeness or not, provided that the response includes specifying the deficiencies that must be provided to decide on the application.
2. The bank is given a period of 30 days to complete the deficiencies, and if they are not completed within the specified period, the bank's application is void, and it must submit a new application if it continues to wish to license the representative office.
3. The Monetary Office shall inform the Bank of its decision in writing approving or rejecting within 60 days from the date of completion of the application for the representative office license, explaining the reasons in case of rejection.
4. In case of approval, the bank may proceed with the procedures for licensing the representative office, provided that the office is equipped to start work within six months from the date of approval.
5. The bank shall invite the monetary office to reveal the readiness of the office to start work before the expiry of the granted period, provided that prior approval is obtained from the monetary office to name the office manager.
6. In the event that the bank does not meet the requirements to start working at the representative office within the time limit granted, the granted approval shall be considered null and void and the bank must submit a new application if it continues to wish to license the representative office.
7. In the event that the bank meets all the requirements, the cash office shall issue an approval to the bank to start working in the representative office in accordance with the work permitted to the representative offices and specified in these instructions, provided that the work commences within one month from the date of approval.
8. The bank is obligated to obtain prior approval from the cash office in the event that it moves to move or close the representative office or stop temporarily or permanently.
9. Obligation to pay the one-time lump sum license fees and the annual license fees in accordance with the requirements of Article (31) of these Instructions.

## **Article (21)**

### **Change the shape of the branch**

Licensed banks may change the form of branch, and in the event that the bank wishes to change the form of the branch for any of its branches or offices licensed by the Monetary Office, the bank must comply with the following procedures:

- A. Submit a request to change the form of branching signed by the Chairman of the Board of Directors of the Bank.
- B. It is not permissible to change the form of branching of the office of enrichment to any other form of branching.
- C. The application shall be accompanied by the following documents and documents:
  1. Approval of the Board of Directors to change the form of branching.
  2. Reasons and justifications for changing the form of branching.
  3. The total cost of changing the shape of the branching.
  4. The proposed organizational structure of the new branching form.
  5. Approval of the supervisory authority of the home country in the case of foreign banks.
  6. Any conditions and requirements that the Monetary Office deems necessary to consider the submitted application.
- D. In the event that the change in the form of branching will be accompanied by the transfer of the location of the branch/office, a transfer request must be submitted according to the form prepared for this purpose (Appendix No. 8 request for transfer of headquarters / branch / office), and attached to this application, and the same requirements related to the transfer of headquarters specified in these instructions apply to it.
- E. Studying the application and granting the initial and final approval:

The procedures set forth in these instructions shall apply regarding the licensing and transfer of branches and offices.

## **Article (22)**



## **Transfer of banks to their departments, branches and offices**

### **1. Procedures for applying for transfer approval:**

- A. Submit a written request signed by the Chairman of the Board of Directors of the Bank regarding the transfer according to the form prepared for this purpose (**Appendix No. (8) – request to transfer the head office / branch / office**).
- B. The application shall be accompanied by the following documents and documents:
- 1) Approval of the Bank's Board of Directors for the transfer.
  - 2) Approval of the supervisory authority of the home country in the case of foreign banks.
  - 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 transfer 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 banking services provided to customers.
  - 7) The organizational structure of the headquarters, branch and office in the event that there will be amendments to the current organizational structure.
  - 8) Lease contract or title deed for the new headquarters, branch and office.
  - 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 (4) of these Instructions shall be applied with regard to the requirements for granting initial approval.
- B. The Monetary Office shall apply the same criteria mentioned in Article (17) item (1/b) regarding the consideration of branching applications.

### **3. Equipping the headquarters and granting the final approval:**

- A. The procedures set forth in Article (5) of these Instructions shall apply with regard to the requirements for granting final approval.
- B. The bank 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 bank's commitment to complete all requirements, it is granted the final written approval for the transfer, and after its issuance, the bank can start operating at the new headquarters.
- D. A team from the Monetary Office conducts a field visit to the old headquarters to ensure that the bank evacuates the headquarters and removes all its belongings, and the bank is not entitled to keep any belongings in the old headquarters except after obtaining the prior written approval of the monetary office.
- E. Upon granting the initial approval for the transfer of a branch or office, the bank may not subsequently request the retention of the old headquarters for the purposes of the future branch.
- F. No bank may conduct banking business at the old and new headquarters at the same time.
- G. The bank is obligated to inform 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 a minimum of two weeks before the transfer process, as well as after the completion of the transfer process, the same mechanism is done about the start of work at the new headquarters.

