

# 4<sup>th</sup> Syrian Banking and Investment Conference

## Panel Session 2: Issues Affecting The Financial Sector

The Role of Corporate Governance in Developing  
the Financial Sector in Syria



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TALAL ABU-GHAZALEH ORGANIZATION





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# Syrian Financial Sector

## Banking Sector - 15 Bank

-  6 State owned banks
-  9 private banks
-  9 banks under establishment
-  348 Branches in the end of 2007

## Insurance Sector

-  Insurance companies 10+
-  In 2007 premium around 193.5\$ Million
-  Market share of Syrian Insurance company in 2007 59.5% (95% in 2006)

## Stock Market

-  Under construction – expected 2009
-  20+ companies expected to be among the early listings

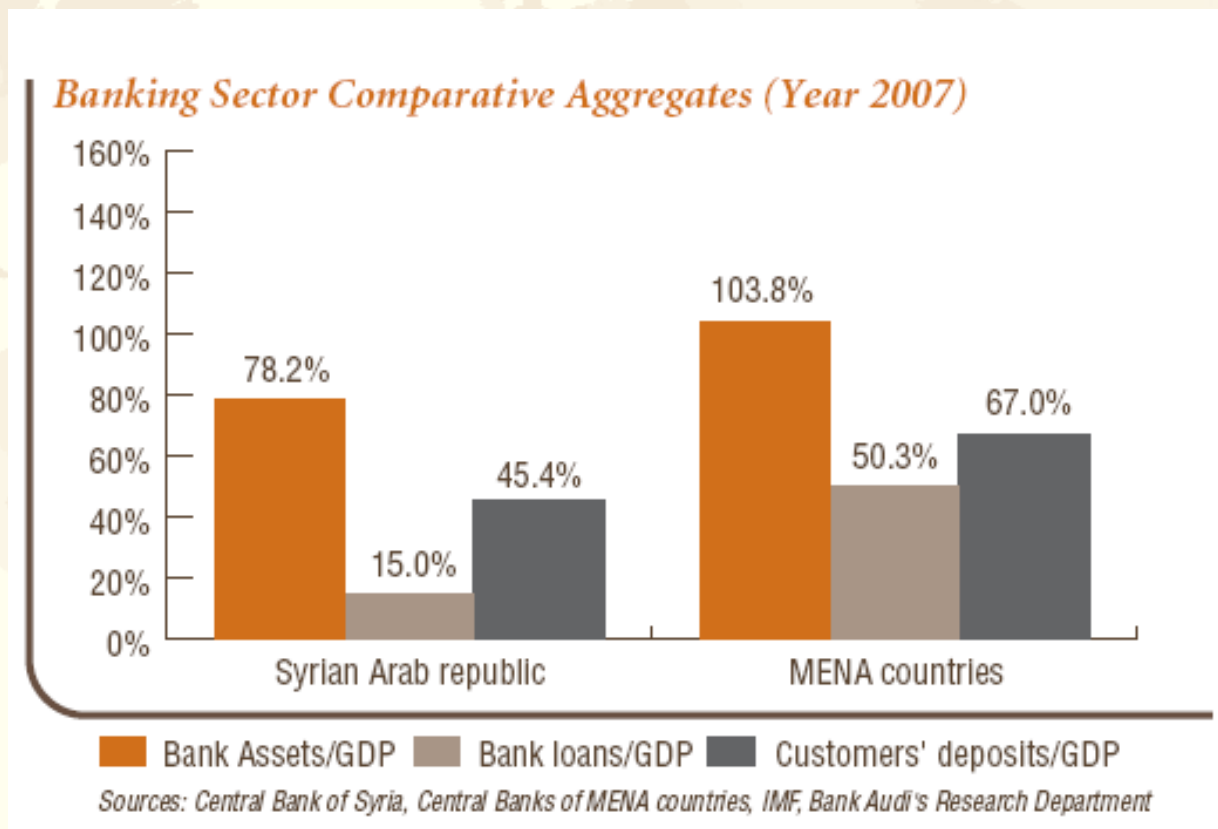
# Syrian Financial Sector

## Banking Activity

SP million	2002	2003	2004	2005	2006	2007
Total assets	1,075,094	1,183,367	1,250,260	1,342,954	1,410,440	1,593,228
% change in assets	10.5%	10.1%	5.7%	7.4%	5.0%	13.0%
Total deposits	571,834	618,199	669,661	733,253	804,457	924,447
% change in deposits	21.7%	8.1%	8.3%	9.5%	9.7%	14.9%
Total loans to private sector	83,935	109,403	147,769	222,528	254,750	305,524
% change in loans to private sector	6.6%	30.3%	35.1%	50.6%	14.5%	19.9%

