

# Mutual Evaluation Report 13<sup>th</sup> Follow-Up Report for Syria

Anti-Money Laundering and  
Combating the Financing of Terrorism

2 May 2018

The Syrian Arab Republic

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*This report provides an overview of the measures that The Syrian Arab Republic has taken to address the major deficiencies relating to Recommendations rated NC or PC since its last mutual evaluation. The progress shown indicates that sufficient action has been taken to address those major deficiencies, and in particular those related to R1, R3, R5, R13, R23, R26, R35, R36, SRI, SRII, SRIII, SRIV, and SR.V. It should be noted that the original rating does not take into account the subsequent progress made by the country.*

## **The 13<sup>th</sup> Follow-Up Report for the Syrian Arab Republic**

### **Request to Move from Regular Follow-Up to Biennial Update (Revised Version)**

#### **A. Introduction**

1. The 4<sup>th</sup> Plenary Meeting adopted the MER of the Syrian Arab Republic (Syria) on 15 November 2006. As a result, Syria was placed in a regular follow-up process according to the mutual evaluation process procedures. Syria submitted a number of follow-up reports as follows: The first follow-up report in May 2009, the second follow-up report in November 2009, the third follow-up report in May 2010, the fourth follow-up report in November 2010, the fifth follow-up report in May 2011, the sixth follow-up report in May 2012, the seventh follow-up report in November 2012, the eighth follow-up report in May 2013, the ninth follow-up report in November 2013, the tenth follow-up report in June 2014, the eleventh follow-up report in November 2014, and the twelfth follow-up report in April 2015. Syria has expressed its hope that the 22<sup>nd</sup> Plenary Meeting examines its request to move from regular follow-up to biennial updating.

2. This paper is based on the procedures of removal from the regular follow-up, as agreed by the 12<sup>th</sup> Plenary Meeting (November 2010) and the amendments on procedures adopted in the e-Plenary Meeting (August-September 2013). The report contains a detailed description and analysis of the measures taken by Syria with respect to the core<sup>1</sup> and key<sup>2</sup> Recommendations rated Non-Compliant (NC) and Partially Compliant (PC) in the above mentioned MER. It also contains a description and analysis of the other Recommendations rated (PC) or (NC). In Annex 1, we are including a list of the major laws and documents relating to AML/CFT system in the Syrian Arab Republic.

3. The procedure requires that the Plenary Meeting considers the removal of the country from the regular follow-up if it has, in the opinion of the Plenary Meeting, an effective AML/CFT system in force, under which the country has implemented the core and key recommendations at the level essentially equivalent to a C (Compliant) or LC (Largely Compliant) taking into consideration that there would be no re-rating.

4. Syria was rated PC and NC on a total of 34 recommendations:

Core Recommendations rated PC or NC
R1, R5, R13, SR2, SR4
Key Recommendations rated PC or NC
R3, R23, R26, R35, R36, SR1, SR3, SR5
Other Recommendations rated PC
R6, R11, R12, R14, R15, R16, R17, R22, R29, R30, R33, R37, R38, SR8
Other Recommendations rated NC
R21, R24, R25, R32, SR6, SR7, SR9

<sup>1</sup>The Core Recommendations according to FATF classification are: R1, R5, R10, R13, SR2, and SR4.

<sup>2</sup>The Key Recommendations according to FATF classification are: R3, R4, R23, R26, R35, R36, R40, SR1, SR3, and SR5.

5. As prescribed by the procedures of exiting the regular follow-up, Syria provided the Secretariat with a full report on its progress as of adopting the MER. Accordingly, the Secretariat drafted a detailed analysis of the progress made by Syria for the core and key recommendations rated NC or PC, as well as an analysis of the other recommendations rated NC or PC. The Secretariat provided the Syrian authorities with its report accompanied with a number of enquiries and requests. Syria has provided the Secretariat with all the documents and information requested during this process, and some comments provided by Syria were taken into consideration.

6. As a general note on all requests for removal from regular follow-up: This procedure has a paper based desk nature, and it is less detailed and thorough than a mutual evaluation report. The analysis focuses on the recommendations rated NC or PC, which means that only a part of the AML/CFT system is reviewed. Such analysis essentially consists of looking into the main laws, regulations and other material to verify the technical compliance of domestic legislation with the FATF standards. In assessing whether sufficient progress had been made, effectiveness is taken into account to the extent possible in a paper based desk review and primarily through a consideration of data provided by the country. Any conclusions in this report do not prejudice the results of the future assessments, as they are based on information which was not verified through an on-site process and was not as comprehensive as would exist during a mutual evaluation.

## **B. Main Conclusion and Recommendations to the Plenary Meeting**

### **Core Recommendations**

7. **R1 (Criminalization of Money Laundering):** Syria addressed the deficiencies pertaining to this recommendation through the amendment of Legislative Decree No. 33 for 2005 with Legislative Decree No. 46 for 2013. The original crimes list was expanded to include the twenty crimes designated in the Methodology. In addition, the illicit funds were defined to include any type of properties. Moreover, the predicate offenses were also extended to include the acts committed in another country. Accordingly, ML crimes are punished by law, even if the predicate offenses are committed outside Syria, if they constitute crimes according to both the country in which the crime is committed and the laws in force in Syria.

8. **R5 (Customer Due Diligence):** Syria addressed the deficiencies pertaining to this recommendation through issuing the executive instructions of the legislative decree which include a number of the key obligations concerning CDD. These amendments also include key obligations on all FIs concerning CDD measures, including identification of the customer and the beneficial owner, classification of customers according to the degree of risks, verification of the identity of the customers operating through agents, verification of the legal position of the legal persons or arrangement, and determination of natural persons who own the legal person or exercise ultimate effective control over them.

9. **R13 and SRIV (Reporting Suspicious Transactions):** Deficiencies pertaining to this recommendation have been addressed through the amendment of Legislative Decree No. 33 for 2005 with Legislative Decree No. 27 for 2011. All FIs are required to notify AML/CFT Authority with details about the transactions suspected to involve ML/FT, including attempts to perform such transactions. The persons subject to the law were required to report the

execution of any transaction suspected to be proceeds of a predicate offense, or funds related to terrorism or used by terrorists, terrorist organizations, or terrorism financiers.

**10. SR11 (Criminalizing of terrorist financing):** Syria addressed the deficiencies pertaining to this recommendation. Criminalizing FT through the amendment of the legislative decree with Legislative Decree No. 27 for 2011. This criminalizing conforms to the Convention of the Suppression of the Financing of Terrorism as it includes forms of collecting or providing funds, whether directly or indirectly, from legal or illegal sources with intention of using them, totally or partially, in committing a terrorist act or financing terrorist organizations or terrorists.

11. As a general result, it can be said that the level of compliance of Syria in these recommendations can be rated as equivalent to LC.

### **Key Recommendations**

**12. R3 (Confiscation and Provisional Measures):** Deficiencies pertaining to this recommendation were addressed through the amendment applied to Legislative Decree No. 33 for 2005 with Legislative Decree No. 27 for 2011. The amendment included stipulating the penalty of confiscation in ML/FT crimes. In addition, the amendments stipulated the authorities of the investigating magistrate, to whom the prosecution is filed, to carry out the investigations, collect the evidence, track and seize the funds related to the crime and its proceeds; and to take the precautionary measures including seizing the funds related to ML/FT crimes and its proceeds and media where it is used. Besides, the investigating magistrate has the authority to seize and freeze the funds related to crimes which proceeds constitute a source of illicit funds, and to continue the freezing of bank accounts frozen by the authority.

**13. R23 (Regulation, Monitoring and Follow-up):** Syria addressed the deficiencies pertaining to this recommendation through determining the entities that supervise the FIs subject to the law such as: Banking Supervision Department, Central Bank of Syria, Insurance Supervisory Commission, Syrian Stocks and Financial Markets Authority, Syrian Authority for Supervising Real Estate Financing, and AML/CFT Authority to ensure the compliance of the subject institutions with AML/CFT requirements. In addition, powers were granted to the supervisory entities on FIs and the AML/CFT Authority in order to activate its monitoring. Besides, AML/CFT Authority is granted the power to follow-up to the obligations set out in the legislative decree and executive instructions. Moreover, the competencies of the supervisory entities were defined in this field. Furthermore, supervisory entities establish the criteria related to the prevention of criminals and their associates from having an administrative job or owning - or having - an economic right or effective percentage in the capital of: financial or banking institutions, or non financial businesses and institutions. In addition, AML/CFT Authority conducts on documents and on-site inspections.

**14. R26 (Financial Intelligence Unit):** Syria addressed most of the deficiencies pertaining to this recommendation through updating the announcements and instructions issued by AML/CFT Authority (the -FIU) for DNFBPs, as well as the measures taken in order to protect the information stored at the Authority. It is worth mentioning that Syria still has to enhance the independency of the Authority.

15. **R35 (Conventions):** Deficiencies pertaining to this recommendation have been addressed by joining and ratifying the United Nations Convention against Transnational Organized Crime (Palermo) of 2000 by virtue of Law No. 14 for 2008, as well as continuing the execution of the Convention for the Suppression of the Financing of Terrorism through making the necessary legislative amendments to Legislative Decree No. 33 according to the international criteria concerning the definition of FT.

16. **R36 (Mutual Legal Assistance):** The deficiencies pertaining to MLA were addressed through amending Legislative Decree No. 33 with Legislative Decree No. 27 for 2011, allowing the Syrian judicial entities to cooperate with non Syrian judicial entities.

17. **SRI (Implementation of UN Instruments):** Syria addressed the deficiencies pertaining to the implementation of the UN instruments, through taking the necessary measures to execute the obligations included in the International Convention for the Suppression of the Financing of Terrorism, implement the Security Council resolutions No. 1373 (2001) and later resolutions, and issue executive measures to implement these resolutions.

18. **SRIII (Freezing and Confiscating Terrorist Assets):** Deficiencies pertaining to freezing and confiscating terrorist assets were addressed, with regards to defining an entity to freeze terrorist assets according to the UNSCRs. A national committee was established to undertake issuing instructions for implementing the obligations mentioned in UNSCRs 1267 and 1373. These regulations are represented in freezing the terrorist assets, the assets of persons defined by the UN Al-Qaida Sanctions Committee established by virtue of UNSCR 1267 (1999) and other relevant regulations, or persons defined with regards to UNSCR 1373 (2001) and other relevant regulations. This is in a relation to the instructions provided to the FIs and other persons and entities which may possess targeted funds or assets with regards to their compliance with taking measures pursuant to freezing mechanisms.

19. **SRV (International Cooperation):** The deficiencies pertaining to International Cooperation have been addressed in CFT filed. Legislative Decree No. 33 for 2005 amended with Legislative Decree No. 27 for 2011 included provisions on handling mutual legal assistance requests. This Legislative Decree has also included the execution of final judicial judgments issued by the foreign judicial entities according to regulations and procedures determined by the Syrian laws and systems in force; the international, regional, or bi-lateral agreements in which Syria is in party; or the principle of reciprocity.

### **Other Recommendations**

20. Syria addressed the deficiencies pertaining to other recommendations. It is worth mentioning that making the decision of the removal of Syria from the follow-up process is based on the core and key recommendations. This report does not provide a detailed analysis on other recommendations.

### **Conclusion**

21. The follow-up procedures indicate that, for a country that has taken the sufficient actions to be considered for removal from process, it must have an effective AML/CFT system in force, under which it has implemented the core and key recommendations at a level essentially equivalent to C or LC, taking into account that there would be no re-rating. The Plenary does, however, retain some flexibility with regards to the key recommendations if

substantial progress has also been made on the overall set of recommendations that have been rated PC or NC.

22. With regards to core recommendations, it can be said that the level of compliance of Syria on these recommendations can be rated at a level equivalent to LC at a minimum.

23. With regards to key recommendations, it can be said that the level of compliance of Syria on the overall recommendations can be rated at a level equivalent to LC at a minimum.

24. With regards to other recommendations where Syria was rated NC or PC, it can be said that the level of compliance of Syria on these recommendations in general is equivalent to a level of LC at a minimum.

25. With regard to the effectiveness, the Syrian authorities stated that 2 convictions in ML crimes were issued. They also stated that 232 convictions in FT crimes were issued in 2015. Syria provided statistics on the supervisory tasks carried out by Banking Supervision Department (banking control) on banks and money exchange offices and companies in Syria with regards to ML/FT cases from 2010 to 2015. Syria has also provided statistics on the reports received by the entities subject to the law. Such statistics show an increase in the number of reports, though the number of reports submitted by the subject entities is still low.

26. With regards to the efficiency of the supervising entities in monitoring FIs and DNFBPs, Syria has taken some steps to enhance the level of monitoring the FIs. A number of inspection tours were made to bank sector and exchange companies and houses. Syria has taken steps to activate monitoring on insurance companies and companies operating in the securities field. Similar steps were taken to enhance the monitoring level on DNFBPs.

27. As a result, and since the level of compliance of Syria with the core recommendations is rated at a level equivalent to LC at a minimum, and the level of compliance with the key recommendations is rated at a level equivalent to LC at a minimum, the Plenary Meeting may consider approving Syria's request to move from follow-up to biennial updating.

### **C. Overview of Syrian Arab Republic**

#### ***Overview of the Main Changes since the Adoption of MER***

28. Since the MER adoption, Syria has focused on the amendment of Legislative Decree No. 33 for 2005 relevant to AML/CFT. Legislative Decree No. 27 for 2011 and Legislative Decree No. 46 for 2013 were issued to address the deficiencies indicated in the MER. In addition, Syria issued the executive instructions of Legislative Decree No. 33 and many decisions related to the implementation of the requirements mentioned in Legislative Decree No. 33 and its amendments. Moreover, the Syrian authorities ratified joining United Nations Convention against Transnational Organized Crime (Palermo) by virtue of Law No. 14 for 2008.

#### ***The Legal and Regulatory Framework***

29. The legal framework of the AML/CFT system in Syria is based on Legislative Decree No. 33 for 2005 regarding AML/CFT amended by virtue of Legislative Decree No. 27 for

2011 and No. 46 for 2013. The issuing of the amended legislative decrees was made to amend some of the provisions of the AML/CFT law to address the deficiencies determined in the MER. Such decrees amended the legal framework of AML/CFT system in Syria; the amendment of illicit funds definition, the expansion of predicate offenses scope of ML offenses through adopting the list approach in determining predicate offenses, and setting key obligations of CDD measures to include all the financial and non financial institutions and designated professions. This is in addition to determining the regulatory and supervisory entities that ensure the compliance of persons subject to them with the requirements of law implementation and presenting suspicion reports to AML/CFT Authority.

In response to the inquiry raised during the 24<sup>th</sup> Plenary Meeting held in November 2016 regarding the competence of supervisory authorities to report suspicious transactions to the AML/CFT Commission, the Syrian Authorities wondered if what is actually meant is the extent of the supervisory authorities' commitment to report to the AML/CFT Commission any suspicious cases encountered during their work, as Article (9), paragraph (a) of Legislative Decree No 33, and its amendments, specifically stipulates that: "The parties referred to in articles 4 and 5 above, the internal auditors of public banks, the auditors of the Government Banking Commission of the Central Bank of Syria and legal inspectors of accounts must report immediately to the Chairman of the Commission or his deputy the details of operations suspected of concealing the laundering of illegal funds or the financing of terrorism, funds suspected to be the proceedings of any crime mentioned in paragraph (c) of Article (1) or funds related to terrorism or used by terrorist organizations or financiers of terrorism.

30. The Council of Ministers also issued the executive instructions of Legislative Decree No. 33 by virtue of the Prime Minister Decree No. 4867 for 2011 after issuing Legislative Decree No. 27 for 2011. The Council of Ministers amended the executive instructions by virtue of Decision No. 1311, dated 28 April 2014. Such instructions included multiple provisions relating to the application of the requirements mentioned in Legislative Decree No. 33 and its amendments. On the other hand, the Prime Minister issued Decision No. 12102, dated 25 August 2011, which includes the provisions for implementing the UNSCRs mentioned in Legislative Decree No. 33 and its amendments. He also amended such provisions by virtue of Decision No. 851, dated 13 March 2014. Moreover, the AML/CFT Authority issued a system to control banking and financial transactions in the banking and financial institutions operating in the Syrian Arab Republic and the free zones for AML/CFT purposes, by virtue of Decision No. 15 for 2015, dated 20 May 2015, which voids a number of decisions previously issued by the Authority.

31. The Insurance Supervisory Commission issued Decision No. 59/100/B.D, dated 9 November 2006, which includes AML/CFT instructions for the insurance sector. Furthermore, the Stocks and Financial Markets Authority issued the Decision No. 95, dated 16 September 2009, which includes AML/CFT instructions for financial stocks transactions, financial services and brokerage companies, and mutual funds.



## D. Review of the measures taken in relation to the Core Recommendations

### **R1: Rating (PC)**

***Deficiency 1: The illicit funds definition does not include the fact that it represents crime proceeds directly or indirectly.***

32. Article 1 (c) of Legislative Decree No. 33 for 2005, amended by Legislative Decree No. 27 for 2011 and Legislative Decree No. 46 for 2013, stipulated the definition of illicit funds as: funds proceeded or generated directly or indirectly from committing one of the crimes defined in the same paragraph; whether such crimes are committed on Syrian lands or elsewhere. Thus, Syria fully addressed the deficiencies pertained to this issue.