### **Article (23)**

#### **Restructuring banks for their headquarters, branches and offices**

The Bank shall comply with the following requirements and procedures when it wishes to restructure its headquarters, branches or offices:

1. Submit a written request from the Director General or the Regional with the following:
  - A. The approval of the bank's board of directors on the restructuring of the headquarters, branch or office.
  - B. Reasons, justifications and expected cost of restructuring.
  - C. The action plan for the implementation of the restructuring, including the expected period for the completion of the restructuring process, and the bank's procedures to maintain the provision of its banking services through an alternative branch or office until the completion of the restructuring process.

2. If the restructuring requires temporary closure or transfer of the headquarters, the procedures set forth in these instructions regarding temporary closure and transfer shall apply.
3. The Monetary Office responds to the completed application within a month with approval or rejection with an explanation of the reasons in case of rejection.
4. If approved, the bank must commence and complete the restructuring process within the approved period.
5. Announcing to the public dealing with the bank not less than two weeks before the start of the restructuring process and directing them to an alternative branch or office to receive banking services.
6. Compliance with the requirements of equipping headquarters, branches and offices in accordance with these instructions.
7. Upon completion of the restructuring process, the cash office is invited to inspect the headquarters, branch and/or office to verify compliance with the fit-out requirements as instructed.
8. In the absence of observations of the cash office, the bank will announce to the public that it will resume work through the restructured headquarters, branch or office.

### **Article (24)**

#### **Temporary closure and permanent closure of headquarters, branches and offices**

##### **1. Temporary closure**

The Bank shall comply with the following requirements and procedures when it wishes to temporarily close a headquarters, branch or office:

- A. Submit a written request from the Chairman of the Board of Directors of the Bank regarding temporary closure, according to the form specified for this purpose in (Appendix No. (9) – Request for Temporary Closure).
- B. The application shall be accompanied by the following documents:
  - 1) Approval of the Bank's Board of Directors for temporary closure.
  - 2) Approval of the supervisory authority of the home country in the case of foreign banks.
  - 3) Reasons and justifications for temporary closure.

- 4) The bank's plan related to the temporary closure process, including the time period of closure, and how to deal with customer accounts and provide banking services throughout the closure period through an alternative branch/office, in order to ensure business continuity and uninterrupted banking services provided to customers.
  - 5) If the temporary closure is for restructuring purposes, the bank shall apply for restructuring in accordance with the requirements contained in these instructions.
  - 6) Any conditions and requirements that the Monetary Office deems necessary to consider the submitted application.
- C. The Monetary Office shall inform the bank of its decision in writing to approve or reject 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 bank shall initiate the procedures for closing the headquarters temporarily and completing them within a period not exceeding one year from the date of approval of the Monetary Office as a maximum.
- E. The Bank is obliged to inform the public at least two weeks before the temporary closure process by announcing in a prominent place in the headquarters, branch or office to be closed and on the Bank's website and social media 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, the Bank shall invite the Monetary Office to send a team to conduct a field visit to verify compliance with the requirements of temporary closure and the commitment to equip the headquarters, branch or office with the equipment and requirements specified in Article (6) of these Instructions.
- G. The bank shall resume practicing banking activity through the temporarily closed premises upon the end of the temporary closure period and shall be obliged to inform the public of the date of resuming its activity at that headquarters through the announcement by the same means and mechanism referred to in paragraph (1/c) of this Article.

H. The bank shall pay all annual fees due from the temporary closed headquarters, branch or office, and the monetary office may exempt the bank from paying such fees throughout the closure period at the discretion of the monetary office.

## 2. Permanent closure

The Bank shall comply with the following requirements and procedures when it wishes to permanently close a branch or office of the Bank:

A. Submit a written request from the Chairman of the Board of Directors of the Bank regarding permanent closure according to the form prepared for this purpose (Appendix No. (10) – Permanent Closure Request).