*Sources: Central Bank of Syria, Bank Audi's Research Department*

# Regional Financial Sector



# So What ?





- The growth of the private corporate sector
- The growth of equity markets and their institutions
- The growth of international private capital flows
- The new economy



# We Need to Find A way to Protect our Financial Sector

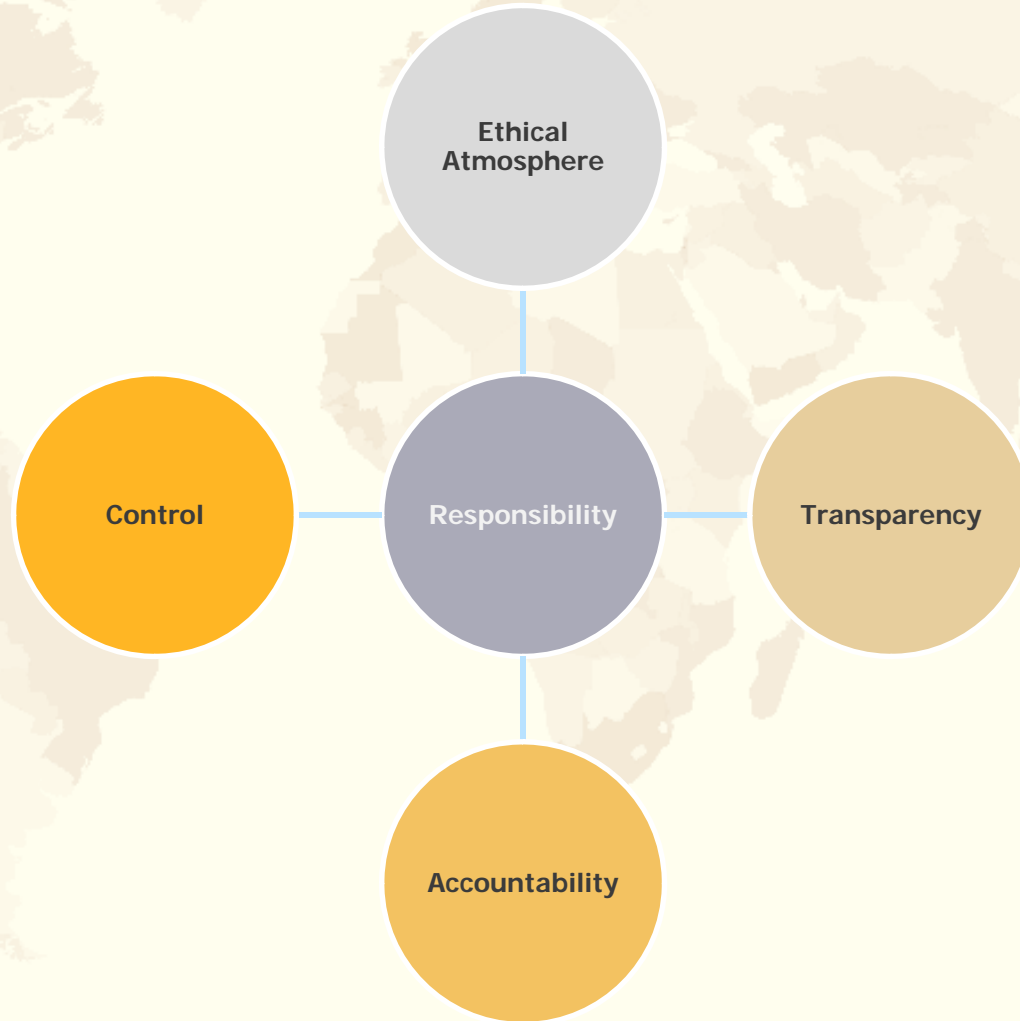
# Corporate Governance

## Definitions:

-  Is the system by which business entities are managed and control.
-  It is the means to promote Transparency and Accountability
-  It is a risk based management
-  A set of behavioural patterns