***Deficiency 2: The Legislative Decree did not include some of the designated classifications of the twenty crimes.***

33. Syria expanded the scope of predicate offenses of ML crimes through the amendment of the previous list methodology in AML law by adding the following to the list of predicate

offenses: FT crimes, illicit trafficking in stolen goods, environmental crimes, murder and grievous bodily injury, and trading and market manipulation. The following table shows the extended scope of the predicate offense in the Syrian law for the (20) designated categories according to the assessment methodology, where all (20) categories shall be criminalized:

**Table 1: List of ML predicate offenses and the articles criminalizing them in the Syrian Laws**

Category	Legislative Tool	Legal Articles Criminalizing the Act(s)
<b>Participation in an organized criminal group and extortion of funds</b>	Penal Code	Articles (325 – 326)
<b>Terrorism, including terrorist financing</b>	Penal Code AML/CTF Law	Articles (304 – 305) Articles (2 - 14 - 15)
<b>Trafficking in human beings and migrant smuggling</b>	Human Trafficking Law	Articles (4 - 7 - 8)
<b>Sexual exploitation, including sexual exploitation of children</b>	Human Trafficking Law Law No. 10 for 1961	Articles (4 – 5 – 7 – 8) Articles (4 – 5 – 6 - 7 – 8)
<b>Illicit trafficking in narcotic drugs and psychotropic substances</b>	Anti-Drugs Law	Articles (39 - 43)
<b>Illicit arms trafficking</b>	Legislative Decree No 51 for 2001	Articles (40 - 41)
<b>Illicit trafficking in stolen goods, and other goods</b>	Penal Law	Article (220)

<b>Corruption and bribery</b>	Penal Law Economic Penal Law	Articles (341 - 348) Article (17)
<b>Fraud</b>	Penal Law	Articles (641 - 646)
<b>Counterfeiting currency</b>	Penal Law	Articles (430 - 440)
<b>Counterfeiting and piracy of products</b>	Trademark Protection Law	Articles (61 – 62 - 63)
<b>Environmental crimes</b>	Environment Protection Law	Article 30
<b>Murder and grievous bodily injury</b>	Penal Law	Articles (533 – 536)
<b>Kidnapping, illegal restraint and hostage-taking</b>	Penal Law	Articles (478 – 481 – 500 - 501)
<b>Robbery or theft</b>	Penal Law Economic Penal Law	Articles (621 – 634) Article (10/b)
<b>Smuggling</b>	Customs Law Economic Penal Law	Articles (279 – 280) Article (27)
<b>Extortion</b>	Penal Law	Article (636)
<b>Forgery</b>	Penal Law	Articles (443 – 454)
<b>Piracy</b>	Naval Law	Articles (35 – 41)
<b>Insider trading and market manipulation</b>	Stocks and Financial Markets Supervisory Authority	Articles (17 – 18)

### **R5: Rating (NC)**

***Deficiency 1: Absence of laws and regulations that require the FIs to provide customer identification records to the person responsible of monitoring the compliance, other competent officials, and the competent authorities***

34. Article 5 (c) of Legislative Decree No. 30, dated 15 April 2010, on bank secrecy included the inadmissibility of using bank secrecy by any means when the entities assigned at the FIs performs verification of compliance with AML/CFT measures. Article 2 (e) of the executive instructions of Legislative Decree No. 33 for 2005, amended on 28 April 2014, granted the entity responsible of the compliance in the FIs the authority to view all customer data, accounts, and transactions, customers with numbered accounts in banks included. Besides, Article 14 of Decision No. 15 for 2015, regarding monitoring banking and financial transactions system in public institutions in the Syrian Arab Republic and the free zones, indicated the authority of the reporting officer to access freely and timely all the information in the banking and financial institution. This includes all customer data and documents, acquired in the framework of the due diligence process, their accounts and transactions. The reporting officer also has the authority to access customers with numbered accounts in banks, especially customer identification documents and all transactions records.

***Deficiency 2: The obligations related to customer identification verification applied in case of dealing through agents, and the verification of the legal situation of the legal persons or arrangement on the banks operating only in the country according to the definition mentioned in supervisory system. There are no supervisory instructions issued to insurance companies in this regard.***

35. Syria addressed the deficiencies pertaining to this recommendation through Article 2 of the executive instructions. This Article included obligating all financial and banking institutions in paragraph (b) of the Decision to ensure that the person claiming to act on behalf of the customer is a truly authorized person, and to identify and verify his identity. Paragraph (c) of the Decision obligates the financial and banking institutions, when implementing the CDD measures on legal customers or arrangement, to identify the customer through obtaining and verifying the following information: (A) Legal status and name, proof of corporation and actual existence, (B) systems that regulate and obligate the legal person or arrangement, and (C) name of the concerned persons in senior management positions at the legal person or arrangement, the headquarters address, and the headquarters of the activity, if it is different.

36. The system of controlling banking and financial transactions includes verification of legal customer identity and legal arrangements in details.

***Deficiency 3: The absence of legislative provision obligating insurance companies, exchange institutions, and other financial institutions other than banks with the following:***

- ***Verifying the identity of the beneficial owner when starting dealing with the institution***
- ***Identifying the natural persons owning the legal person or exercising ultimate effective control over them***
- ***Performing an ongoing supervision operation***

The executive instructions of Legislative Decree No. 33 for 2014 in Article 2 obligate all FIs to determine the owner of the economic right in a manner assuring that they have taken the reasonable measures to verify the identity of such persons. The executive instructions include detailed information about what financial and banking institutions are required to obtain regarding to legal persons and arrangements. This includes understanding ownership structure and actual control over customer and determining the natural persons who have actual ownership or control over the customer. CDD measures also include ongoing monitoring with regard to business relationship, auditing the transactions conducted during the establishment of the business relationship in order to make sure that the transactions, conducted during the business relationship flow, are consistent with the institution knowledge about the customer, its activities, and the risk nature. This includes, if necessary, knowing the source of funds, and making sure to update the information and data collected during the CDD measures. As well, the regulation of monitoring financial and banking transactions includes details on the information related to CDD and BO verification, particularly articles 22-37.

37. This regulation (Decision No. 15) has addressed, in addition to the previous articles, financial and banking institutions operating in the insurance sector as follows:

When undertaking CDD measures in insurance (life insurance, other investment insurance products), the following should be added:

- 1) Identify the beneficiaries of insurance contracts (life insurance, other investment insurance products), (whether natural or legal or legal arrangements). If the beneficiaries are identified through descriptions or categories (such as spouse, children upon the occurrence of the insured incident) or via other means (by virtue of will), you should obtain enough information on the beneficiary in a manner that the FI would be able to identify the beneficiary when paying the compensation.
- 2) Identify the beneficiary identity when paying the compensation.
- 3) To consider the beneficiary of the insurance contract as an associated risk factor of by financial and banking institutions when identifying if the enhanced CDD measures are applicable. If the financial and banking institutions have identified the insurance beneficiary, legal person or legal arrangement, and that he poses high risks, the enhanced CDD measures should then include reasonable measures to satisfy themselves that they have identified and verified the identity of the beneficial owner of the insurance beneficiary upon paying insurance indemnity.

38. Article 23 of Decision 15 (Parag e) requires banking and financial institutions in the insurance sector to verify that insurance brokers and agents have undertaken CDD measures; the ultimate responsibility lies on the institution itself. Same article (parag t) requires banking and financial institutions in the insurance sector to verify that banking and financial institutions have undertaken the CDD measures with respect to the incoming transaction whether locally or abroad, as well as verify that they do exist and are registered within the supervisory authority in the country where it operates.

***Deficiency 4: Lack of practical implementation of the legislative obligations regarding ongoing monitoring of customers' transactions in FIs, which contributes to the absence of mechanisms in several FIs to detect unusual transactions. The legislative provision and instructions in this regard are enforceable on banks only, without the rest of the other FIs currently operating other than banks.***

39. It was previously mentioned that Syria addressed deficiencies pertaining to this recommendation through amendments to the executive instructions of Legislative Decree No. 33 for 2005, amended in 2014. Furthermore, the authorities stated that supervisory authorities make sure to implement the obligations stipulated in the instructions concerning the ongoing monitoring of banks and the other FIs. This ensures that there are proper systems in those institutions to detect some of the unusual transactions. The guide of the on-site supervision of AML/CFT procedures, issued on 2011, addressed this issue.

40. The authorities provided the following statistics concerning the supervisory tours conducted by Banking Supervision Department (banking monitoring) during the past period:

Supervisory tasks carried out by Banking Supervision Department (banking monitoring) for banks operating in the Syrian Arab Republic							
Task type	2010	2011	2012	2013	2014	2015	2016
Comprehensive	9	5	0	0	1	0	0

Supervisory tasks carried out by Banking Supervision Department (banking monitoring) for banks operating in the Syrian Arab Republic							
<b>Purposeful</b>	395	435	450	469	490	319	438
<b>Urgent</b>	5	6	8	12	19	25	59
<b>ML</b>	15	15	18	18	19	19	4
Supervisory tasks carried out by Banking Supervision Department (banking monitoring) for exchange companies and offices							
<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>		<b>2016</b>
89	210	242	248	242	125		3374

41. The authorities also provided the following statistics concerning the supervisory tours conducted by the AML/CFT Authority regarding the supervisory tasks carried out by the Authority in banks, exchange companies, internal money transfer companies, insurance companies, and financial brokerage companies during the period (2011 – 2015):

Supervisory tasks carried out by AML/CFT authority						
	2011	2012	2013	2014	2015	2016
<b>Banks</b>	4	-	4	6	6	7
<b>Exchange Businesses</b>	7	21	2	13	-	-
<b>Internal Money Transfers</b>	3	2	5	7	-	13
<b>Insurance Companies</b>	3	-	-	-	2	-
<b>Financial Brokerage Companies</b>	-	1	1	-	2	-
<b>Total</b>	<b>17</b>	<b>24</b>	<b>12</b>	<b>26</b>	<b>9</b>	<b>20</b>

42. Supervisory tasks are divided into two categories according to the nature thereof:

**Comprehensive tasks:** Tasks carried out by supervisory authorities based on a prior timetable and a comprehensive study to determine the extent of the regulated institutions' commitment to legal and regulatory requirements and the adequacy of the policies and actions taken in this regard.

**Ad hoc tasks:** Tasks carried out by supervisory authorities based on particular cases, in the event where information about specific offenses are made available, in the event where the need to audit specific operations arises or in the event where the investigation of suspicious cases requires a field visit to the concerned institution.

43. The authorities also stated that the Stocks and Financial Markets Supervisory Authority conducts continuous daily monitoring on the financial brokerage companies through e-connection with Damascus Securities Exchange and through the daily data and information obtained from these companies. It also conducts inspection visits according to the actual work of these companies, whenever needed. The authorities have not provided any statistics on the inspection visits conducted by the Authority during the past period. Furthermore, the authorities stated that during 2014 the Insurance Supervisory Commission conducted 24 purposeful supervisory missions for monitoring the 12 insurance companies, with the rate of 2 inspection mission per each company.

44. As for the number of banks and money exchange companies, the authorities stated that the number of banks is (20) banks and the number of money exchange companies is (17) companies (entitled to sell, buy and exchange foreign currencies), while the number of offices is (36) offices (entitled only to sell and buy foreign currencies).

***Deficiency 5: Absence of binding instructions for insurance sector with regards to ensuring the update of documents, data, or information obtained by virtue of customer due diligence. In addition, FIs rarely update the customers' data in practices, and link this process with the risks that may be associated with customers.***

45. Deficiencies pertaining to this recommendation were addressed. Executive instructions of Legislative Decree No. 33 for 2005 and its amendments obligated all FIs (including insurance companies) to update documents, data, or information obtained by virtue of customer due diligence. Article 1 (CDD definition) obligated these institutions to ensure constant update of data and information collected during CDD, particularly with regard to high-risk customers.

46. Article 30 (d) of Decision No. 15 for 2015, including the control of banking and financial transactions system in the banking and financial institutions (including insurance companies), required ensuring of constant update of data and information collected during CDD measures (at least three years), particularly with regard to high-risk customers.

***Deficiency 6: No supervisory instructions issued to insurance companies to apply special diligence to some customers' categories or high-risk transactions. It was also found from the field visit that there was no practical implementation to these procedures in banks or insurance companies.***

47. Article 2 (h, i, and j) of the executive instructions of the amended Legislative Decree No. 33 for 2005, obligated all FIs, including insurance companies, to take special procedures and pay special attention to some high-risk transactions and customers. The instructions specified some of the high-risk customers and situations. In addition, Article 3 (a) of the executive Instructions obligates FIs to implement the enhanced CDD measures on high-risk customers. Article 24 of Decision No. 15 of the control of banking and financial transactions system also stipulated that FIs reports on the extent to which they are going to enhance the procedures taken on CDD level must be based on the risk description related to business relationship. This shall be performed in a manner in which enhanced CDD measures on high-risk business relationships are taken.

***Deficiency 7: Absence of supervisory instructions obligating insurance companies to notify AML/CFT authority when they are unable to fulfill all customer identification verification procedures, or in case a contradiction was proven between what was reported and the information obtained from another resources.***

48. Deficiencies pertaining to this recommendation were addressed. Article 3 (d) of the executive instructions of the amended Legislative Decree No. 33 for 2005 obligated all banking and financial institutions (including insurance institutions), in case they couldn't comply with CDD measures, not to start business relationships, execute transactions, or end business relationships; and to look into submitting suspicion transaction report (STR) in virtue of Article 7 of previous instructions.

49. Article 23 (f) of Decision No. 15 for 2015 regarding the control of banking and financial transactions system, obligated all the banking and financial institutions, in case they could not implement CDD measures, not to start business relationships, execute transactions, or end business relationships; and to look into submitting suspicion transaction report (STR) to the authority.

***Deficiency 8: No supervisory instructions were issued to insurance companies with regards to implementing CDD measures on current customers***

50. Article 3 (c) of the executive instructions of the amended Legislative Decree No. 33 for 2005, obligated all banking and financial institutions (including insurance institutions) to apply the CDD measures on their current customers on the basis of relative importance and risks, and implement CDD measures on the existing relationships at the right times. It shall be taken into consideration if CDD measures were previously implemented, when they were implemented, and the extent to which the information obtained is sufficient.

51. Article 29 (f) of Decision No. 15 for 2015, obligated all the banking and financial institutions to apply the CDD measures on their current customers on the basis of relative importance and risks. CDD measures shall also be implemented on such existing relationships at the right times. It shall be taken into consideration if CDD measures were previously implemented, when they were implemented, and the extent to which the information obtained is sufficient.

**R13 and SR IV (PC):**

***Deficiency 1: Absence of obligation on FIs to report in case the funds were related to terrorism, being used by terrorist organizations, or those who finance terrorism***

52. Syria has addressed the deficiency pertaining to this recommendation. Article 9 of the Legislative Decree No. 33 for 2005, its amendments, and Article 7 of the executive instructions obligated all banking and financial institutions to report the details on the transactions suspected to involve ML/FT, including attempts to perform such transactions; or report funds suspected to be proceeds of predicate offenses, which are related to terrorism or used by terrorists, terrorist organizations, or terrorism financiers.

***Deficiency 2: Absence of legislative provision obligating FIs to report the attempts to perform suspicious transactions***

53. The statement “including attempts to perform such transactions” mentioned in Article 9 of the previous Decree binds the FIs to report the attempts to execute suspicious transactions. Thus, Syria has addressed the deficiency pertaining to this recommendation.

***Deficiency 3: Poor efficiency of FIs to apply STR reporting obligation***

54. The authorities have taken a number of measures in order to raise the efficiency of the Syrian reporting system. The control of banking and financial transactions system issued by AML/CFT authority in Chapter X included STR reporting mechanisms. Moreover, Article 52 (b) included some indicators on the grounds of suspicious transactions. Article 53 of the system also included reporting requirements within FIs; in terms of the communication between FIs workers and the reporting officer; details of the required reporting process by FIs; and responsibilities of the reporting officer at FIs. Besides, Article 55 included external reporting requirements; in terms of obligating FIs to establish clear procedures in order to file reports on suspicious transaction to the Authority. Article 57 of the system also included FIs obligations after filing the report. The system attachments included a reporting form.

55. Moreover, supervisory instructions were issued for the insurance sector by virtue of Decision No. 59/100/B.D. This includes instructions specific to STR reporting. Furthermore, Stocks and Financial Markets Authority issued the Decision No. 95 for 2009 which includes AML/CFT instructions regarding the financial stocks transactions. The Decision obligated financial services and brokerage companies, and mutual funds to comply with law provisions, systems, and instructions issued pursuant thereto; and to promptly notify the Authority of any conducted transaction, or any attempt to conduct it. This shall take place in accordance with the method or form approved by the Authority.