B. The application shall be accompanied by the following documents:

- 1) Approval of the Bank's Board of Directors for permanent closure.
- 2) Approval of the supervisory authority of the home country in the case of foreign banks.
- 3) Reasons and justifications for permanent closure.
- 4) The bank's plan regarding the permanent closure process, including the time period for the completion of the closure procedures, and how to deal with customers' accounts and provide banking services through an alternative branch/office, in order to ensure business continuity and uninterrupted banking 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 bank of its decision in writing to approve or reject within one month from the date of completion of the closure request, explaining the reasons in case of rejection.

D. If the application is approved, the Bank shall first inform the public as specified in paragraph (c) below and then proceed with the final closure of the branch or office. The bank must complete the closure process within a maximum period of one year from the date of approval of the monetary office.

E. The Bank is obliged to inform the public at least one month before the start of the permanent closure process by announcing in a prominent place in the branch or office

to be closed and on the Bank's website and social media about the closure process, in addition to announcing the permanent closure in the daily newspapers for the first three days from the date of commencement of the closure procedures.

- F. The bank informs the monetary office of the completion of the closure procedures, and in light of this, a team from the monetary office conducts a field visit to the closed branch or office to ensure that the bank evacuates it and removes all the bank's belongings.
- G. After the completion of the closure process, the bank shall notify the public by the same means and mechanism referred to in paragraph (2/c) of this Article.
- H. The bank shall pay all annual fees due from the closed branch or office, and the monetary office may refund the amount of fees for the remainder of the year in which it closed.
- I. These procedures shall not apply to the closure resulting from the liquidation or cancellation of the license, which is regulated by the Monetary Office under special instructions issued by it for this purpose in accordance with the provisions of Article (39) within three months of the issuance of these instructions.

### **Article (25)**

#### **Minimum Capital and Capital Adequacy Requirements**

1. The Bank shall comply with the following:
  - A. The paid-up capital should not be less than USD 15 million.
  - B. Maintaining the bank's capital adequacy ratio of not less than 13% of risk-weighted assets (credit, market, and operational), and the percentage is calculated according to the form prepared for this purpose according to instructions issued by the Monetary Office, and the ratio is measured on a quarterly basis.
2. The Monetary Office may increase the paid-up capital in proportion to the nature and size of the Bank's operations and the operations of its branches and subsidiaries, and as determined by the Monetary Office in view of the level of risk inherent in the Bank's assets and banking operations.
3. The bank that wishes to conduct banking business outside the areas of self-administration shall increase its capital adequacy ratio by (2%) from the limit prescribed in item (1/b) of

this Article, and the Monetary Office shall have the right to request the bank to increase this percentage to the extent it deems appropriate in view of the volume of the bank's business and its risks.

4. In the event that the bank's capital adequacy ratio falls below the minimum required in accordance with these instructions, the Monetary Office shall have the right to oblige the bank to raise its capital to the extent determined by the Monetary Office and to take the measures it deems appropriate to address this.
5. The bank is obligated to provide the monetary office with a capital adequacy calculation form on a solo basis and on a consolidated basis on a quarterly basis. The cash office shall be provided with the form on a semi-annual basis approved by the bank's external auditor.
6. The foreign bank shall provide the Monetary Office on a quarterly basis with the capital adequacy form of the parent bank no later than two months from the end of each quarter, provided that the Monetary Office shall be provided with the form on a semi-annual basis approved by the external auditor within a maximum of four months from the date of the financial statements.
7. The bank may not reduce or increase its capital without obtaining a written approval from the monetary office in accordance with instructions issued by the monetary office.

## Article (26)

### Liquidity requirements

Banks shall maintain the liquidity ratios determined by the Monetary Office in accordance with instructions issued by it, including the limits of liquidity ratios, their adequacy, the forms and mechanism of their calculation, and the procedures associated with them.

1. **Liquidity Coverage Ratio (LCR):** The ability of high-quality liquid assets (numerators) to cover cash outflows during a stress period and a 30-day scenario, which should not be less than 100% in all cases.
2. **Net Stable Funding (NSFR) Ratio:** The ratio of available stable funding to the total required stable funding, where banks must maintain this ratio to be at least 100% and continuously.