# Corporate Governance Cornerstones

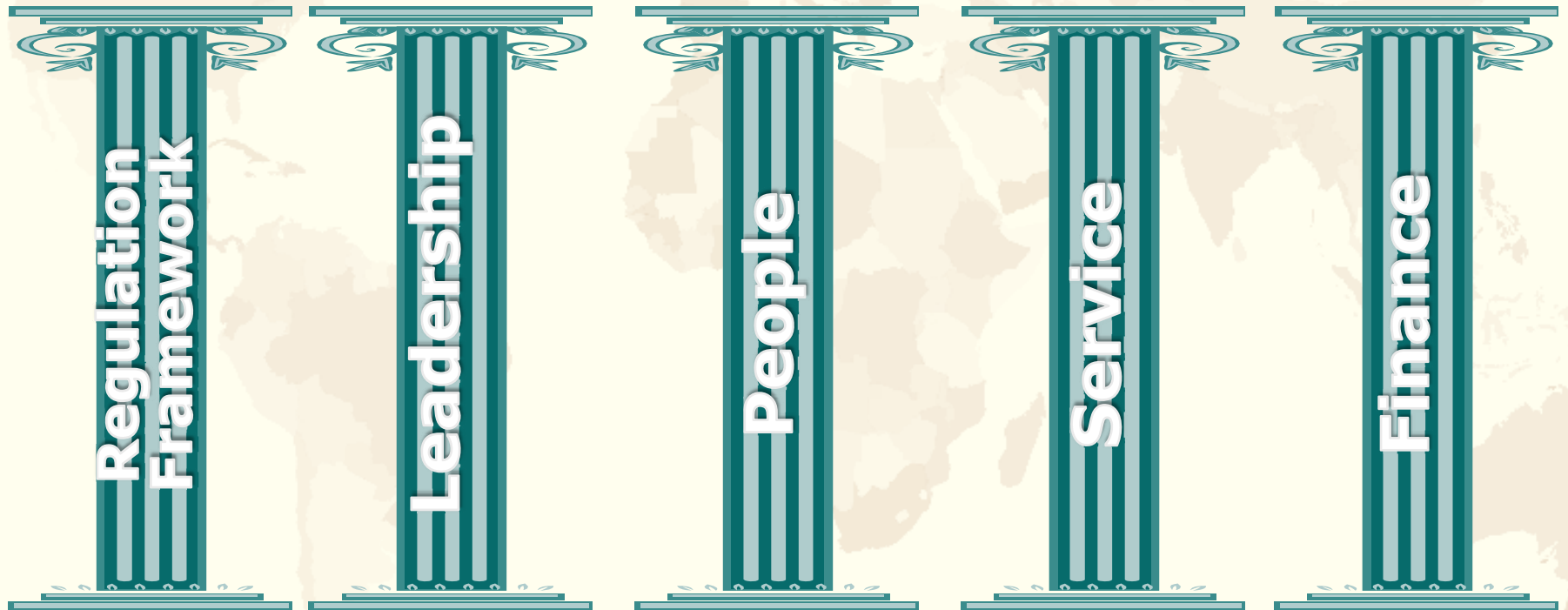




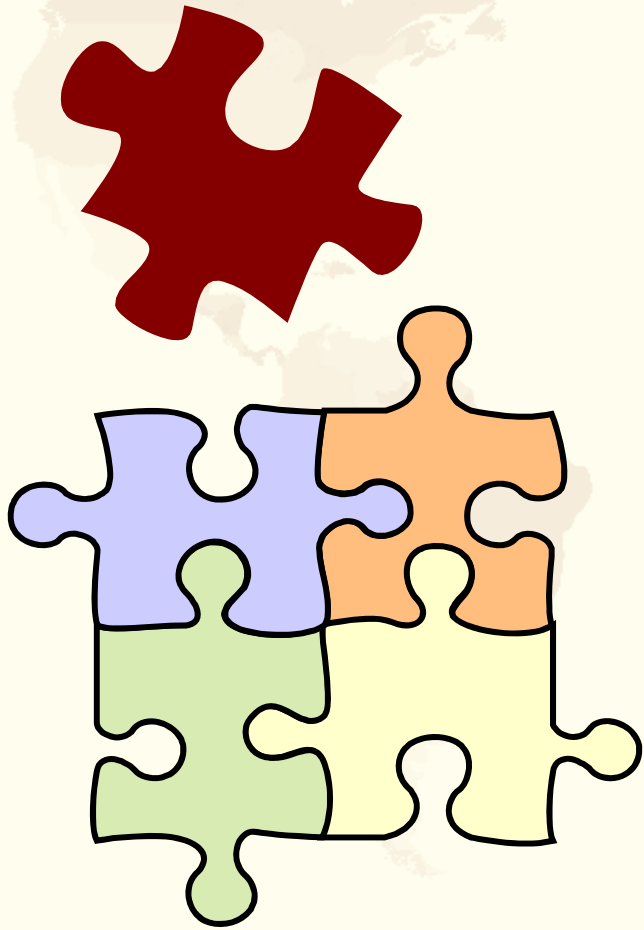
# Corporate Governance

- ❏ Corporate governance is the responsibility of a firm's board of directors.
- ❏ While management runs the company and oversees day-to-day operations, it is the board of directors that "governs" the corporations by overseeing management and representing the interests of the firm's shareholders.
- ❏ Investors and the public are particularly interested in the financial reports that publicly-traded companies release, and boards of directors of these companies have a legal obligation to ensure that these reports are fair and accurate



# Pillars of Corporate Governance



# The Missing Piece



## What About IT Governance ?

-  Information Technology is at the heart of the modern economy - and at the heart of the modern organization
-  Is a subset discipline of Corporate Governance focused on information technology (IT) systems and their performance and risk management

# Principles

- ❏ Principle I: The Rights of Shareholders and Key Ownership Function
- ❏ Principle II: The Equitable Treatment of Shareholders
- ❏ Principle III: The Role of Stakeholders in Corporate Governance
- ❏ Principle IV: Disclosure and Transparency
- ❏ Principle V: The Responsibilities of the Board
- ❏ **Principle VI: Ensuring the Basis for an Effective Corporate Governance Framework**