56. Authorities stated that the information systems and software to detect suspected transactions and transfers on a large scale in banking and financial institutions similarly to those of the Group members. Also, Article 35 of Decision No. 15 requires banking and financial institutions to have monitoring information system that is appropriate to the volume and nature of its activities, their complexity and to ML/TF risks. The system should have the following features:

- 1) To cover all business relationships and transactions of banking and financial institutions made in their favor or in favor of their customers.
- 2) To be able to include updated and comprehensive data and information of the customer in the CDD process submitted from the institution to the customer.
- 3) Allow the banking and financial institutions to trace and analyze all its transactions and activities, particularly the business relationship with the customers.
- 4) Able to use criteria built on national and international expertise, as well as the institution's experience, related to AML/CFT techniques and identify unusual activities and transactions. The institution may use the criteria provided by the software developer; such criteria should reflect the risks status as identified by the risk assessment process that was conducted.
- 5) The criteria should allow for issuing notifications/alerts of unusual transactions and which should be assessed by the AML/CFT competent authority.
- 6) To manage the notifications/alerts issued with a view to provide all information on customers and transactions related to such notifications.



- 7) To provide accurate information to the BoD and Executive Management on all risks faced by the institution including any changes related to the customers transactions.
- 8) To provide all information and reports requested by the Commission during an appropriate period of time.

57. In addition to the foregoing, the system should be able to maintain an electronic copy of all records and documents provided for in parag (a) of article 37/Decision 15 (with respect to documents and record retention).

58. On the statistics level, the authorities provided the following statistics on the number of reports received by the authority:

Year	Exchange Companies and Internal Money Transfer Companies	Banks	Lawyer s	Supervisor y Entities	Other/Entitie s not Assigned to Report	Total Report s
2012	10	31	1	16		58
2013	14	45		4	3	66
2014	56	43	1	15	1	116
2015	13	83	-	16	-	112
2016	198	40	-	23	2	263

Through the statistics provided by the authorities, it is noticed that reporting cases by banks have increased during the part period, in addition to the increase in reporting cases in 2015. The Syrian Authorities indicated that all the above STRs related to suspected of ML/TF and Predicate offences crimes, considering the fact that CMLC receives according to the law STRs related to such crimes.

59. The authorities expressed the confusion regarding the parties lacking a reporting assignment and stated that supervising and monitoring DNFBPs is the responsibility of competent supervisory authorities, in addition to the supervising and monitoring role of the Authority. Article (6) of Resolution 1311 of the year 2014 regularizes the role of these authorities and the Authority is the party in charge of issuing commitment implementation special regulations for DNFBPs as per Article (5) thereof. This Authority is also in charge of monitoring the procedures of anti-money laundering and counter-financing of terrorism in the banks and the banking sector in cooperation with the competent supervisory authorities (government agency before banks).
60. The authorities provided as well statistics on the nature of the measures taken with respect to such STRs; and other statistics on the cases of life insurance contracts where the indemnity amount exceeds LS 10 million or whose premiums exceed LS 0.5 million; those should be reported by the insurance companies to the Commission as follows:

**Table on the STRs disseminated by type of measures taken**

<b>Year</b>	<b>Retention</b>	<b>Reporting to Public Prosecution and freezing banking accounts</b>	<b>Providing Information</b>	<b>Under follow up</b>	<b>Total STRs</b>
<b>2012</b>	18	8	30	2	58
<b>2013</b>	37	13	4	12	66
<b>2014</b>	41	4	3	68	116
<b>2015</b>	32	2	1	77	112
<b>2016</b>	14	9	1	239	263

**Table on the STRs disseminated by type of predicate offence**

<b>Predicate offence</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Stealing or misappropriating or appropriating public or private funds by means of robbery, theft or fraudulent means or their illegal transfer through accounting systems.	10	7	7	2	4
Counterfeiting of currency or other means of payment and securities of value.	14	8	6	4	7
Crimes of smuggling.	2				
Illegal trade in goods and foreign exchange.	3	6	5	23	7
Crimes of terrorism.	2				
Crimes of financing terrorism.	4	1	1	1	3
Illegal transfer of immigrants and piracy.	1				
Bribery and Extortion.		2			
Use of trademarks illegally.					1
Undefined	22	42	97	82	241
<b>Total</b>	<b>58</b>	<b>66</b>	<b>116</b>	<b>112</b>	<b>263</b>

**Table on the cases of life insurance contracts where the indemnity amount exceeds LS 10 million or premiums exceed LS 0.5 million**

	2012	2013	2014	2015	2016
Insurance contracts where the premium amount exceeds LS 500000	24	6	9	23	26
Insurance contracts where the indemnity amount exceeds LS 10000000	59	12	49	30	5
Insurance contracts where the indemnity amount exceeds LS 10000000 and the premiums amount exceeds LS 500000	12	11	6	9	0

**SRII: (PC)**

***Deficiency 1: The provision is overlooking the intention of using the funds, or knowing that it is to be used totally or partially by a terrorist or terrorist organization***

61. Syria addressed the deficiency pertaining to this recommendation, in accordance with Article 2 (b) of the Legislative Decree No. 33 for 2005 and its amendments, which defined FT crime as follows: Any act intended to provide or collect funds, whether directly or indirectly, from legal or illegal sources with intention of using them, totally or partially, in committing a terrorist act or financing terrorist organizations or terrorists in the territory of the Syrian Arab Republic or abroad, in accordance with the international, regional or bilateral laws and agreements entered into force in Syria. The previous provision addresses the criminalization of collecting or providing funds with intention of using them, totally or partially, by a terrorist organization or terrorist. Thus, Syria fully addressed the deficiency pertaining to this issue.

***Deficiency 2: Not considering FT crime as part of predicate offenses list leading to ML crime***

62. The Syrian authorities issued the Legislative Decree No. 46 for 2013 pertaining to AML/CFT. It introduced a number of amendments to the articles of Legislative Decree No. 33 for 2005, especially Article 1. A number of new offenses were added and they are considered as predicate offenses of the ML crime such as FT crime. Thus, Syria fully addressed the deficiency pertaining to this recommendation.

***Deficiency 3: Lack of evidence of the efficiency of the system along with unavailability of statistics***

63. The authorities stated that the Syrian courts issued a number of rulings with regards to FT over the past years as illustrated in the table below:

Year	2013	2014	2015	2016
Number of judgments	21	59	232	174

64. The authorities stated that it is perfectly normal to have a high number of terrorism financing conviction judgments since the Syrian Arab Republic has been subject for several years to serious terrorism attacks financed by internal and external sources.

### **E. Review of the Measures Taken in Relation to Key Recommendations**

#### **R3: Rating (PC):**

*Deficiency 1: Absence of an explicit provision stating that a specific power was granted to identify and trace property that may be subject to confiscation or suspected to be yielded from criminal proceeds*

65. Syria addressed the deficiency pertaining to this recommendation. Article 9 (d) of Legislative Decree No. 33 for 2005 and its amendments stipulated that the investigating magistrate, to whom the prosecution is filed, shall be given the right to exercise the powers granted to him pursuant to Penal Procedural Code (PPC). These powers are represented in conducting necessary investigations, collecting the evidence, tracking and seizing the funds related to the crime and its proceeds; and to take the precautionary measures including seizing the funds related to ML/FT crimes and its proceeds and media where it is used. Besides, the investigating magistrate is granted the powers to seize and freeze the funds yielded from crimes which proceeds constitute a source of illicit funds, and to release or continue the freezing of bank accounts frozen by the Authority.

*Deficiency 2: Lack of evidence on the efficiency of the system related to confiscating and freezing along with the unavailability of statistics*

66. The authorities provided the below statistics on frozen funds and stated that such statistics are related only to the value of banking accounts which were frozen by the Commission before referral to the Public Prosecution:

<b>Currency</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Syrian Pound</b>	15,766,245.91	49,739,967.67	435905.30	34125.00
<b>American Dollar</b>	3,880.95	47,993.47	6391	-
<b>Euro</b>	100	41,690.74	35	-
<b>Saudi Riyal</b>	-	86	-	-
<b>Qatari Riyal</b>	-	89	-	-

67. On the other hand, the authorities stated that the Syrian courts issued a large number of rulings with regards to freezing the funds related to FT, in addition to confiscation rulings. However, the authorities have not provided statistics on such rulings or the related funds due to the absence of an entity in the Justice or the Ministry of Justice that handles the statistics.

**R23: Rating (NC)**

***Deficiency 1: Non-activation of monitoring and supervising functions to Insurance Supervisory Commission, and Stocks and Financial Markets Supervisory Authority***

68. The authorities reported that they activated monitoring and supervising functions for Insurance Supervisory Commission through licensing and supervising its subject entities. The number of licensed insurance companies has reached 12 insurance companies. Moreover, Stocks and Financial Markets Supervisory Authority activated their functions through licensing and supervising its subject entities. The Authority licensed a number of financial brokerage companies. Currently, 7 companies work in this field. Each of the entities issued regulatory rules to monitor the subject entities, especially in the field of AML/CFT. Companies operating in the insurance fields and stocks companies are subject to the control of AML/CFT authority. They are also subject to the monitoring and supervision of the competent supervisory entities (Insurance Supervisory Commission, and Stocks and Financial Markets Supervisory Authority) in accordance with the executive instructions of the Legislative Decree No. 33 and its amendments. The authority follows up the compliance of these institutions with the instructions and procedures imposed in the Legislative Decree, the executive Instructions, and the control of banking and financial transactions system. Furthermore, the authority has the power to impose financial fines and penalties on the institutions violating the Legislative Decree and executive instructions.

***Deficiency 2: Non-submission of the unofficial exchange sector in Syria to regulations as well as establishing supervising and monitoring standards for registration and practice of activity, and considering taking deterrent procedures to those who did not apply for registration***

69. Syria regulated the money exchange business by virtue of Law No. 24 for 2006 and its executive instructions. Furthermore, the Syrian authorities indicated that 19 exchange companies and 54 offices were given the license to operate in Syria. Exchange institutions were also listed as part of the legally addressed financial institutions according to the definition of banking and financial institutions mentioned in the executive instructions of the Legislative Decree No. 33 and its amendments. In addition to the submission of these institutions to the monitoring and supervision of the Central Bank of Syria, exchange companies are subject to the monitoring of AML/CFT authority with regards to implementing the obligations mentioned in the Legislative Decree No.33 and its amendments, the executive instructions issued pursuant thereto, and the control of financial and banking transactions system. The executive instructions of the Legislative Decree No. 33 draws up the supervisory and monitoring powers granted to the supervisory and monitoring authorities, and AML/CFT authority. The competent supervisory entities inform the Authority under quarterly reports of the extent to which these institutions comply with the obligations imposed on them, and stipulated in the Legislative Decree, the executive instructions, and the regulations and instructions issued pursuant thereto. Moreover, those entities promptly inform the Authority of any seized violations in each institution. The Authority also follows up the monitoring procedures taken by the supervisory entities to monitor the compliance of the institutions with the obligations in the field of AML/CFT. Furthermore, it imposes administrative sanctions, financial fines, and corrective and remedial measures on the persons violating the obligations imposed on them by virtue of the Legislative Decree. This shall not prevent the supervisory entities from imposing the sanctions and fines stipulated in the laws relevant to those competent supervisory entities. The authorities stated that a list of sanctions that the Authority may impose on the violators is

currently being prepared to be approved by the Council of Ministers. The executive instructions offer the possibility of signing MOUs between competent supervisory entities and the Authority in this regard.

70. In order to combat unlicensed practitioners of banking activity and value transfer providers, the authorities reported that the competent security agencies prosecute unlicensed money changers and value transfer providers, and impose fines as well as take the necessary legal procedures with the regards to them. The authorities also reported that the Central Bank issued a set of circulars and decisions which substantially limited the unlicensed exchange activity. Moreover, the Central Bank issued a number of decisions in respect to the amendment of the monitoring systems of foreign exchange, which enhanced the activity of licensed exchange, especially in conducting business transactions. Furthermore, office regulatory forms were imposed on the transactions of licensed money changers to ensure the verification of the funds conversion made through banks and exchange companies, and to support AML/CFT procedures. The authorities provided the below statistics on the number of judicial prosecutions undertaken against the unlicensed exchanged activity during the past years:

Year	2011	2012	2013	2014	2015	2016
<b>Number of Judicial Prosecutions</b>	130	19	80	103	182	172

71. With respect to sanctions, the Syrian authorities reported that they may reach provisional imprisonment for a period of at least 3 years and maximum 10 years, and confiscating the seized funds (in cash) and any amounts recorded in electronic or papers registers or deeds that do have a financial value and with a penalty that is equal to three times the confiscated funds by virtue of article 25 of law No. 24/2006, amended by law No. 29/2012 and law No. 18/2013. The Secretariat was not made aware of the recent amendments made to the law referred to.

***Deficiency 3: Non-requirement of availability of the integrity and qualification elements in all key shareholders and board members of financial and banking institutions, not only banks***

72. The authorities reported that they set standards under which they require the availability of the integrity and capacity elements for all founders who submit requests to get a license for the exchange companies and those in charge of its management. The standards are divided into: standards on integrity and legal capacity, and standards on the experience in the field of Financial Action Task in the insurance sector, as well as the cooperation with security agencies and other tutelary entities in order to ensure the founders integrity and their clean record which won't prevent the approval of their licensing request.

73. The licensing system for the financial services and brokerage companies, issued by the Council of Ministers in 2006, included the criteria for those who apply for the activity of companies operating in the stock field. Moreover, Article 8 of executive instructions of Legislative Decree No. 43 for 2005 relevant to insurance sector required the availability of integrity, solvency, efficiency, and reputation in the persons requesting licensing.

***Deficiency 4: Non-activation of the compliance of the banking and financial institutions with the core principles of effective banking supervision, and application of the periodic inspection principle with its specific purpose on these institutions, this shall allow different supervisory entities to verify their compliance with the core business systems and AML/CFT standards***

74. The authorities reported that a program was put to work and jointly cooperate with Ministry of Finance to address the deficiencies in the evaluation report. It was put by a joint team from the World Bank and the International Monetary Fund to assess the extent of the banking and financial sector's compliance with the core principles of effective banking supervision issued by Basel Committee. The program included an action plan to improve compliance with these principles and to avoid any points of deficiency in this regard. The authorities stated that many deficiencies were avoided during the past period by modifying and setting controls that support and enhance the compliance of banks and financial sector, especially with regards to risk management. Since the greater part of deficiencies is only related to public banks, as referred by the team's report, a program of action was put and followed up to improve the situation of banks and obligate them to comply with the decisions of the Council for Money and Credit. The authorities also intensified the cooperation and coordination in order to find solutions for public banks' situation, and agreed on a timetable to obligate those banks to amend their conditions so that they can comply with all the issued decisions by the Council for Money and Credit in order to improve their performance and enable supervisory authority to exercise its role effectively. The authorities also reported that many positive results were realized over the past period, most notably:

- Focusing on the compliance with the basic principles of effective banking supervision by launching the plan for compliance with the committee resolutions, especially with what is mentioned in the Basel II and its amendments; and following-up public and private banks, and tracking that through regular quarterly meetings and reports
- Completing the framework of precautionary controls to monitor the banks and working on amending the existing legislation in conformity with the periodic practices and standards
- Focusing on proper governance practices in the banking sector to ensure good performance and greater transparency with stakeholders

75. It is worth mentioning that the authorities issued a guide, specific to banking institutions auditors, to carry out on-site supervision tasks pertaining to AML/CFT.

**R26: (PC)**

***Deficiency 1: Non-update of circulars issued to FIs and bank regarding reporting guidelines***

76. Syria addressed the deficiency related to this recommendation. It has updated the guidelines issued to FIs, banks, and other entities obligated to report in line with the amendment in the Legislative Decree No. 33 pertaining to AML/CFT. Moreover, the control of banking and financial transactions system includes indicators for suspicious transactions in FIs, and internal and external reporting requirements, as well as enclosing STR reporting form.

***Deficiency 2: Authority independence is affected by the source through which it derives its budget.***

77. The authorities state that the Authority's budget is part of the Banking Supervision Department (banking control), as the Authority defines its expenses. The Authority is obligatory funded by banks operating in Syria. Consequently, Syria still has to address the deficiencies pertaining to this recommendation. Nevertheless, the authorities stated that the Commission expenses are funded according to its estimates; the budget may not be a source that would affect the FIU's independence as banks are legally required to pay such contribution and may not object. As well, banks do not have the right to discuss the amounts required for the payment of such expenses and costs. This has been adopted in Syria since 1950's in funding supervisory authorities with no issue ever noted on the FIU's independence (Government Banking Commission)

78. The authorities also stated that there is no intersection between Combating Money Laundering and Terrorism Financing Commission (CMLC) and Banking Supervision Department (banking control), as both parties are liable for monitoring the compliance with procedures of anti-money laundering and counter-financing of terrorism in the banking sector. The relation between these two parties is defined in Article (6) of Resolution 1311 of the year 2014 (executive instructions of the legislative decree no 33 of the year 2005). It was also stated that the authority shall be solely entitled to issue special regulations on the implementation of DNFBPs' commitment to anti-money laundering and counter-financing of terrorism (Article (5) of the same resolution). The relation between them shall be regularized by a special understanding memorandum relating to the commitment to anti-money laundering and counter-financing of terrorism.

79. As for the lack of specification of the role of the Central Bank of Syria, the authorities stated that the Banking Supervision department (banking control) constitutes a part of the Central Bank of Syria playing the role of banking control commission in other central banks (with a special independency in the Central Bank of Syria).