## Article (27)

## **Mandatory cash reserve**

1. The Monetary Office shall determine by instructions issued by it the requirements of the mandatory cash reserve on the total outstanding customer deposits with the Bank.
2. The mandatory cash reserve ratio is 10% of the total customer deposits with the bank.
3. The mandatory cash reserve shall be deposited with the Monetary Office in accordance with instructions issued for this purpose.

## **Article (28)**

### **Requirements for periodic reports submitted to the Monetary Office**

1. All banks shall provide the Monetary Office with reports, financial statements, and other information related to their activities periodically in accordance with instructions issued by the Monetary Office for this purpose.
2. All banks shall operate in accordance with advanced and credible automated financial systems that meet regulatory requirements, provided that the financial statements are kept in accordance with instructions issued by the Monetary Office.
3. All banks are required to register their operations and prepare their financial statements based on relevant international standards such as International Financial Reporting Standards, International Accounting Standards, Accounting and Auditing Standards and Controls for Islamic Financial Institutions.
4. All banks shall prepare audited financial statements reflecting the results of their operations and financial position as at the middle and end of each fiscal year in accordance with the disclosure requirements and instructions issued by the Monetary Office.
5. All banks shall send to the Monetary Office copies of the audited financial statements, the opinion of the external auditor and his letter to the Bank's management, in accordance with instructions issued by the Monetary Office.
6. The Monetary Office has the right to request reports on any of the Bank's subsidiaries or sister companies for the purposes of consolidated control over the Bank's activities.
7. The Monetary Office has the right to request the bank to answer any issue, subject or inquiry within the period it decides.

## **Article (29)**



## External Audit and Internal Audit

### 1. External Audit:

- A. Each bank shall appoint annually an external auditor licensed to practice the profession by official and professional bodies.
- B. Appointed by the General Assembly of the Bank, or its duly authorized representative, in order to audit the Bank's financial statements, books and accounting records in accordance with the International Auditing Manuals, International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and Accounting and Auditing Standards and Controls for Islamic Financial Institutions.
- C. The Monetary Office shall determine, by instructions issued by it, the provisions relating to the functions and responsibilities of external auditing and the controls and standards related thereto.

### 2. Internal Audit:

- A. Each bank shall establish an independent internal audit department that reports administratively and functionally to the bank's board of directors or a specialized committee emanating from it.
- B. The Monetary Office shall determine, by instructions issued by it, the necessary provisions for the internal audit of banks to ensure its efficiency, adequacy and independence.

### Article (30)

#### Field Inspection

1. The Monetary Office shall have the right to assign an inspector or inspection team to inspect any bank at any time to examine books, records, automated systems and financial statements, and this assignment shall include all banks, their branches, offices, and representative offices, operating in the areas of self-administration, so that the inspection shall include at least the following:
  - I. Validate the integrity 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 banking and lending activities in their proper framework and the extent of compliance with 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 bank.
2. All banks shall provide to the inspectors of the Monetary Office in charge of inspection and inspection all required books, records, accounts, documents and any other facilities they deem appropriate for the completion of the inspection and inspection task.
  3. The Monetary Office shall have the right to inspect the branches of local banks licensed to operate outside the Autonomous Administration Areas, and may accompany the inspectors of the supervisory authorities in the home country in inspection tours carried out at the branches of foreign banks operating in the Autonomous Administration areas in accordance with the memorandums of understanding signed with the supervisory authorities in those countries.
  4. The Monetary Office has the right to conduct an inspection of the companies affiliated with banks operating in the areas of self-administration when needed to ensure the achievement of consolidated control over the activities of the bank, and in the event that the company affiliated with the bank is subject to the supervision of another supervisory authority, the inspection of its work is carried out in accordance with the memorandums of understanding signed between the Monetary Office and those supervisory authorities.

#### **Article (31)**

#### **License Fees**

### 3. Amount of fees

The Monetary Office collects the following fees from banks:

#### A. Non-refundable license application fees:

1. An amount of 5,000 USD (five thousand US dollars) per new domestic or foreign bank license application.
2. USD 2,000 (two thousand USD) per branch/office license application.
3. An amount of USD 2,000 (two thousand USD) per representative office license application.

#### B. Lump sum fees (one-time):

1. An amount of 80,000 USD (eighty thousand US dollars) for each license of a new domestic or foreign bank.
2. An amount of 10,000 USD (ten thousand US dollars) for each branch license.
3. An amount of USD 7,000 (seven thousand US dollars) for each banking office license, payment and collection office, representative office or marketing office.