# Audit Committee

- ❑ Audit the appropriateness of the manager's execution of operations
- ❑ Review the soundness and reasonableness of financial activities and the accuracy of corporation's financial reports
- ❑ Review the adequacy of major accounting standards and changes in accounting estimates as well as appropriateness of accounting changes.
- ❑ Evaluate the internal control system
- ❑ Approve the appointment and dismissal of persons heading internal auditing divisions
- ❑ Evaluate Auditing activities of the external auditor
- ❑ Recommend nominees for external auditors
- ❑ Check measures on those matters corrected as result of auditing

# Implementing The internal Control System.





# Implementing The internal Control System.

- ❏ Risk Is the probability that unfavorable event could occur and lead to failure in achieving corporation's objectives.
- ❏ Risk Assessment
  - ❏ Probability
  - ❏ Impact
- ❏ Strategic – Management – Operational

Risk  
Assessment



# Implementing The internal Control System.

-  Risk Avoidances
-  Risk Control – Mitigating the Risk
-  Transfer Risk – Share

Risk  
Assessment

Risk  
Management  
Strategies

# Implementing The internal Control System.

-  Regulation Framework
-  Corporate Objectives
-  Assessed Risks

-  Control Environment
-  Risk Assessment
-  Control Activities
-  Information & Communication
-  Monitoring Mechanisms