80. The Authorities reported that the AML/CFT Commission is the supervisory authority responsible for monitoring and auditing AML/CFT systems in the Syrian Arab Republic whereas the tasks of the Government Banking Commission are limited to the usual banking supervision. If the Government Banking Commission, while performing its tasks, has any observations regarding the AML systems of regulated institutions, its shall promptly notify the AML/CFT Commission to take appropriate action.

Furthermore:

- The relation between the two bodies has been defined in Article (6) of Resolution No. 1311 of 2014 (Executive instructions for Legislative Decree No. 33 of 2005).
- The relation between the two bodies in this area has also been regularized by a special understanding memorandum relating to the commitment to anti-money laundering and counter-financing of terrorism.



- The Commission authority shall be solely entitled to issue special regulations on the implementation of DNFBPs' commitment to anti-money laundering and counter-financing of terrorism (Article (5) of the same resolution).

81. As for the lack of specification of the role of the Central Bank of Syria, the authorities stated that the Government Banking Commission constitutes a part of the Central Bank of Syria playing the role of supervisory authority on all banks operating in Syria and linked to the Governor of the central Bank of Syria.
82. With regard to the extent of the AML/CFT Commission's independence as it is funded by banks operating in Syria, the authorities reported that this question has been raised more than once, and that it has already stated that the Commission determines its expenses and costs and recovers the value thereof from operating banks as part of the Government Banking Commission's budget. The Commission's costs and expenses are obligatory funded by banks operating in Syria, as estimated by the Commission. The budget may not be a source that would affect its independence as banks are legally required to pay such contribution and may not object the same. They do not have the right to discuss the amounts required for the payment of such expenses and costs. This has been adopted in Syria since 1950's in funding supervisory authorities with no issues ever noted in terms of their independence (Government Banking Commission).

### ***Deficiency 3: Poor protection of information in the Authority***

83. Syria addressed the deficiency pertaining to this recommendation. It was stipulated that the information that AML/CFT authority obtained are protected and its publishing is not permitted except in accordance with the provisions of the Legislative Decree No. 33 for 2005, and its amendments. The Decree mentioned in Article 11 (a) stipulated that: a unit is being established within the Authority called FIU. FIU role is to collect, analyze, archive, and exchange the information pertaining to ML/FT crimes with its counterparts from foreign entities under the supervision of the Authority president. This Unit shall inform the Authority periodically of its available information on ML/FT crimes. The members of this Unit are subject to all the duties imposed on the members of the Authority, in particular the confidentiality duty. Article 12 of the same Legislative Decree also stipulated: "Excluding the Decision of the Board of Directors Committee to lifting bank confidentiality, the reporting stipulated in this Legislative Decree seems to have absolute confidentiality, whether such reporting was done by a natural person or legal entity. Besides, documents submitted for this purpose, investigation documents, and the procedures undertaken at its various stages are characterized by their confidentiality". It should be noted that the said Legislative Decree imposed sanctions on the breach of the confidentiality duty. It is worth mentioning here that the penalty of imprisonment from three months to one year, and the fine of two hundred and fifty thousand pounds to one million Syrian pounds, in case of the breach of the confidentiality duty, is considered as a deterrent penalty. However, the Decree did not indicate the necessity of the disclosure of the information reviewed by the person by virtue of his job after the end of the functional relationship. The authorities stated that the Authority has an information system prepared by an internal technical team. Such system does not allow viewing information of other persons. It also has a special monitoring system that tracks all operations performed by users, including inquiring, modification, etc. A backup of the database is saved, so that data can be retrieved in case of any system failure.

**R35: (PC)*****Deficiency 1: Lack of full implementation of the 1999 UN International Convention for the Suppression of the Financing of Terrorism***

84. Syria addressed deficiencies pertaining to criminalizing FT in conformity with the International Convention for the Suppression of the Financing of Terrorism. The Convention criminalized the forms of providing or collecting funds, whether directly or indirectly, from legal or illegal sources with intention of using them, totally or partially, in committing a terrorist act or financing terrorist organizations or terrorists. Thus, Syria fully addressed the deficiency pertaining to this recommendation.

***Deficiency 2: Non-ratification of United Nations Convention against Transnational Organized Crime for 2000 (Palermo Convention)***

85. Syrian authorities ratified joining United Nations Convention against Transnational Organized Crime (Palermo Convention) by virtue of Law No. 14 for 2008. Thus, Syria has fully addressed deficiencies pertaining to this recommendation.

**R36: Rating (PC)*****Deficiency 1: Not offering MLA due to existence of confidentiality condition with regards to the legal profession***

86. Syrian authorities reported that the State Council issued a decision addressing this issue. It considered that the confidentiality of the legal profession does not conflict with the duties stipulated in the Legislative Decree No. 33 for 2005 and its amendments.

***Deficiency 2: Not verifying effectiveness due to the lack of statistics***

87. Authorities have provided the below statistics which indicates the MLA requests presented by AML/CFT Authority to the counterpart FIUs and other foreign entities to Combating Money Laundering and Terrorism Financing Commission ( CMLC). all of which are connected to ML/FT crimes:

Year	2011	2012	2013	2014	2015	2016
<b>Foreign Assistance Requests</b>	36	11	18	2	3	22

***Deficiency 3: Not setting and implementing mechanisms for determining the best venue for prosecution of defendants in the interests of justice in cases that are subject to prosecution in more than one country***

88. Articles 15 and 23 of the Penal Code include the conditions for applying the Syrian law in Syrian jurisdiction for the crimes committed on Syrian lands. It defines the aspects taken into consideration when defining if the crime is committed on Syrian land, and is consequently subject to the Syrian law. The law also defines the conditions for applying the Criminal Law on persons who have Syrian nationality or foreigners who operate businesses outside Syria and are subject to the Criminal Law.

**SRI: Rating (PC):**

***Deficiency 1: Lack of full implementation of the 1999 UN International Convention for the Suppression of the Financing of Terrorism and UNSCRs 1276 and 1373***

89. Syria addressed the deficiency related to this recommendation. The definition of FT crimes has been amended as to comply with what has been mentioned in the agreement. This was mentioned previously when addressing the SR II.

90. With regards to UNSCRs 1267 and 1373, Syria has taken the necessary actions to fully implement and comply with UNSCRs (and the successor resolutions) by virtue of SR III. Article 10 © of Legislative Decree No. 27 for 2011 and No. 46 for 2013 has laid a new legal basis for freezing terrorists' funds or other persons assets in accordance with UNSCRs 1267 and 1373. The paragraph stipulated: Referring the determined names and entities from and to the competent authorities, in accordance with UNSCRs 1267 and 1373 and related resolutions, through the Ministry of Foreign Affairs and Expatriates in order to take the actions related to freezing their funds and assets. This is in addition to specifying a mechanism for it in accordance with a special decree issued by the Prime Minister.

91. On the statistics related to implementing UNSCRs (1267) and (1373), the authorities stated that they are not available as they could not establish any funds belonging to the individuals whose funds are requested to be frozen by virtue of UNSCRs 1267 and 1373 and the successor resolutions. With respect to Daesh" and "Islamic State Group and the associated terrorist organizations, funds are not only frozen but confiscated once reached in accordance with judicial rulings.

92. In terms of special statistics on the implementation of the Security Council Resolutions No 1267 and 1373 relating to individuals with frozen funds or the amount of frozen funds, the authorities referred to paragraph (81) of the report stating that the funds of individuals included in these two resolutions haven't been detected in the territories of the Syrian Arab Republic.

93. In response to the issue raised during the 24<sup>th</sup> Plenary Meeting regarding the absence of statistics on the implementation of the Security Council Resolutions No 1267 and 1373 relating to individuals with frozen funds or the amount of frozen funds, the authorities referred to paragraph (81) of the report stating that the funds of individuals included in these two resolutions haven't been detected in the territories of the Syrian Arab Republic in accordance with Security Council Resolution 1267, whereby the list and its updates are circulated to all institutions concerned with the freeze with the possibility of relying on the updated lists related to Security Council Resolution 1267 published on CMLC website ([www.cmlc.gov.sy/1267-blacklist](http://www.cmlc.gov.sy/1267-blacklist)), but to this date, no funds or assets pertaining to the listed individuals have been detected within the Syrian territories. Thus, it is logic not to have any statistics available as there are no funds or assets to be frozen in terms of the individuals included in the abovementioned resolutions. The CMLC has recently circulated a local list with names of terrorist individuals and entities, as well as circulating names on list received in connection with implementation of Security Council Resolution 1373.

**SRIII: Rating (PC)**

***Deficiency 1: Absence of effective laws and procedures for freezing terrorists' funds and other persons' assets in accordance with UNSCRs 1267 and 1373***

94. Legislative Decree No. 33 for 2005 and its amendments stipulated in Article 10 (c) the legal basis for implementing UNSCR 1267 and successor resolutions. This basis is related to the determination of persons and entities by the Al-Qaida and Taliban Sanctions Committee and its issued lists and UNSCR 1373. The Paragraph stipulated referring determines names and entities from and to the competent authorities, in accordance with UNSCRs 1267 and 1373 and related resolutions, to the Ministry of Foreign Affairs and Expatriates in order to take the actions related to freezing their funds and assets. This is in addition to specifying a mechanism for it in accordance with a special decree issued by the Prime Minister.

95. To enforce the abovementioned, the Prime Minister issued Decision No. 851 on 13 March 2014 which stipulates establishing a national committee named "Committee for freezing specified entities and persons funds by virtue of UNSCRs 1267 (1999) and 1373 (2001) and other related resolutions". Such committee is a sub-committee of the Board of Directors committee. It is associated with the AML/CFT Authority, and it comprises representatives with ranks not less than a director or similar: Head of AML/CFT Authority, Judge from the Ministry of Justice with a rank no less than a Consultant, Representative of the Ministry of Foreign Affairs, Representative of the Ministry of Interior Affairs, Representative of the Ministry of Finance, and Secretary of AML/CFT Authority. The abovementioned committee undertakes the tasks and powers related to freezing the funds of persons and entities specified by the Al-Qaida and Taliban Sanctions Committee and its issued lists, or the ones specified in the context of UNSCR 1373 (2001) and other related resolutions. The committee coordinates with regulatory, supervisory, and administrative entities and any other concerned entity to implement the resolution.

96. With regards to implementing UNSCR 1267 (1999), the Article 6 of Resolution No. 851 stipulated that the committee undertakes, through AML/CFT Authority, circulating terrorism lists after their issuance from the sanctions committees. These lists are issued through the UN permanent representative of Syrian Arab Republic in New York and the Ministry of Foreign Affairs and Expatriates. Such circulation should be without delay or warning to the competent supervisory entities, other administrative entities, banking and financial institutions, and non-financial institutions. This aims at taking the necessary actions to freeze all funds owned by persons and entities on the lists. The aforementioned entities instantly freeze these funds, assets, or possessions without prior notice to these persons. The regulatory and supervisory entities undertake verifying the compliance of the financial and non-financial institutions to implementing the Decision.

97. With regards to implementing UNSCR 1373, Article 12 stipulated that the committee shall prepare a local list, based on the information submitted by competent entities. This list includes the persons and entities that commit, or attempt to commit, terrorist acts or participate in, or facilitate, the commission of terrorist acts, in accordance with the laws in force, and UNSCR 1373 and its successor resolutions. The Public prosecutor issues decisions to freeze the funds, properties and assets of the persons and entities whose names are specified in the lists. Moreover, the committee circulates this list across banking and financial institutions, and non-financial institutions. These entities shall immediately freeze the funds, assets, or possessions without any prior notice to the persons or the entities against which the freezing decisions are issued. This is in addition to instantly reporting the frozen

funds, assets, and possessions to the committee as well as any other measures taken to abide by the resolutions. This includes the information related to the initiated transactions. Supervisory entities undertake verifying the compliance of the banking and financial institutions, and non-financial institutions with implementing the decisions of the Public Prosecutor to freeze the funds, possessions, and assets of the issued lists.

98. The freezing actions referred to in the resolution extend, when implementing UNSCR 1267, to the funds and other assets derived or resulting from other possessions (including funds derived or generated from these funds) that are directly or indirectly subject to the persons whose names are on the lists. This is in addition to the funds of persons and entities who work by their name or on their behalf. It is worth mentioning that Article 1 of the law has defined freezing as: imposing immediate and temporary ban on all funds for persons on terrorism lists and local lists without prior notice. The ban is in terms of converting, transporting, disposing of, moving, temporary controlling, or subjecting funds to guarding. After completing the freezing procedures, the committee shall notify without delay the concerned person of freezing their money and other assets due to their enlisting in the unified list. Moreover, they shall be provided with an explanatory summary and any information with regards to the reasons of including his name directly, or through making this information available on the authority website. The committee also shall publish the unified list and its amendments on its website.

99. The financial sector is notified through the circulars issued by the committee. Article 13 (a) of the previous Decision stipulates that the committee shall, without delay, circulate the local list and its amendments after publication in the official news paper. Such circulation is to the related competent supervisory entities, other administrative entities, and banking and financial institutions. This is in order to implement the necessary procedures for freezing. Moreover, the regulatory and supervisory entities shall circulate these decisions to financial institutions after receiving them from the committee immediately. It is worth mentioning that the previous provisions are also related to implementing UNSCR 1373.

100. Article 18 of the Decision stipulated clear obligations for financial and non-financial institutions and designated professions to implement freezing decisions issued by virtue of UNSCRs. They are prohibited from providing disposition of any funds or providing any financial service, including transfers or others, directly or indirectly, in whole or in association with others, for the persons and entities on local or international terrorism lists, or for those acting on their behalf. This applies unless a license or authorization is provided or unless otherwise is notified by virtue of the related UNSCRs. The above mentioned institutions are also obliged to refer to the mentioned lists when executing any operation or entering a new relationship with any person to make sure their name is not on these lists. In the case of a matching or similar name appearing on the list, the mentioned entities should freeze the funds and notify the committee immediately with the measures taken with this regard.

101. Article 9 (a) of the previous Decision included procedures for considering delisting requests off the lists issued by the Sanctions Committee of the International Security Council. The Article granted the affected person the right to use all possible means to cancel the freezing or seizure or delete the name from the list, in accordance with the international obligations to Syria. The Article granted the affected person the right to directly submit a request to the Office of the Ombudsperson by virtue of UNSCR 1904 (2009). In addition, if the person or entity desires to delist their name from the terrorism list, which is prepared and approved by the Sanctions Committee, they shall submit a request to the updated

coordination center mechanism by virtue of UNSCR 1730 (2006). The Ministry of Foreign Affairs and Expatriates receives requests for additional information related to delisting requests submitted by any person or entity named by the Sanctions Committee. This applies if the Republic had suggested enlisting the person or entity on the terrorism list before it is

transferred to the competent entities that shall study it in the duration set by the Sanctions Committee. Then the entities provide their comments and the eligibility of the person or entity to be delisted.

102. The previous Decision clarifies the procedures that allow the usage of frozen funds. Article 20 stipulated that the person affected by the freezing decisions shall submit a request to the committee secretary, along with all the supporting records and documents, to withdraw from his frozen accounts to meet the expenses of the following humanitarian situations: 1) Meeting the necessary needs to cover the basic expenses of the enlisted person whose funds has been frozen. This includes the amounts paid for food, rent, mortgage, medication, medical treatment, taxes, insurance premiums, and public services fees. 2) Paying necessary expenses and charges paid for accepted professional fees, legal services, or fees for services related to the regular maintenance of frozen funds. The committee then studies the stipulated requests, including the reasons for them and the amount of funds requested. The committee has the right to lower the amount of these funds based on justifiable reasons, in addition to its right to refuse the request.

103. The competent supervisory entities undertake ensuring the compliance of financial and non-financial institutions and designated professions to the obligations mentioned in the freezing decisions issued by virtue of UNSCRs. If these institutions violate the imposed obligations, the supervisory entities should notify the committee immediately.

***Deficiency 2: Absence of effective laws and special measures to examine and execute the procedures taken by virtue of the freezing mechanisms in other countries***

104. Article 14 of Decision No. 851, issued for implementing Article 10 © from Legislative Decree No. 33 for 2005, which was amended by virtue of Legislative Decree No. 27 for 2011 included provisions related to this issue. These provisions are represented in the Committee for freezing the funds of defined entities and persons by virtue of UNSCRs 1267 (1999) and 1373 (2001) and other related resolutions receiving the requests submitted to Ministry of Foreign Affairs and Expatriates from other countries with regards to the freezing of funds and assets of persons living on their land. The committee receives the requests supported by the necessary documents, and then it studies them within seven working days from the date they were received. The results of this study are approved by the management of the participating entities, and then it is approved by the Public Prosecutor of the republic. Moreover, the same Article included detailed provisions. The Prime Minister is notified with enlisting the names on the approved requests, which were approved by the Public Prosecutor, on the international list. Then, the list is circulated to the competent supervisory and other administrative entities through the AML/CFT Authority. This is in order to take the necessary measures to freeze funds and other assets of terrorist persons and organizations and any natural or legal person who owns or control them, or working by the name of one or more terrorist persons or organization or for their benefit or on their behalf. The freezing includes the other funds and assets derived or resulting from these funds, whether owned or controlled by these persons directly or indirectly or anyone who is associated to them. The Freezing is implemented immediately and without prior notice to the persons or entities

against which the freezing decisions were issued. The regulatory and supervisory entities undertake ensuring the compliance of FIs to execute the freezing decisions.