#### C. Annual Fees:

1. An amount of 15,000 USD (fifteen thousand US dollars) for the main branch of each bank.
2. An amount of 5,000 USD (five thousand US dollars) for each branch.
3. An amount of 3,000 USD (three US dollars) for each banking office.
4. An amount of 2,000 USD (two thousand US dollars) for each payment and collection office or representative office.

### 4. 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 by written notice issued by the Monetary Office prior to the issuance of a new license.
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 banking business, 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 doubling 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 or office whose annual license fees are not paid, and it will not be allowed to reopen it until after paying double the late license fees, otherwise the license of the branch or office is withdrawn and closed permanently and obliged. The bank shall pay the unpaid fees, and the Monetary Office may take the supervisory measures it deems appropriate against the bank.

#### **5. Fee Waiver**

In the event that the bank or any of its branches or offices cease to practice banking business under the prior approval of the Monetary Office, whether the suspension is permanent or temporary, the Board of Directors of the Monetary Office shall have the right, upon a reasoned request, to exempt the Bank 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 banking business.

#### **Article (32)**

##### **Suspension of the Bank's Business**

No bank may terminate or suspend its business in the areas of self-administration, or stop performing some or all of the work it practices and permitted in these instructions without obtaining the prior written approval of the Monetary Office, and the Monetary Office has the right to set procedures and conditions for termination of work in order to preserve the rights of depositors and the stability of the banking system in the areas of self-administration.

#### **Article (33)**

##### **Anti-Money Laundering and Combating the Financing of Terrorism Requirements**

All licensed banks must comply with the AML/CFT requirements referred to in the AML/CFT Law, especially 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 the international sanctions lists, provided that the reports are accompanied by the balances of the transactions that have been frozen in addition to the customer files (know your customer form, transaction statements).

#### **Article (34)**

##### **Confidentiality and non-disclosure requirements**

1. The Monetary Office shall issue instructions regulating the confidentiality of information relating to banking customers, their accounts and transactions, allowing, but only to the extent necessary, the following: (1) the exchange of information and data related to customer indebtedness between banks and non-banking institutions, ensuring that such information and data is not disclosed publicly or to any person who does not have the right and legal authority to access such information and data; (2) the availability of such information and data necessary for the granting of credit and effective risk management.
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 Bank shall maintain the confidentiality of all information and documents relating to customers obtained in the course of 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. In the event that the bank rejects the cheque payment request, the bank shall issue the cheque holder a statement of the reasons for the rejection.
  - D. 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.
  - E. Disclosure and exchange of information relating to bank customers, borrowers and their guarantors: (1) for use by the credit registry of the Monetary Office or the Credit Bureau regulated by the Monetary Office; and/or (2) with banks, MFIs or any other companies or parties specifically approved by the Monetary Office to facilitate the exchange of such information.
  - F. Under the prior written consent of the Monetary Office, when two or more banks are actively engaged in a potential merger or acquisition, the person(s) appointed

by the boards of directors of the respective banks shall have the right to exchange among themselves confidential business information – but only to the extent that such information is necessary to evaluate the envisaged transaction. However, it is required: (1) not to disclose personal information to customers; and (2) persons who obtain such information must strictly maintain the confidentiality of such information and be personally liable for any damages resulting from their negligence or willful disclosure of any such information to unauthorized third parties.

### **Article (35)**

#### **Corrective actions**

1. If, after conducting a procedurally sound investigation, the Monetary Office finds sufficient verifiable facts to justify and support the legal decision that: (1) the Bank has violated a provision of the Law, these Directives, or the terms of its license, or (2) that the Bank's activities have caused serious harm to, or threaten to cause serious and imminent harm, to depositors' funds or the integrity of the banking system, or (3) the Bank has engaged in practices that are considered unsafe or unsound under international standards and conventions, the Monetary Office may. Take one or more of the measures specified in paragraph (2) of this Article. However, provided that any such measures are proportionate to the nature of the offence, damage and/or practice in question and are not more restrictive or punitive than are required to rectify the situation.
2. The procedures that the Monetary Office may carry out in accordance with paragraph (1) of this Article shall include the following:
  - A. Issue a decision to the bank to immediately stop proceeding with the violation and take other appropriate urgent corrective actions as necessary.
  - B. Require the bank to develop and submit a corrective action program with a schedule of the actions it intends to take and/or a detailed description of the measures it has previously taken to address the violation and correct its situation.
  - C. Require the Bank to cease or limit (1) the establishment of branches, (2) the conduct of certain operations or activities, (3) the issuance of new credit facilities; and/or (4) transactions involving the acquisition of other assets or activities.