105. The Article also included special provisions to organize the mechanism of canceling freezing decisions related to the countries who asked to impose these procedures. The cancelation occurs if the person affected by these procedures submitted an objection to the State Council, and after the council's approval of the objection. In both cases, the concerned country is notified.

***Deficiency 3: Legislative Decree is limited to temporary procedures that include temporary and final freezing of suspicious account only without extending to all possessions that could be subject to confiscation.***

106. Syria addressed the deficiency related to this recommendation through Article -1 (9) of the previous Decision, which defined freezing as: Imposing immediate and temporary ban on all funds of persons on terrorism lists and local lists without prior notice. The ban is in terms of converting, transporting, disposing of, moving, temporary controlling, or subjecting funds to guarding. Article 3 of the previous Decision also emphasized on the committee undertaking the implementation of freezing terrorists' funds or other assets for persons enlisted by the UN Al-Qaida Sanctions Committee. Thus, it is clear that the Article has been made general so that freezing is extended to all funds and assets that can be confiscated.

***Deficiency 4: There is absence of effective systems to notify Financial Sector of the undertaken procedures by virtue of freezing mechanisms. Moreover, there are no clear instructions for financial institutions and other persons and entities, which the other targeted funds or assets might be in their possession, with regards to their obligations to take the necessary actions by virtue of freezing mechanisms. Also, there are no effective and announced procedures to study delisting requests and cancel freezing of funds and assets of persons or entities who have been delisted in accordance with the international obligations.***

107. Syria addressed the deficiency related to this recommendation. Article 13 of the previous Decision stipulated that the committee shall, without delay, circulate the local list and its amendments after its publication in the official news paper. Such circulation is to banking and financial institutions through AML/CFT Authority. This is in order to take the necessary actions to freeze all funds owned by the enlisted persons and entities in whole or in association with others. This is in addition to the funds they control directly or indirectly (including funds derived or generated from these funds), and the funds of persons and entities who work by their name or on their behalf. In the case of delisting, this procedure is circulated and the institutions shall take the necessary actions to cancel the freezing of the frozen funds. The banking and financial transactions system, issued by AML/CFT Authority includes some special provisions related to the implementation of Paragraph (c) of the Legislative Decree 33 and Cabinet Resolution No. 851.

***Deficiency 5: There is absence of appropriate procedures for permitting the use of other funds and assets that were frozen by virtue of UNSCR 1267 (1999). It was decided that this usage is essential to cover basic expenses or for paying specific kinds of charges or fees for unusual expenses or services.***

108. Article 21 of the issued mechanism included the competence of the committee to approve the usage of part of the funds or other assets frozen by virtue of UNSCRs 1267 and 1373 in: Meeting the necessary need to cover basic expenses for the enlisted person whose funds are frozen. These needs include the amounts paid for food, rent, mortgage, medication, medical treatment, taxes, insurance premiums, and public services fees; in addition to covering other expenses paid for accepted professional fees, legal services, or fees for services related to the regular maintenance of funds or other assets. Covering extraordinary expenses other than the above mentioned is also included.

***Deficiency 6: Absence of appropriate procedures through which a person or entity, whose funds or other assets were frozen, could object to this procedure in order to be reviewed by a judicial authority***

109. Article 15 (a) of Decision No. 12102, issued with regards to implementing UNSCRs 1267 and 1373 included rebuttal procedures. These procedures grant the affected by the freezing procedures to right to submit an objection to the State Council who considers the objection and propose the needed action.

***Deficiency 7: There is absence of appropriate procedures to effectively detect the compliance with legislations and rules that control obligations by virtue of SRIII. This is in addition to imposing civil, administrative and criminal penalties for non-compliance with these legislations, rules or regulations.***

110. The authorities reported that the guide of the on-site supervision of AML/CFT in banking and financial institutions includes a special part for verifying the compliance of financial institutions with freezing the funds of enlisted names on terrorists' lists or the funds of known or suspected terrorist organizations. These lists are circulated by the Authority in the section of "customer identification and verification" procedures.

### **SRV: Rating (PC)**

***Deficiency 1: Absence of evidence of effectiveness and statistics***

111. As mentioned earlier, the Syrian authorities provided the statistics on foreign MLA requests from the AML/CFT Authority to the counterpart FIUs and other foreign entities.

***Deficiency 2: Not offering MLA due to existence of confidentiality condition with regards to the legal profession.***

112. The Syrian authorities reported that the State Council issued a decision addressing this issue. It considered that the confidentiality of the legal profession does not conflict with the duties stipulated in Legislative Decree No. 33 for 2005 and its amendments.

***Deficiency 3: Not setting and implementing mechanisms for determining the best venue for prosecution of defendants in the interests of justice in cases that are subject to prosecution in more than one country***

113. It was referred to addressing the deficiencies pertaining to this recommendation while discussing R36.



***Deficiency 4: The agreements concluded by the Syrian Arab Republic with regards to judicial cooperation do not include any provisions for, or include provisions that allow, recognizing criminal provisions issued by competent foreign judicial authorities for confiscation funds derived of FT crimes or the used media in these crimes.***

114. The deficiency related to this Recommendation was addressed. The Authorities amended Article 15 (d) of Legislative Decree No. 33 for 2005. The amendment was to allow the Syrian judicial authorities to order the implementation of final judicial provisions issued by foreign judicial authorities for ML/FT crimes. This includes the provisions for confiscating funds derived from ML crimes and their proceeds, FT crimes, and the media used in ML/FT crimes. Implementing these provisions is done in accordance with the rules and procedures determined by Syrian laws and systems, the international, regional, or bilateral agreements in which Syria is in party; or the principle of reciprocity.

#### **F. Review of the Measures Taken in Relation to the Other Recommendations Rated PC or NC**

##### **Recommendation 6: (PC)**

115. Syria addressed the deficiencies related to due diligence in dealing with politically exposed persons, whereby a politically exposed person [PEP] is defined in accordance with the standards as per paragraph (18) of Article (1) of the Legislative Decree No.33 of yr 2005 amended, obliging all financial institutions to take special measures for risk management to identify if the customer or the beneficiary is a Politically Exposed Person (PEP). Financial institutions should also obtain the approval of their Senior Management before establishing a business relationship or continuation of the business relationship, and perform all due diligence to identify the source of wealth and funds, and conduct enhanced ongoing monitoring of the relationship. In addition, item (4) of paragraph (A) of Article 38 of Resolution No.(15) year 2015 obliges all banking and financial institutions in case of discovering that the existing customer or the actual beneficiary is or has become a Politically Exposed Person (PEP) after the establishment of the business relationship, they may continue the business relationship however after obtaining the approval of the Senior Management.

##### **Recommendation 11: (PC)**

116. Item (2) of paragraph (I) of Article 2 of the Legislative Decree No.33 of yr2005 amended, obliges all banking and financial institutions to classify customers according to the degree of risk, and take adequate measures to address those risks, in addition to exert special care when dealing with cases that present a high degree of risk, including unusual transactions which have no clear economic justification. Financial institutions should pay special attention to all complex, unusual large transactions, and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. The background and purpose of such transactions should, as far as possible, be examined, the findings established in writing, and be available to help competent authorities and auditors. These findings should be maintained for a period of at least five years until the competent authorities and auditors are able to view them.

117. With regard to the procedures that the financial institutions should undertake in regards to those operations, Article (5) of Resolution No. 59/100/m a issued by the Insurance

Supervisory Commission, and Article (7) of Resolution No. (95) for the year 2009 issued by Syrian Stocks & Financial Markets Authority (SSFMA), carried similar regulations as to pay special attention to all complex, unusual large transactions, and all unusual patterns of transactions, whereby these actions should include senior management approval on the business relationship, identify the purpose of the operation, the beneficiary and the legal person, objectives and conditions of the operations, as well as recording of those findings in the organization or company records.

### **Recommendation 12: (PC)**

118. Anti-Money Laundering and Combating Financing of Terrorism Act extends in Syria to include Designated Non-Financial Business and Professions (DNFPB) as per Article (4) of Legislative Decree No.33 of yr 2005 amended, which are defined as the companies that:

- a) Promote and sell real-estates;
- b) Real-estate broker offices;
- c) Dealers of high-value goods, such as jewelry, precious stones, gold, bibelots and rarities;
- d) Lawyers and editors of legal exhibits (notaries);
- e) Independent / Legal accountants;
- g) Other non-financial institutions as determined by the Council of Ministers.

119. Lawyers, notaries, other independent legal professionals and accountants are subject to the Law Decree when preparing for or carrying out transactions for their client concerning the following activities:

- buying and selling of real estate;
- managing of client money, securities or other assets;
- management of bank savings or securities accounts;
- organization of contributions for the creation, operation or management of companies;
- creation, operation or management of legal persons or arrangements, and buying and selling of business entities.

120. In view of the above list, it is clear that it includes all non-financial businesses and professions as per the FATF except casinos, where Syrian laws do not permit the establishment of casinos or gambling activities exclusively. The amended L.D. included obligations of non-financial businesses and professions in the form of:

- reporting suspicious transactions
- should undertake customer due diligence measures, including identifying and verifying the identity of their customers, legal status / legal person, to understand the ownership and control structure of the customer,
- taking reasonable measures to verify the identity of the beneficiary at the start of the relationship,
- should develop programmes against money laundering and terrorist financing, including the development of internal policies, procedures and controls, appropriate compliance management arrangements, and adequate screening procedures
- should be subject to regulatory and supervisory measures

- should maintain, for at least five years, all necessary records on transactions, both domestic or international, after the relationship / transaction has ended.
- should keep records on the identification data obtained through the customer due diligence process (e.g. copies or records of official identification documents like passports, identity cards, driving licenses or similar documents), account files and business correspondence for at least five years after the business relationship is ended.
- should pay special attention to all complex, unusual large transactions, and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. The background and purpose of such transactions should, as far as possible, be examined, the findings established in writing, and be available to help competent authorities and auditors.
- Take reasonable measures in relation to politically exposed persons.

121. The authorities have also reported that the Auditing profession was organized in Syria obliging audit service providers to follow stable and uniform standards of scrutiny and review as per Law No.33 for the year 2009.

**Recommendation 14: (PC)**

122. Syria addressed the deficiencies concerning this recommendation, whereby Article (12) of Legislative Decree No.33 of yr 2005, amended, included that STR will remain confidential whether reporting was through a natural or legal person. The principle of confidentiality also applies to any documents presented, investigation reports and procedures at all its stages.

123. Paragraph (b) of Article (7) of the L.D also stipulates the same as the above stating that banking and financial institutions, non-financial institutions and professions, as well as internal bank auditors and supervisors of subject supervisory authorities are prohibited from disclosing details of a suspicious transaction report (STR) or that any related information is being reported to the CMLTFC (combating money laundering & terrorist financing commission)

**Recommendation 15: (PC)**

124. Article 2, paragraph (e) of L.D amended obliges all banking and financial institutions to develop and implement the AML/CTF measures, including internal policies and procedures, internal controls, including necessary measures for the compliance unit, and performing appropriate examination procedures to ensure high standards when hiring employees, in addition to an ongoing training programs, and an independent audit position.

125. Stipulations under these measures are further expanded in regard to the financial institutions whereby they should develop internal policies, procedures and controls for AML/CTF, and inform its employees accordingly, including:

- Verifying the identity of their customers, on-going tracking and monitoring of transactions effected by them, as well as maintaining and updating files and documentation of customers and their transactions.
- Monitoring accounts that register transactions that are considered to be unusual or suspicious, detection of suspicious transactions and reporting them.
- setting an ongoing employee training programs.

- set specific measures, specified by the CMLTF Commission, for a compliance unit, such measures are based on the standards as per the Legal Decree as per each institution or profession. In cases whereby a compliance unit has not been identified, the banking and financial institutions as well as the non-financial institutions and professions are obliged to assign an AML/CTF standards compliance officer at the management level.

-In regards to individual establishments or legal entities - whose employee count does not exceed 10- the Director of the company, in this case, can be the Compliance officer. In which case the compliance authority has the right to see all client data, as well as their accounts and operations, including those clients with numbered accounts at banks.

-It is also required to establish an independent internal audit function to test compliance with the policies, procedures and controls in accordance with the regulations, standards and rules laid down by the competent authorities. The banking and financial processes control system includes details of these measures, in addition to the measures of the Compliance Unit.

126. With regard to training courses, the Syrian authorities have reported that the employees at SSFM Authority and IS Commission have been subjected to several training courses on the subject of anti-money laundering and combating terrorist financing. In addition, bank and exchange houses employees have attended similar courses including comprehensive training programs related to money laundering and terrorist financing. It should be noted that the authorities have organized a training program through ACAMS (Association of Certified Anti-Money Laundering Specialists) attended by more than 50 people from all financial institutions, 18 of which were certified as AML/CT experts.

### **Recommendation 16: (PC)**

127. The L.D. amended, obligates all designated non-financial business and professions (DNFPB) to inform the Director of the Commission with details of operations suspected of money laundering or financing of terrorism in accordance with Article (9) of Legislative Decree (L.D.) No.33 of 2005 amended, including companies that promote and sell real-estates; real-estate broker offices; dealers of high-value goods, such as jewelry, precious stones, gold, bibelots and rarities; lawyers and editors of legal exhibits (notaries); independent accountants; and other non-financial institutions defined by CMLTFC.

128. On the other hand, the subject supervisory authorities have issued special instructions to all lawyers, goldsmiths and chartered accountants concerning the obligations relating to AML/CTF, in addition to all non-financial businesses and professions subject to the provisions of the law, in regards to their obligations towards AML/CTF requirements, such as reporting of suspicious transactions, taking due diligence measures, including verification of customer identity, verifying the identity of the true beneficiary, determining the natural/ legal persons or those acting on their behalf, -developing internal procedures and measures for the application of due diligence,-protection of information, -as well as being obligated not to alert customers regarding submission of STR to the Financial Intelligence Unit.

129. All non-financial businesses and professions are obliged to develop an ongoing program to train and equip employees in the field of anti-money laundering and combating

terrorist financing, the training should include the laws, regulations, instructions and international agreements related to anti-money laundering and combating terrorist financing.

**Recommendation 17: (PC)**

130. Paragraph (b) of Article (3) of the Legislative Decree No. (33) for the year 2005 amended as per L.D No.(46) for yr 2013, includes administrative sanctions that can be imposed by the Commission on offensive parties under its control, which stipulates: The right of the Commission to impose administrative sanctions and fines not exceeding the value of (100) million Syrian pounds as well as corrective and remedial actions on natural / legal persons who have not abided by the Law. It also states that these sanctions and measures are based upon the memorandum of offenses and related fines / sanctions prepared by the Commission and submitted to the Council of Ministers for approval. Subject persons have the right to oppose such sanctions and fines through judicial means in accordance with the general legal norms. Authorities have stated that the Council of Ministers is currently viewing this memorandum.

131. Legislative Decree No. 33 of 2005 amended, gave the right to CMLTF Commission to undertake any necessary criminal prosecution procedures, as per Article (17) of the L.D, in the event of offenses that require so. Article No. (16) of Legislative Decree No. (21) for the year 2011 gave the right to the Council of Money and Credit to impose administrative sanctions and corrective remedial actions on entities under its control. The Council of Ministers issued Resolution No. (5727) for the year 2012 containing a Memorandum for administrative sanctions and corrective remedial actions for private institutions under the control of the Council of Money and Credit and the Central Bank of Syria, whereby Article (2) of the memorandum stipulates the application of its provisions on all licensed banking and financial institutions in the Syrian Arab Republic, and other natural or legal persons in the event of violating the laws and regulations of Banking and Finance or other relevant laws and regulations.

132. With respect to sanctions, Article No. (5) of the memorandum stipulates a monetary fine not exceeding 100 million Syrian pounds for each violation, unless otherwise specified in any other related law, and other administrative penalties including: a notice, warning, or suspension of business practice or specific activity, partially or completely, and that as a punitive measure due to violation of the institution of the laws and regulations in force, and the abolition of the license with all its implications, and to prevent specific persons from practicing inside Syria either for a fixed period or permanently<sup>3</sup>.

133. The corrective and remedial actions also include some provisions such as: suspension of work practice or other specific activity, partially or completely, and that is as a remedial or corrective measure, at the discretion of the respective supervisory authority, as a precautionary measure, not necessarily due to an offense committed by the subject institution. Or putting a delegated observer to work alongside the Director, or General Manager, or CEO in the offensive institution, either from employees of the Central Bank of Syria or assign a relevant experienced third party on the offending institution's expense, as

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<sup>3</sup> On the violations of the Exchange Companies in accordance with the provisions of Article 18/c of Law No. 24 of year 2006.

well as other provisions. Hence it can be said that Syria has administrative sanctions applied to subject persons who are obligated to abide by the Anti-Money Laundering and the Combating of Terrorism Financing Act, whereby fines, administrative sanctions and corrective remedial actions are imposed on all banks and institutions not abiding to the provisions of the law is in force.

Find below penalty report imposed based on this memorandum:

**Penalties and Fines imposed on Banks**

<b><u>Penalty</u></b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Fine</b>	4	15	2	4	5	5	122	65	213
<b>Notice</b>	0	4	2	9	39	97	196	134	236
<b>Pardon</b>	0	0	0	0	14	20	6	5	4
<b>Warning</b>	0	0	0	0	0	1	1	1	1
<b>Corrective &amp; Remedial Measure</b>	0	1	0	0	0	0	0	0	0
	0	0	0	0	0	0	1	0	0

									0
	0	0	0	0	0	0	0	1	

<b><u>Penalties and Fines of Exchange Companies &amp; Offices up to -31/12/2016</u></b>			
<b><u>Penalty Type</u></b>		<b><u>Total</u></b>	
		<b><u>Exchanges Companies</u></b>	<b><u>Exchange Offices</u></b>
<b><u>Fine</u></b>		107	131
<b><u>Notice</u></b>		88	49
<b><u>Warning</u></b>		5	3
<b><u>Pardon</u></b>		7	0
<b><u>Suspension</u></b>	<b><u>15 days</u></b>	0	14
	<b><u>One month</u></b>	6	11
	<b><u>3 months</u></b>	2	0
	<b><u>6 months</u></b>	4	6
	<b><u>Permanent</u></b>	2	16
<b><u>Corrective Action</u></b>		3	0
<b><u>License Revocation</u></b>		4	18

128. As for the high sum of fines and penalties, the authorities stated that this is an indicator of the toughness of the supervisory authorities on the financial institutions to guarantee the commitment of these institutions during this delicate stage of the Syrian conflict.

### **Recommendation 21: (NC)**

129. Deficiencies related to this recommendation have been addressed, whereby regulatory measures oblige all financial institutions to give special attention to 'know your customer' and their activities for transactions with persons from or residing in countries which do not or insufficiently apply the FATF Recommendations. Whereby Article (2), stipulates taking special measures when dealing with customers that reside in countries that are considered by

the FATF as non-compliant or insufficiently compliant with the international standards. Of those measures is obtaining approval from bank's senior management, finding the purpose and background of the operation, identifying the beneficiary and the lawful person. Those findings should be established in writing and kept in bank records.

### **Recommendation 22: (PC)**

134. . Article (4) Paragraphs (e,f,g) of the Legislative Decree amended, obligates financial institutions to ensure that their foreign branches and majority owned subsidiaries apply measures as per the Law Decree, to the extent that host country laws and regulations permit. If AML/CFT requirements of the host country differ in level of strictness than that of the Syrian Arab Republic, these foreign branches and subsidiaries should apply the higher standards to the extent that host country laws and regulations permit. If the host country does not permit the proper implementation of the AML/CFT measures, financial groups should apply appropriate additional measures to manage the money laundering and terrorist financing risks.

135. . The same article of the regulatory measures requires financial institutions with branches in foreign countries to inform the Commission and the subject supervisory authority when its branches and subsidiaries located abroad are unable to implement those measures due to prohibitions of local applicable laws and regulations. In addition financial groups should apply appropriate additional measures to manage the money laundering and terrorist financing risks. The regulatory measures also stipulate that the Commission and subject supervisory authority should consider additional supervisory actions, including placing additional controls on the financial group, including, as appropriate, requesting the financial group to close down its operations in the host country.

136. Article (10) of Resolution No. (15) for the year 2015 regarding banking and financial operations control system in all banking and financial institutions operating in Syrian Arab Republic and Syrian Free Zones in regards to anti-money laundering and combating terrorist financing, commits all banking and financial institutions to make sure that all its branches and subsidiaries abroad take into account all the set obligations set forth in the amended legislative decree and the measures and regulations issued under this resolution in accordance with the laws and regulations of the host country, and in case of differences in the levels of these measures between the two countries, the branches and subsidiaries are obliged to impose the stricter measures to the extent permitted by the laws and regulations of the host country.

### **Recommendation 24: (NC)**

137. It was already mentioned that Syria has subjected non-financial institutions and professions to the AML/CFT law, Paragraph (7) of Article (1) of the Legislative Decree No.33 of 2005 amended, has specified a supervisory authority, which included these authorities:

- Government Commission at the banks which undergoes regulatory and supervisory measures on banks, exchange offices, mortgage and leasing institutions, investment banks and microfinance institutions
- Mortgage Supervisory Commission, overlooking mortgage companies and financial leasing companies.



- The Insurance Supervisory Commission overlooking insurance companies.
- The Stocks and Financial Markets Authority overlooking stock exchange brokers,
- The Bar Association in regards to lawyers,
- Internal Trade Departments in the governorates in regard to real estate brokers.
- Association of Chartered Accountants in regards to legal accountants and legal accounting firms

Paragraph (b) of Article (6) of the above L.D. oblige the concerned supervisory authorities to inform the CMLTF Commission through quarterly reports on the compliance of the banking and financial institutions and non-financial institutions and professions under its control, to the measures stipulated by the L.D., the operational instructions and regulations and instructions issued pursuant thereto, as well as inform them immediately of any irregularities found in any institution.

138. As reported by the authorities, supervising DNFBPs is the responsibility of the supervisors associated thereto and the Commission (Combating Money Laundering and Terrorism Financing Commission) as well. In general, this sector represents individual establishments, mostly one person. It is monitored by the Commission through communications established with the competent supervisory authorities, including SROs to trace problematic issues, which obstruct the compliance with AML/CFT measures. No penalties have been imposed to such sector.

139. The Bar Association, the Association of goldsmiths and the Association of Chartered Accountants issued special instructions to all lawyers, accountants and jewelers regarding the obligations relating to anti-money laundering and combating terrorist financing, and held training courses in that regard.

### **Recommendation 25: (NC)**

140. The CMLTF Commission established guidelines regarding reporting of suspicious transactions, which has been circulated and sent to all sectors, including sample of STR forms. Authorities have reported that the Commission is providing feedback and guidance to financial institutions, banks and other designated sectors who are subject to reporting of any suspicious transactions and results of analysis of those reports. In addition the Central Bank of Syria also issued bank control measures for banks operating in Syria, which included the pilot indicators for suspicion of money laundering and financing terrorism. The Insurance Supervisory Authority also issued anti-money laundering guidelines for the insurance sector, which included monitoring measures to those working in insurance. The Syrian Stock and Financial Market Authority also issued guidelines in combating the financing of terrorism and money laundering regarding financial securities transactions, which included the pilot indicators for suspicion of money laundering and financing terrorism.

141. In addition to the above, the authorities have reported that the Commission published several statistical reports to the public on the number of suspicious reports that have been submitted to the Commission, whether pending judiciary action or have been filed. Reports also included patterns of suspicious transactions detected and techniques used. The Commission also issued a guidance bulletin regarding the duties of non-financial institutions on the subject of anti-money laundering and combating terrorist financing.

**Recommendation 29: (PC)**

142. Legislative Decree No.33 of 2005 amended, Article (1) Paragraph (d) determines the specific supervisory authorities concerned with the specific sectors as follows:

-Government Commission at the banks in regard to banks, exchange offices, mortgage and leasing institutions, investment banks and microfinance institutions, and any institutions that allow deposits or are under the supervision of the Central Bank of Syria.

-Mortgage Supervisory Commission in regard to mortgage companies and financial leasing companies which lease or rent real estate properties.

-The Insurance Supervisory Commission in regard to insurance companies.

-The Syrian Stocks and Financial Markets Authority in regard to stock exchange brokers.

-The Bar Association in regard to lawyers,

-Internal Trade Departments in the governorates in regard to real estate brokers.

-Association of Chartered Accountants in regard to legal accountants and legal accounting firms

-Other authorities of similar activities in relation to other institutions.

The Supervising Authority should monitor and ensure compliance of parties under its control.

143. On the other hand, the authorities reported that the related laws authorized supervising authorities to compel production of any information or documents pertaining to accounts and operations of institutions under its control in order to view them as well as perform continuous field inspection.

**Recommendation 30: (PC)**

144. Syria has taken several steps in order to increase the human and financial resources for those working in the AML/CTF sector, and participation in related training courses. Whereby Article (21) of Resolution No (15) stipulates in regards to the banking and financial operations control system at the banking and financial institutions operating in Syria and the Syrian Free Zones, to develop and implement an ongoing training program to train staff and officials in Anti-money laundering and combating terrorist financing.

145. According to authorities, the following supervisory authorities represented in Banks Government Commission, the Insurance Supervisory Authority and the Syrian Stock & Financial Market Authority have completed their administrative framework through increasing the number of staff who work at the Directorate of Government Commission substantially, and activated the work structure as per the new framework. The Insurance Supervisory Authority and the Syrian Stock & Financial Authority have begun performing their duties effectively after the resumption of activities in the insurance and stock brokerage sectors.

146. With respect to the efficiency of the supervisors at the supervisory authorities, the Syrian authorities have reported organizing many workshops and training courses for those authorities (banks, insurance companies, financial markets), in cooperation with the World Bank and Bank of France regarding supervision of anti-money laundering and combating terrorism financing measures.

**Recommendation 32: (Non- Compliant [NC])**

147. The Authorities have provided multiple statistics that have been mentioned in the report, showing availability of ample beneficial statistical information, especially in regards to some of the monitoring authorities, however, there is still a need for better organization in terms of obtaining the adequate statistical information and in a regular and detailed manner, whereby it can aid in reviewing the effectiveness of the AML/CT process.

**Recommendation 33: (Partially Compliant [PC])**

148. Deficiencies related to this recommendation have been addressed, whereby the Syrian authorities stated that they have adopted a unified program for the Commercial Trade Department, whereby all commercial registration applications will be registered accordingly at each governorate, thereafter collected and organized centrally at the Central Department.

**Recommendation 37: (Partially Compliant [PC])**

149. Syria addressed the shortcomings related to this recommendation, by amending paragraph (c) of Article (1) of the Legislative Decree No.33 yr 2005 by adding the financing of terrorism offenses, illegal trafficking of stolen goods, environmental crimes, murder and causing serious body injuries, monopoly and market manipulation, to the original crime of money laundering, and thus have completed criminalization of all twenty crimes mentioned in the methodology (FATF recommendations).

**Recommendation 38: (Partially Compliant [PC])**

150. The Legislative Decree No. 33 of 2005 amended, gave authority to the Syrian judicial authorities to cooperate with non-Syrian judicial authorities in respect to aid, judicial rogatory, extradition of accused and convicted persons, demands of non-Syrian authorities in tracing, freezing or confiscating of funds related to money laundering or the financing of terrorism crimes and any proceeds pertaining to them, as well as the implementation of final judicial convictions issued by foreign judicial authorities pertaining to money laundering or terrorist financing, including rulings of confiscation of the funds gained through money laundry and its revenues and crimes of terrorist financing and the means used, in accordance with the rules and procedures set by the Syrian laws and regulations as well as international, regional or bilateral agreements, of which Syria is a party off, or in line with the principle of reciprocity.

**Special Recommendation VI: (Non Compliant [NC])**

151. Deficiencies related to this recommendation have been addressed as per the amended law, through prohibiting exchange professions from any cash transfer activities or assets without obtaining a license from the subject authority (the central bank), and obliged all banks and exchange institutions not to deal with any non-licensed institution. Syrian

authorities also reported that the central bank has monitored money exchange & remittances companies and offices apprehending the offenders and referring them to the concerned authorities.

152. In addition the banking and financial operations control system included monitoring the non-utilization of exchange and internal remittance offices of the banking accounts not pertaining to them. In addition the resolution requires all banks to report any unlicensed person working in currency exchange or fund remittances.

### **Special Recommendation VII: (Non Compliant [NC])**

153. Resolution No. (15) of 2015 regarding the banking and financial operations control system in all banking and financial institutions operating in Syria and the Syrian free zones regarding anti-money laundering and combating terrorism financing included in Article (49), paragraph (b) special provisions for institutions engaged in financial transactions whatever the value, whether internal or external, where those institutions are committed to obtain all necessary information as follows:

- (A) Sender's name.
- (B) Sender's address (transfer I.D. number for banking and financial institution)
- (C) Sender's account number (PIN for transaction in absence of an account)
- (D) Name of beneficiary.
- (E) Beneficiary account number (PIN for transaction in absence of an account).
- (F) Purpose of transfer.

154. All above information should be arranged in a way which allows tracking of the transaction, as well as the purpose or economical reason of the transaction. In addition the Commission has requested in the previous resolution that the purpose of the transfer should be noted irrespective of the value amount.

155. Paragraph (c) of the said article contained details of the obligations required by the banking and financial brokerage companies participating in fund transfers without being a source or recipient, whereby it must ensure all information regarding the transfers be attached to the transfer transaction, and in the event that it fails to do so due to technical reasons, it should retain all the information as received for five years, whereby it can provide the information if requested by the Banking and Financial Institution within three days from the date of request.

156. Paragraph (d) of the previous article includes obligations of beneficiary banking and financial institutions those receiving remittances, whereby the banking and financial institution are obliged to obtain full information in regards to the source and beneficiary of the transaction, and to take reasonable measures to determine the transfers lacking the required information in regards to the transfer issuer and beneficiary, and to verify the data regarding the beneficiary and maintain them. In the case of lack of information on the source of the transfer and the beneficiary, the beneficiary banking and financial institution is obliged to take action as it deems appropriate, based on the estimated degree of risk, and according to the policies and procedures placed by the institution to determine when to process or reject or suspend remittances lacking the required information and follow-up procedures, and to try to complete the information and consider the possibility of reporting suspicious transaction,

whereby these procedures are not in conflict with their commitments towards providing the required data for the Commission.

### **Special Recommendation VIII: (Partially Compliant [PC])**

157. It should be noted that the mutual evaluation report has identified some shortcomings in regards to Special Recommendation 8, pertaining to non compliance of non-profit organizations to report suspicious transactions, but SR 8 has been modified after the adoption of the Mutual Evaluation Report for Syria, whereby an explanatory note to SR 8 was adopted by the FATF in 2006, accordingly the special requirements in regards to the evaluation of SR8 have been modified, hence no longer include those requirements that oblige non-profit organizations to submit suspicious transaction reports. Accordingly, it should not be considered as a shortcoming when considering exiting from follow-up reports to biannual update. In addition, the explanatory note has added some objective requirements, which have not been evaluated in the Mutual Evaluation Report for Syria.

### **Special Recommendation IX: (Non Compliant [NC])**

158. Article 22 of the Legislative Decree No. 33 of 2005, and its amendments, obligates each individual entering or leaving the Syrian Arab Republic to declare to the customs authorities the value and source of cash or any exchangeable commodity, whether in Syrian currency or foreign, or precious metals and gems, and that is if the amount or value equals or exceeds an amount determined by the Commission management committee, whereby instructions to implement the said declaration must be issued by the Director of the CMLTF Commission. The article necessitated that the declaration must be in conformity with the truth, whereby the Customs Department should investigate when the declaration is false (falsified information or undeclared) to obtain the reason that led to this act. In addition to investigate the source of funds and purpose of use, and impose a fine under the Penal code issued by the Council of Ministers under Article (3) of the Legislative Decree, as well as referring the subject to the public prosecutor, and to inform the Commission of the incident, and the results of its investigations. The article also gave the right to the Commission to demand from the subject authorities and public prosecutors to follow-up investigation in case of suspecting that the offense is related to money laundering or terrorist financing, and in the case of availability of strong suspicions that funds are illegal or it represents the financing of terrorism, the customs authorities may confiscate it, and inform the public prosecutor.

159. Resolution No.(8) of 2009 replaced by Resolution No.(11) for the year 2011, amended, and Resolution No.(14) for the year 2013 issued by CMLTF Commission containing the declaration regulations, whereby arrivals must declare liquid funds and financial instruments equivalent to or exceeding US\$5,000/- or the equivalent in foreign currency, and Syrian pounds in their possession which are equivalent to or in excess of the amount of SP500.000/-. However departures must declare the amounts that equal or exceed \$US3,000/- if departing to any country except Lebanon or Jordan. The resolution also states that Customs Departments must provide the declarations on daily basis to the CMLTF Commission categorized as per border exits. In addition, Resolution No.(873) issued by the Council for Monetary and Credit stipulates similar measures regarding entrance and exit of funds from and to the Syrian Arab Republic as well as determining the amounts / values as stated above.

160. In addition to the above, Article (5) of the resolution No.(873) issued by the Council for Monetary and Credit includes the process of entering and exiting foreign currency and Syrian currency. The resolution has determined the permitted amounts, and should the amounts being entered or exited equal to or exceed the permitted limit, such amounts should be declared through the specific forms provided by the CMLTF commission.

161. At the level of international cooperation, the amended law of the Customs Department and the Commission allows exchange of information with foreign counterparts in regards to cross-border monies according to the laws, regulations, agreements and memorandums of understanding that are in place or in accordance with the principle of reciprocity.