- D. Require the bank to deposit additional funds with the monetary office, with or without interest, for such time as the bank may reasonably need to correct the violation, damage and/or practice.
- E. If the Bank fails to take reasonable corrective action within 30 days from the date of being first notified of the problem by the Monetary Desk, the Monetary Office may suspend or restrict the Bank's participation in the Clearing House operations, payment settlement systems, or any other services provided by the Monetary Office to banking institutions.
- F. Imposing the penalties and financial fines specified in Article (36) of these Instructions.

### **Article (36)**

#### **penalties**

1. Anyone who violates the provisions of these Instructions shall be punished by a fine of not less than (3,000) three thousand US dollars and not more than (250,000) two hundred and fifty thousand US dollars, and the consequent civil or criminal liability in accordance with the provisions of any other legislation.
2. The Monetary Office has the right to institute criminal proceedings against the Chairman or any of the members of the Board of Directors, any key official or any of the Bank's employees in their personal or legal capacity, if they are proven responsible for squandering the Bank's funds and committing violations that directly threaten the financial position, reputation or stability of the Bank.

### **Article (37)**

#### **License Cancellation**

1. The Monetary Office has the right to suspend the bank's license in the following cases:
  - A. If (1) the license is granted based on materially misleading data and/or omissions in the license application or accompanying documents; and (2) misleading statements and/or omissions are such that the license could not be granted if the license application did not contain such data and/or omissions.
  - B. If the bank does not commence its business within the period specified in Article (5) of these Directives.



- C. If the Monetary Office finds from the office and field control that the Bank's assets are insufficient to meet its liabilities, and the Bank does not address the deficit within 60 days from the date of notification by the Monetary Office.
- D. If the bank ceases for a period exceeding three months to receive deposits or other funds payable upon request from the public or ceases to grant credit or financing of all kinds and forms.
- E. If he makes changes that affect the nature of his activity and work contrary to the terms of the license granted to him.
- F. If it no longer owns the minimum capital and reserves as determined by the Monetary Office or is no longer able to meet its obligations to its creditors.
- G. If the bank repeatedly fails to comply with the provisions of the law, regulations, instructions and decisions issued pursuant thereto, and in a manner that constitutes a threat to the interest of depositors or to the stability of the banking system in the areas of self-administration.
- H. If the bank merges or transfers its ownership to another bank or a part of its assets is sold without obtaining the prior written approval of the Monetary Office.
- I. If the license of another bank is revoked that owns 50% or more of the shares of that bank.
- J. If the bank is declared bankrupt or decides to liquidate it.
- K. At the request of the General Assembly of the Bank by the necessary majority vote.
2. The Monetary Office shall have the right to revoke the license of branches of a foreign bank in the cases specified in paragraph (1) above of this Article in addition to the following cases:
- A. If the license of its public administration and head office in the home country is revoked.
- B. If it is proven that he is unable to continue working.
- C. If it is unable to meet the public's demand for their deposits in the areas of the Autonomous Administration.
- D. If its public administration and head office are unable to meet the public's demand for their deposits in the areas of self-administration or in the home country.

### **Article (38)**

#### **Rights of appeal**

If the bank believes that the notice, penalty, order or action issued by the Monetary Office is not justified by law or facts, the bank has the right to appeal the order in accordance with the provisions in force in the Central Monetary and Payments Law No. (9) of 2021.

### Article (39)

#### **Special Instructions on the Procedures Governing the Restructuring, Liquidation and Closure of the Bank Due to License Revocation**

Within three months of the publication of these instructions, the Monetary Office shall issue special instructions regulating the following matters: (1) restructuring the bank, (2) liquidation of the bank, and (3) closure of the bank due to the cancellation of the license.

### Article (40)

#### **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

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**These supplements are an integral part of this instruction.**