162. The authorities have provided statistics in regard to the number of declarations that have been submitted over the past few years as follows:

<b>YEAR</b>	2012	2013	2014	2015	2016
<b>Number of Declarations</b>	21	65	73	- 727	489

163. The Syrian authorities submitted statistics on the amounts declared to the Customs Authority; As shown below, without mentioning the reasons on the low number of STRs provided:

	<b>LS</b>	<b>USD</b>	<b>Euro</b>	<b>LBP</b>	<b>SAR</b>	<b>Macedonian Dinar</b>	<b>AUD</b>	<b>CAD</b>	<b>AED</b>
<b>2012</b>	1,850,000	532,396	-	-	-	-			
<b>2013</b>	57,935,000	1,077,715	94,670	2,000,000	55,000	-			
<b>2014</b>	34,156,693	2,064,096	777,000		-	6,000			
<b>2015</b>	161,485,607,00	26,755,409,97	379,332,00	49,100,000,00	71,500,00		53,200,00	19,300,00	145,500,00
<b>2016</b>	110,783,500,00	27,974,588,00	128,784,00		95,000,00		18,000,00		

## **Syrian Arab Republic**

### **Legislative Decree No. 33 of 2005**

#### **Combating Money Laundering & Terrorism Financing**

Republic's President;

Pursuant to Constitution's provisions,

Decrees the following:

#### **Article 1:**

In the context of applying this Legislative Decree, the following words and expressions shall have the meaning appearing next to each:

- A. Money laundering: any act intended to conceal or change the nature of funds related to illicit activities, in order to camouflage their real sources and to show that they are resulted from legal activities.
- B. Funds: All kinds of assets, physical or non-physical, movable or immovable, whatever the kind of possession is and whatever the kind of legal documents indicating to those assets ownership or part of them is, including electronic or digital ones. This includes anything resulted from this ownership or any rights related to it, including, for example, local currency, foreign currencies, banking facilities, travel checks, bank checks, monetary drafts, shares, securities, bonds, bills of exchange and documentary credits.
- C. Illicit funds: the funds yielded or resulted from committing one of the following crimes; whether they are committed inside or outside Syria:
  - 1. Planting, fabricating, smuggling or transporting drugs or any mental stupefacients, or illicit trading in them.
  - 2. Acts committed by evil groups, stated in Article (325, 326) of Penal Code, as well as, all crimes internationally considered organized crime.
  - 3. Terrorist crimes stated in Articles 304 and 305 of the Penal Code and in international, regional and bilateral agreements to which Syria ia a party.
  - 4. Smuggling, manufacturing or illicit trading in firearms and their spare parts, ammunicions and explosives.
  - 5. Illicit transport of immigrants, piracy and kidnapping.
  - 6. Organized prostitution activities, trading in people and infants and illicit trading in human organs.
  - 7. Stealing, smuggling and illicit trading in nuclear, chemical, germ or poison materials.

8. Stealing and embezzling public or private properties or seizing them by burglary or pillage or by deceptive means or transferring them illegally through computer systems.
  9. Counterfeiting money, other payment means, public instruments, valuable papers or official documents and instruments.
  10. Stealing or illicit trading in ancient monuments or cultural properties.
  11. Bribe and blackmail crimes.
  12. Smuggling crimes.
  13. Using registered trademarks by people other than their owners or counterfeiting intellectual property rights.
- D. Combating Money Laundering and Terrorism Financing Commission (hereinafter the Commission): is the body in charge of all issues related to money laundering and terrorism financing. It shall have the power to sue, while the competent courts shall have the power to issue verdicts.

#### **Article 2:**

- A. Shall be deemed a money laundering crime any act aimed at:
1. Concealing the real source of illicit money by any way, or giving fake justification of that source.
  2. Transferring or exchanging money while knowing it is illicit, in order to conceal or camouflage their source, or helping a person involved in committing the crime to evade liability.
  3. Possessing, laying hands on, managing, investing or using illicit funds to buy movable or immovable property or to carry out financial activities, though the doer knows that they are illicit.
- B. Shall be deemed a terrorism financing crime any act aimed at presenting or collecting money by any way, directly or indirectly, from legal or illicit sources, in order to be used in terrorist act inside or outside Syrian Arab Republic, pursuant to Syrian effective laws and regulations and international, regional and bilateral agreements to which Syria is a party.

#### **Article 3:**

Banking and financial institutions working in the Syrian free zones shall be subject to the provisions of this Legislative Decree and its executive instructions issued by the Commission. Those institutions shall be subject to the provisions of banking supervision stipulated in Article (89) of the Law of The Central Bank of Syria, Fundamental Monetary Statute law No. 23 of 2002 and Legislative Decree No. 34 dated on 01/05/2005 about banking secrecy.

#### **Article 4:**

- A. Institutions not subject to Legislative Decree of bank confidentiality issued on 01/05/2005 including individual institutions, especially exchange institutions, money transfer institutions, issuing payment means institutions such as credit cards, payment credits, travel checks, e-money, investment funds and their management, financial intermediaries institutions, leasing companies, investment and financial groups, insurance companies and other financial institutions defined by the Commission; as well as,



companies of building, promoting and selling real estates, real estate brokerage offices, merchants of luxury items such as jewelries, precious stones, gold, art masterpieces and rarities, and other non-financial institutions defined by the Commission, shall have to keep special registries for dealings of values exceeding the amount defined in a decision by the Commission. The same shall apply when establishing business relationship with permanent customers, and the transactions where there is doubts that one of the dealers is trying to handle money laundering or terrorism financing, or if there is doubt about the validity of the information declared previously, or if there are later changes in the dealer's identity or that of the economic right owner.

- B. Bodies defined in Paragraph (A) of this Article shall have to check the dealers' identities and addresses according to an official documents and to keep a copy of them. They shall have to keep a copy of the documents related to the above activities and cases for at least five years from the end of the relevant transaction or from the end of the relation with the dealer, which one is longer, in such a way that will enable the Commission to use those documents if necessary.
- C. Paragraphs (A, B) of this article shall be applied on lawyers, legal documents editors and independent accountants, when they carry out dealings related to the following activities, on behalf of their agents:
- Selling and purchasing real estates.
  - Managing agents' property, securities or any other assets.
  - Managing bank accounts, savings accounts, investment accounts in local and international financial markets.
  - Arranging the contributions related to establishing, functioning or managing companies.
  - Establishing, functioning or managing legal persons or legal arrangements; selling and purchasing commercial entities.

#### **Article 5:**

- A. Banking and financial institutions registered at the Central Bank of Syria, including their external branches and their foreign subordinate banking institutions shall undertake to monitor the operations they have with the dealers to avoid involvement in activities that might include illicit money laundering or terrorism financing.
- B. Rules of this monitoring shall be defined by a status issued by a decision from the Commission, containing the following points:
1. Check the real identity of permanent dealers with banking and financial institutions, and define the identity of the economic right owner in case the dealing is carried out through agents or numbered accounts or accounts with owners different from economic right owner.
  2. Apply checking measures shown in Item (1) of Paragraph (B) of this article on **transit** dealers' identities, if the dealing exceeds a certain amount of money defined by a decision from the Commission.
  3. Apply checking measures shown in Item (1) of Paragraph (B) of this article, when there is doubt about a dealer's trial to commit money laundering or terrorism financing, or if there is doubt about the validity

- of the information previously given, or if there are changes in the identity of the dealer or the economic right owner.
4. Draft's source and beneficiary's name in all incoming and outgoing drafts shall have to be appointed when making local and international banking transfers. The draft's economic reason shall have to be known, as well, if its value exceeds a certain amount of money defined by the Commission.
  5. Keep copies of documents related to all operations, and copies of official documents related to dealers' identities for five years at least after operation's end or accounts close, in such a way that permits the Commission to use those documents when necessary.
  6. Define the indicators pointing to possible existence of money laundering operations, and principles of caution to reveal the suspected operations.
  7. Commitment of banking and financial institutions not to give fake information to deceive administrative and juridical authorities.
  8. Commitment of banking and financial institutions to train their employees about methods of monitoring financial and banking operations to combat money laundering and terrorism financing.
  9. Commitment of banking and financial institutions to appoint a highly qualified official or to form a committee in charge of combating money laundering and terrorism financing.
- C. Internal controllers of operational banks and controllers of Government Commission for the Banks in the Central Bank of Syria, shall have to check that the other banking and financial institutions mentioned in this Legislative Decree respect status's provisions mentioned in Paragraph (B) of this article, and inform the Combating Money Laundering and Terrorism Financing Commission about any violation in this regard.
- D. Banking and financial institutions registered at the Central Bank of Syria shall have to be diligents in dealing with the corresponding banks to avoid involvement in suspected activities; they shall do that through collecting enough information to understand their work nature and to evaluate their internal measures to combat money laundering and terrorism financing to be sure of their efficiency. If collecting those information is impossible, they have to not make such kind of dealing.

#### **Article 6:**

Banking and financial institutions registered at the Central Bank of Syria and institutions not subject to Legislative Decree of bank confidentiality issued on 01/05/2005, shall have to apply special measures and pay special attention if:

- A. The dealer or the economic right owner is politically exposed person. In this case the measures shall include getting the approval of senior management of those institutions to establish work relation, continuous monitoring to this relation and carrying out reasonable measures to identify the money source. Each individual occupying a public or high position in a foreign country is considered politically exposed persons.
- B. Operations carried out without dealer's presence or through developed technologies that make it possible not to mention the real identity.

- C. All abnormally complicated and big sized dealings and all kinds of unusual dealings that have no clear economic purpose.
- D. Dealings with natural or legal individuals, including banking and financial institutions, residing in the countries appearing on the list of non-cooperating countries in the field of combating money laundering and terrorism financing, issued by Financial Action Task Force-FATF.

**Article 7:**

An independent body of juridical nature shall be established at the Central Bank of Syria under the name of “Combating Money Laundering and Terrorism Financing Commission”, which will have legal personality and carry out the following:

- A. Receive reports about suspected activities and other information related to money laundering and terrorism financing and analyze them.
- B. Carry out financial investigations about the operations suspected to contain illicit money laundering or terrorism financing operations and respect the rules and measures stated in this Legislative Decree.
- C. Provide the judiciary and other bodies in charge of applying this Legislative Decree with the information related to this decree, required by those authorities.
- D. Develop the measures and forms of implementing this Legislative Decree and supervise their implementation.
- E. Adopt rules of exchanging information available to Financial Data Collecting Unit with the counterpart units in other countries pursuant to the rules and measures defined by Syrian effective laws and regulations as well as international, regional and bilateral agreements to which Syria is a party, or according to reciprocity.

**Article 8:**

- A. The Commission shall have a Administration Committee consisting of:
  - Central Bank of Syria Governor Chairman  
(if he is absent, his first deputy shall replace him).
  - Second deputy of Central Bank of Syria Governor, supervising  
Government Commission for the Banks, Member  
(If he is absent, the Director of Government Commission for the Banks shall replace him).
  - A judge appointed by Supreme Judiciary Council or whoever the  
Council names in his absence. Member
  - Deputy Minister of Finance. Member
  - Chairman of Syrian Authority for Financial Markets and securities  
Member
  - An expert in legal, financial and banking affairs. Member
- B. The Chairman and members of the Administration Committee shall be nominated in a decision by the Prime Minister.
- C. The Commission Chairman shall represent it before the judiciary.

- D. Commission Administration Committee shall nominate one of the Government Commission for the Banks as Secretary, provided that he devotes his time to perform this job. He will also implement its decisions and supervise directly many auditors nominated by Commission Administration Committee and assigned by Administration Committee of The Central Bank of Syria, in order to perform Commission duties pursuant to this Legislative Decree. The secretary and the auditors shall be subject to all commitments imposed on Commission members, especially keeping bank confidentiality.
- E. Provisions of the banking secrecy Legislative Decree dated 01/05/2005 shall not be valid, at any case, when applying provisions of this Legislative Decree and when the Commission or its assignees require any information.
- F. The right to suspend bank confidentiality in favor of competent juridical bodies regarding the accounts opened at banking and financial institutions and suspected to be used for money laundering or terrorism financing, shall be restricted to the Commission Administration Committee.
- G. The Commission shall have the right to join pacts or to sign understanding memorandums with counterpart foreign bodies for information exchange and assistance related to combating money laundering and terrorism financing.
- H. The Commission shall have the right to suspend bank confidentiality and make investigations, within its work limits, on behalf of counterpart foreign bodies pursuant to rules and measures defined by Syrian effective laws and regulations as well as international, regional and bilateral agreements to which Syria is a party, or according to reciprocity.
- I. Commission Administration Committee shall meet upon its chairman's invitation once per month, and when necessary. Its meetings shall not be legal unless 4 members at least attend. It makes its decisions pursuant to the majority of attendants' votes. In case of balance, the chairman's side wins.
- J. The Commission Administration Committee shall develop a status for its work procession. All its discussions and decisions shall be secret.
- K. Before starting their jobs, Chairman, members and secretary of the Commission Administration Committee, except the judge, shall swear in front of the Court of First Instance in Damascus, the following legal oath: I swear in the name of great god, to perform my work honestly and faithfully and to keep the information I acquaint secret.
- L. Members of bodies subordinate to the Commission and assigned to perform works shall swear the same oath in front of the Administration Committee members.
- M. The Commission shall have the right to publish periodical statistics about the number of reports of suspected dealings received and distributed by the Commission, number of investigations in money laundering and terrorism financing, number of cases made in this regard, number of condemning sentences issued about them, frozen and confiscated properties, legal exchangeable assistance or other international requests for cooperation.

## Article 9:

- a. Bodies mentioned in Articles (4, 5) of this Legislative Decree, in addition to internal controllers of operational banks, controllers of Government Commission for the Banks in the Central Bank of Syria and legal account inspectors, shall have to inform immediately the Commission chairman or his deputy about the details of operations suspected to hide illicit money laundering or terrorism financing.
- b. The report incoming from the bodies mentioned in the foregoing paragraph of this article or from official or external authorities shall be transferred to the Commission secretary or his deputy if he is absent, within one workday. The secretary shall investigate and analyze the incoming information regarding the suspected accounts within six workdays, either directly or through authorized monitors under supervision of the Commission chairman or his deputy. He shall have the right to freeze temporarily the suspected accounts for six workdays non-renewable; the freezing shall be according to approval of the Commission chairman or his deputy.
- c. During this time, the Commission Administration Committee shall hold a meeting and acquaint the report and the measures that have been taken, as well as the available investigation's results. After that the committee shall have the right to make a temporary decision to freeze the account for 12 days non-renewable if the money source is still unknown or if there is suspicion that it is resulted from money laundering or if it aims at financing a terrorist act. During this time the Commission shall continue its investigations. People in charge of investigation shall pay attention to implementing their assignments within a framework of confidentiality, and without being held accountable under the provisions of Legislative Decree on the banking secrecy issued on 01/05/2005.
- d. The Commission shall have the right to ask the natural or legal persons suspected to practice activities related to money laundering or terrorism financing to present documents or evidences showing the source and flow of the money suspected to be illicit.
- e. After carrying out the financial investigations and analyses, during the temporary freezing of the suspected account or accounts, the Commission Administration Committee shall issue a final decision either to free the account or accounts if the money source has not shown that it is illicit, or to suspend banking secrecy regarding the suspected account or accounts and continue freezing them. The decision shall have to be justified. If the Commission has not make any decision during the period mentioned in the foregoing Paragraphs (A, B), the account shall be considered definitely freed. The Commission decisions shall not be subject to any kind of administrative revision.
- f. When suspending the banking secrecy, the Commission shall have to send a ratified copy of its final decision to the General Attorney in the relevant governorate, in order to initiate prosecution procedures. A copy shall be sent to the party concerned, the relevant bank, the foreign body concerned directly or through the reference through whom the information have come.

#### **Article 10:**

- a. The Commission shall have the right to require additional information and acquaint details related to its investigations, from all bodies obliged to inform to complete the investigation. It shall have the right as well to require those information and details from all Syrian official bodies (juridical, administrative, financial and security) or the counterpart foreign ones. Syrian bodies shall have to undertake providing the Commission with those information immediately within the period it defines.
- b. The Commission shall have the right to ask the Customs Administration to inform it about the amounts of money transferred through the borders physically or as circulating financial instruments, whenever their amount exceed a ceiling fixed by the Commission and declared according to a form prepared by the Commission. The Commission shall also be able to create a database for local and international monetary transactions run by banking and financial institutions if they exceed a certain amount that can be used in money laundering and terrorism financing cases.

#### **Article 11:**

- a. A unit inside the Commission shall be formed under the name of Financial Data Collecting Unit, aimed at collecting, analyzing and keeping the information related to crimes of money laundering and terrorism financing and exchanging such information with foreign counterparts under supervision of the Commission Chairman. This unit shall have to inform the Commission periodically as regards the available information about crimes of money laundering and terrorism financing. Members of this unit shall assume all duties imposed on the Commission members, especially secrecy keeping. Its formation shall be issued by a decision from the Commission Administration Committee.
- b. The Commission Administration Committee shall propose the number of workers necessary for this unit pursuant to work necessities. Their assignments shall be defined and their appointments shall be decided by a decision issued by Central Bank of Syria's Governor and shall be subject to disciplinary measures if they violate their duties, that does not prevent penal and civil prosecution.
- c. The Commission shall have the right to form, by a decision from Its Administration Committee, a unit to investigate the reports incoming to the Commission and a unit to verify the measures performed by the institutions mentioned in Articles (4, 5) to combat money laundering and terrorism financing, or any other units within the Commission considered necessary for its work. Members of those units shall assume all duties imposed on the Commission members, especially secrecy keeping. Number of workers in those units, as well as their assignments, appointments, and procedure to be taken against them, shall be defined pursuant to Paragraph (B) of this article.

**Article 12:**

Apart from the decision of the Commission committee to approve suspending bank confidentiality, the report stated in this Legislative Decree is absolutely secret, whether it was made by a natural or legal person. Documents presented for this purpose and investigation documents and measures, at all stages shall be secret as well.

**Article 13:**

Central Bank of Syria's governor assigned to preside the Commission, Administration Committee of The Central Bank, members of the Commission Administration Committee, the secretary, the units members, all its workers and people assigned to perform works for it, shall enjoy immunity; it shall be impermissible to make any case against them, or to make them subject to any civil or penal liability related to their performance of their assignments stated in this Legislative Decree. Banking and financial institutions and other institutions appointed to report, as well as, their directors and workers, who for good wills, report about and reveal the suspected activities, shall enjoy the same immunity.

**Article 14:**

- A. Any person that commits, intervenes or participates in illicit money laundering activities resulted from one of the crimes mentioned in Article (1) of this Legislative Decree knowing that they are resulted from illicit activities, shall be penalized by imprisonment from three to six years and a fine equal to the value of the seized properties, or a fine equal to their value if it was impossible to seize them, provided that the fine shall not be less than one million Syrian pounds, unless the act is subject to a harder penalty. This penalty shall be stricter pursuant to provisions of Article 247 of The Penal Law, if the crime is committed within an organized criminal band. Anyone who commits, intervenes or participates in terrorism financing activities shall have the same penalty.
- B. Attempting in a crime of money laundering or terrorism financing shall have the same penalty as the real doer; and it shall be for partners, interveners, instigators and hidiers.
- C. Penalties mentioned in Item (A) shall be considered criminal ones.

**Article 15:**

- A. The competent court shall decide to confiscate the funds resulted from crimes of money laundering and terrorism financing, mentioned in the foregoing article or collected pursuant to it.
- B. If the funds are transferred or altered to funds of another nature, such alternative funds shall be also subject to confiscation as well. And if the illicit funds are mixed with licit ones, the confiscation shall be applied to the estimated value of the illicit funds, without prejudice to the Commission right to freeze them until such time as the relevant investigation is completed.

- C. All revenues and due derived from illicit funds or the alternative funds to which these were transferred, as well as, the funds with which the illicit funds mixed, shall be subject to freezing and confiscation to the same degree that the illicit funds are subject to.
- D. Syrian judiciaries shall have the right to order implementation of final criminal sentences issued by competent foreign juridical bodies regarding confiscation of funds yielded from crimes of money laundering and their returns and crimes of terrorism financing, according to the rules and measures defined by Syrian effective laws and regulations as well as international, regional and bilateral pacts signed by Syria, or according to reciprocity. It shall be permissible, as well, to sign bilateral or multilateral pacts regulating dealing with the money subject to final confiscation sentence in crimes of money laundering or terrorism financing from Syrian or foreign juridical bodies. Those pacts shall contain rules of distribution of those funds to pacts' parties pursuant to their provisions.
- E. This article is valid for natural and legal persons.

**Article 16:**

The juridical sentences shall contain, in addition to the penalties mentioned in Articles (13, 14) of this decree, paragraphs stipulating pasting and publishing the sentence and driving the non-Syrians and those considered as Syrians, out of Syria or extraditing them to the authorities of their country, as well as, closing the business, preventing the legal personality from work and dissolving it in case of repetition. The last three measures shall not be applied on public bodies, and they don't affect the criminal liability of natural persons.

**Article 17:**

Any person that violates provisions of Articles (4, 5, 6, 9-A, 11-A, 11-C and 12) of this decree shall be penalized to prison from three months to one year and shall be fined from SP 250,000 to SP1,000,000.

**Article 18:**

Syrian juridical bodies shall exchange cooperation with foreign juridical ones in the field of crimes of money laundering and terrorism financing according to rules and measures defined by Syrian effective laws and regulations as well as international, regional and bilateral agreements to which Syria is a party, or according to reciprocity.

**Article 19:**

- A. The Commission and its units' bylaw shall be issued by a decision from the prime minister including the number of the needed positions according to the Commission proposal.
- B. The staff of those positions shall be issued by a decree and it shall be added to staff of The Central Bank of Syria.



- C. Compensations and rewards resulted from implementation of provisions of this Legislative Decree shall be defined by a decree.
- D. Additional financial burdens resulted from implementation of this Legislative Decree, shall be assumed by the banks operating in Syria, and they shall be considered part of the expenditures of Government Commission for the Banks in The Central Bank of Syria.

**Article 20:**

Legislative Decree No. 59 of 2003 shall be repealed.

**Article 21:**

This Legislative Decree shall be published in the Official journal and shall be valid from the date of its issuance on.

Damascus 01/05/2005

Republic's President

Bashar Al-Assad

## **Syrian Arab Republic**

### **Legislative Decree No. 27 of 2011**

President of the Republic;  
Pursuant to Constitution's provisions,

Decrees the following:

#### **Article 1:**

A- The introduction of paragraph (C) of Article 1 of the Legislative Decree 33 of 2005 is amended as follows:

“Illicit funds: the funds yielded or resulted directly or indirectly from committing one of the crimes listed below; whether they are committed inside or outside Syria if the use of these funds in the commission of money laundering offences was proved.”

B- The following items are added to the end of the same paragraph:

14. Monopoly and market manipulation crimes.
15. environmental crimes
16. Terrorist financing crimes in accordance with the provisions of the articles (304) and (305) of the Syrian Penal Code issued by the legislative decree number (148) of 1949, laws, international and regional agreements in effect in the Syrian Arab republic.
17. Murder, grievous bodily injury.
18. Illicit trafficking in stolen goods.

#### **Article 2:**

A- The item (1) of paragraph (A) of Article 2 of the Legislative Decree 33 of 2005 is amended as follows:

“Concealing or disguising the true nature, source, location, disposition, movement or ownership of the rights with respect to property of funds, knowing that it is illicit.”

B- The paragraph (B) of the same article is amended as follows:

“Shall be deemed a terrorism financing crime any act aimed at presenting or collecting money by any way, directly or indirectly, totally or partially, from legal or illicit sources, in order to be used in a terrorist act or in the financing of a terrorist or terrorist organization inside or outside the Syrian Arab Republic, pursuant to laws and international, regional and bilateral agreements in effect in the Syrian Arab republic.”

#### **Article 3:**

The article 3 of the Legislative Decree 33 of 2005 is amended as follows:

“A- The commission suggests the executive instructions of this legislative decree that should include the details of obligations stipulated in articles 4,5,6,9, and should be issued by the Prime Minister.

B- The commission imposes the penalties of notification and ultimatum which are applied on all the violating institutions subjected to the obligations imposed by this legislative decree and its executive instructions.

C- The sanctions provided in the paragraph above don't affect the obligations, sanctions and penalties provided by other laws.”

#### **Article 4:**

The paragraph (A) of Article 4 of the Legislative Decree 33 of 2005 is amended as follows:

“A- Companies of building, promoting and selling real estates, real estate brokerage offices, merchants of luxury items such as jewelries, precious stones, gold, art masterpieces and rarities, and other non-financial institutions defined by resolution issued by the council of ministers, shall have to keep special registries for dealings of values exceeding the amount defined in a decision by the Commission. The same shall apply when establishing business relationship with permanent customers, and the transactions where there is doubts that one of the dealers is trying to handle money laundering or terrorism financing, or if there is doubt about the validity of the information declared previously, or if there are later changes in the dealer’s identity or that of the economic right owner.”

**Article 5:**

A- The phrase "registered with the Central Bank of Syria" in paragraph (a) of Article 5 of Legislative Decree No. 33 of 2005 is deleted.

B- The paragraph (C) of the same article is amended as follows:

“C- Internal controllers of operational banks and controllers of competent authorities shall have to check that the banking and financial institutions respect this legislative decree, executive instructions and its status provisions mentioned in Paragraph (B) of this article, and inform the Combating Money Laundering and Terrorism Financing Commission about any violation in this regard.”

C- The phrase "registered with the Central Bank of Syria" in paragraph (D) of the same Article is deleted, the words “corresponding banks”, also, replaced by corresponding banking and financial institutions

D: The introduction of Article 6 of the same Legislative Decree is amended as follows:

“Banking and financial institutions and bodies mentioned in article /4/ shall have to apply special measures and pay special attention if:”

**Article 6:**

The paragraph (A) of Article 8 of the Legislative Decree 33 of 2005 is amended as follows:

“A- The Commission shall have an Administration Committee consisting of:

- Central Bank of Syria Governor Chairman
- First deputy of Central Bank of Syria Governor Member, Vic-Chairman.
- Second deputy of Central Bank of Syria Governor, supervising Government Commission for the Banks, Member  
(If he is absent, the Director of Government Commission for the Banks shall replace him).
- A judge appointed by Minister of Justice Member
- A representative of the Ministry of Finance of the rank of Director at least Member
- A representative of the Ministry of Foreign Affairs of the rank of Director at least Member
- A representative of the Ministry of Interior of the rank of Director at least Member
- A representative of the Ministry of Economy and Commerce of the rank of Director at least Member
- A representative of Syrian Authority for Financial Markets and securities of the rank of Director at least Member

- A representative of the General Customs Directorate of the rank of Director at least  
Member
- Two expert in legal, financial and banking affairs.  
Members

The competent minister nominates representatives of the ministries and public bodies of the Administration Committee.”

**Article 7:**

A- The paragraph (A) of Article 9 of the Legislative Decree 33 of 2005 is amended as follows:

“A- Bodies mentioned in Articles (4, 5) of this Legislative Decree, in addition to internal controllers of operational banks, controllers of competent authorities and legal account inspectors, shall have to report immediately to the Commission chairman or his deputy about the details of operations suspected to hide illicit money laundering or terrorism financing or about funds suspected to be proceeds of one of the crimes mentioned in paragraph /c/ of article /1/ or money related to terrorism or can be used by terrorist organizations or terrorist financing.”

B- The paragraphs (B) (C) (D) (E) (F) of the same article are replaced by the following paragraphs:

“B- The executive instructions include the mechanism adopted by the commission for treating the report mentioned in the forgoing paragraph, and the mechanism of responding to the internal and external requests of assistance concerning the investigation in money laundering or terrorist financing offence or any offence whose proceeds constitute resource for illicit money.

C- The commission shall have the right to freeze the suspected accounts for six workdays, and to extend the freezing of the accounts for additional twelve workdays according to the approval of the Commission Administration Committee. If the commission request to prosecute, it shall have the right to freeze these accounts or extend the freezing without abiding by the previous durations of freezing, and the public prosecutor have the right to make the decision to free or extend freezing the accounts.

D- The public prosecution have the right to suit according to the common right in money laundering and terrorist financing offences according to the laws in effect, and the examining magistrate responsible for the action has the right to use his competences cited in the criminal procedures code, specially conducting investigations, collecting evidences, tracing money related to the crime and its proceeds wherever it be located, and taking necessary measures including seizing funds related to money laundering or terrorist financing offences, its proceeds, and all means used in committing these crimes, and seizing funds related to the crimes whose its proceeds constitute the source of illicit money, freeing or extend freezing the accounts had been frozen by the commission.”

**Article 8:**

The following paragraph is added to the Article 10 of the Legislative Decree 33 of 2005:

“C- The ministry of foreign affairs shall send the United Nations lists including the suspicion of names of persons involved in terrorist acts or operations of financing of terrorism, to the concerned authorities to verify the involvement of such persons and to take the necessary measures, and thereafter the prime minister shall be notified of these lists, in a manner consistent with the provisions of law, international agreements and conventions in effect in Syria.”

**Article 9:**

A- The paragraph (A) of Article 15 of the Legislative Decree 33 of 2005 is amended as follows:

“The competent court shall decide to confiscate the funds subject of crimes of money laundering and terrorism financing, its proceeds, and the means and tools used in these crimes.”

B- The paragraph (D) of the same Article is amended as follows:

“Syrian judiciaries shall have the right to order implementation of final judicial sentences issued by competent foreign juridical bodies regarding the money laundering offence, including the decisions of confiscation of funds yielded from crimes of money laundering and their returns and crimes of terrorism financing, and the means used in the money laundering and terrorism financing offences according to the rules and measures defined by Syrian laws in effect and regulations as well as international, regional and bilateral pacts to which Syria is a party, or according to reciprocity.”

**Article 10:**

A- The article 16 of the Legislative Decree 33 of 2005 is amended as follows:

“If the offence of money laundering or terrorism financing is committed by the director of the legal person or members of his administration or his representatives or employees, or one of its means, the legal person should be punished in accordance with the provisions of article (108) et seq of the Penal Code. This penalty doesn't affect the criminal liability of natural persons.”

B- The article 18 of the Legislative Decree 33 of 2005 is amended as follows:

“Through the ministry of justice and the ministry of Foreign Affairs, Syrian juridical bodies shall exchange cooperation with foreign juridical ones in the field of crimes of money laundering and terrorism financing including investigation, control of evidence and testimony, prosecution, and identification , freezing, and seizing of illicit funds and means used in the crimes of money laundering or terrorism financing, extradition and other relevant procedures, according to rules and measures defined by Syrian laws in effect and regulations as well as international, regional and bilateral agreements to which Syria is a party, or according to reciprocity.”

**Article 11:**

This Legislative Decree shall be published in the Official journal and shall be valid from the date of its issuance on.

Damascus 12/3/1432 H 15/02/2011

President of the Republic  
Bashar Al-Assad

## Syrian Arab Republic

### Legislative Decree No. 46 of 2013

President of the Republic;  
Pursuant to Constitution's provisions,

Decreases the following:

#### **Article 1:**

A- The paragraph (C) of Article 1 of the Legislative Decree 33 of 2005 modified by Legislative Decree 27 of 2011 is amended as follows:

Illicit funds: the funds yielded or resulted directly or indirectly from committing one of the following crimes; whether they are committed inside or outside Syrian Arab Republic territories :

1. Planting, fabricating, smuggling or transporting drugs or any mental stupeficients, or illicit trading in them.
2. Acts committed by evil groups, stated in Penal Code, as well as, all crimes internationally considered organized crime.
3. Terrorist and Terrorist financing crimes stated in applicable laws and in international and regional Conventions and treaties applicable in Syria.
4. Smuggling, manufacturing or illicit trading in firearms and their spare parts, ammunitions and explosives.
5. Illicit transport of immigrants, piracy and kidnapping.
6. Organized prostitution activities, trading in people and trading in human organs.
7. Stealing, smuggling or illicit trading in nuclear, chemical, germ or poison materials.
8. Stealing and embezzling public or private properties or seizing them by burglary or pillage or by deceptive means or transferring them illegally through information systems.
9. Counterfeiting money, other payment means, public instruments, valuable papers or official documents and instruments.
10. Stealing or illicit trading in Archaeological pieces (ancient monuments) or cultural properties.
11. Bribe and blackmail crimes.
12. Smuggling crimes.
13. Using registered trademarks by people other than their owners or counterfeiting intellectual property rights.
14. Monopoly and market manipulation crimes.
15. environmental crimes
16. Murder or causing permanent physical impairments.
17. Stolen goods trading.
18. Illicit trading in goods and foreign exchange, goods trading is considered illegal when it is contrary to the applicable laws and regulations that restrict or prohibit trade in these goods..
19. Tax evasion Crimes.

B- The paragraph (B) of Article 3 of the Legislative Decree 33 of 2005 modified by Legislative Decree 27 of 2011 is amended as follows:

“B- The Commission may impose administrative sanctions and fines not exceeding 100 million Syrian pounds and, remedial and corrective actions to natural persons and legal persons violators the obligations imposed on them under this Legislative Decree. These sanctions and actions are imposed under a list which identifies irregularities and financial foundations of calculating fines prepared by the Commission and submitted to the Council of Ministers for approval. Persons to whom these sanctions and fines are imposed have the right to a competent court review In order to file an objection in accordance with the general legal rules.

C- The paragraph (A) of Article 8 of the Legislative Decree 33 of 2005 amended by the Legislative Decree 27 of 2011 is amended as follows:

A. The Commission shall have a Administration Committee consisting of:

- Central Bank of Syria Governor Chairman  
(if he is absent, his first deputy shall replace him).
- Minister of Finance Deputy Member
- A judge appointed by Supreme Judiciary Council Member
- Supervising Director of Government Commission for the Banks Member
- A representative of the Ministry of Foreign Affairs and Emigrants of the rank of Director at least. Member
- A representative of the Ministry of Interior of the rank of Director at least Member
- An expert in legal, financial and banking affairs.

D- The paragraph (C) of Article 10 of the Legislative Decree 33 of 2005 modified by Legislative Decree 27 of 2011 is amended as follows:

"C- The names of persons and entities designated in accordance with United Nations Security Council resolutions 1267 and 1737 and related resolutions, should be referred, through the ministry of foreign affairs, from and to the competent authorities, to implement the measures to freeze the funds or other assets. Implementing mechanisms will be defined by a resolution issued by the prime minister, in a manner conforming with the provisions of law, international Conventions and treaties applicable in Syria in Syria.

## **Article 2:**

This Legislative Decree shall be published in the Official journal.

Damascus 30/8/1434 H 9/7/2013

President of the Republic  
Bashar Al-Assad