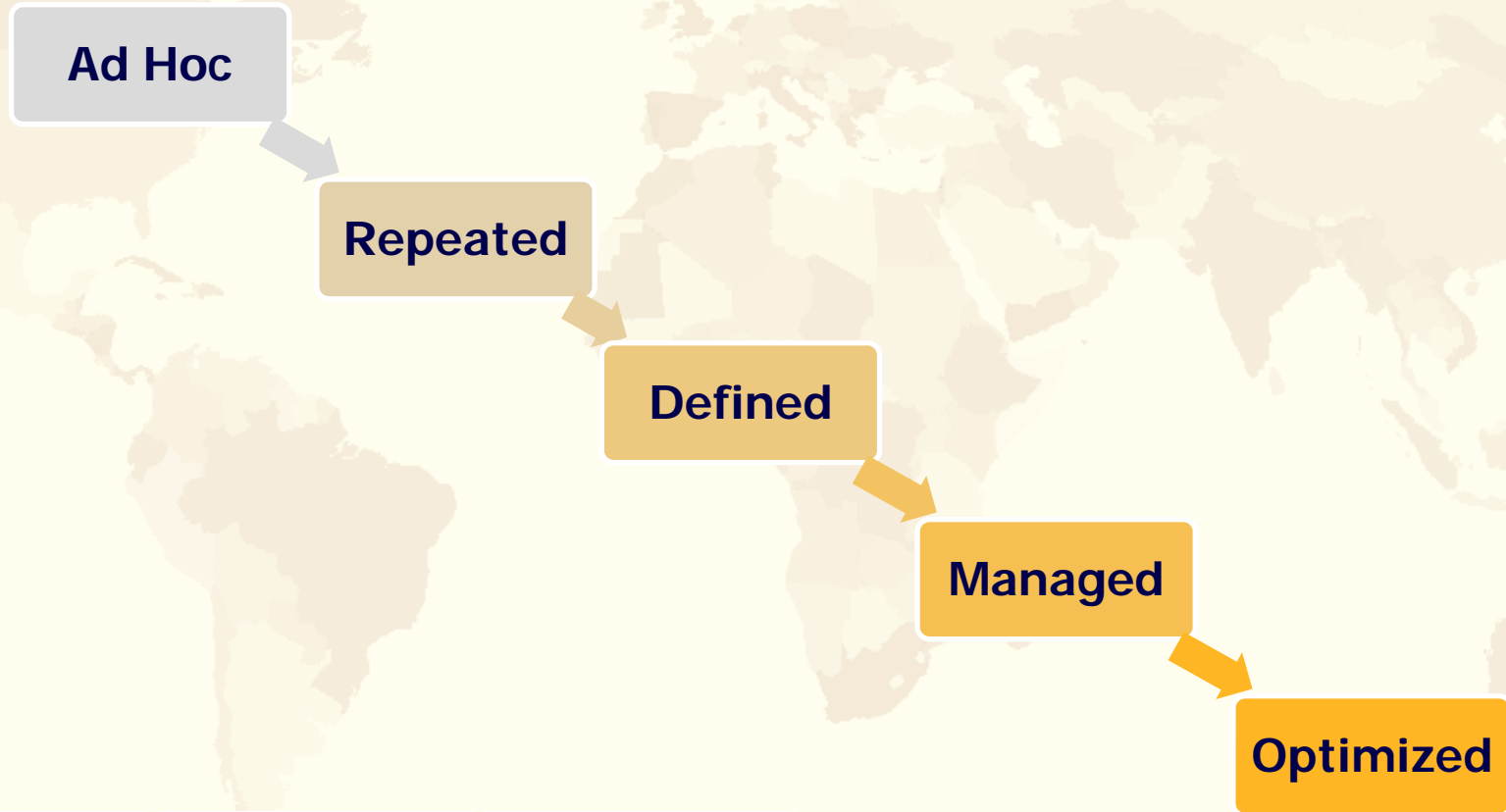
Detective , Preventive , Corrective

Risk  
Assessment

Risk  
Management  
Strategies

Internal  
Control

# CG Maturity Model





Risk  
Assessment

Risk  
Management  
Strategies

Internal  
Control

# Implementing The internal Control System.

-  Objectivity
-  Confidentiality
-  Competency
-  Integrity

Risk  
Assessment

Risk  
Management  
Strategies

Internal  
Control

Enforcement  
and Monitoring

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# What Have been done?

- ❏ **Decree No. 31** dated 29-06-2008: the development of sound corporate governance practices (the policies of Public and listed companies governance)
- ❏ **SISC : Decree No. 127/100** establishing a system of standards and corporate governance principles.
- ❏ The jurisdiction of this Decree applies on insurance and reinsurance companies licensed to operate in Syria under the jurisdiction of the decree and on all the insurance companies subjected to its jurisdiction.

# What Have been done?

- ❖ **Decree No. 253** of 24-01-2007 regulates the adoption of the instruction draft for determining the adequacy ratio of private funds and the application and implementation of the decree from the banks operating in Syria.
- ❖ **Decree No. 254** of 29-01-2008 regulates the adoption of the financial and statistical data concerning the control of the situation and the activities of companies and exchange offices and the request the companies and bureau de change to application and implementation of the decree from the companies and bureau de change.
- ❖ **Decree No. 74** of 2004 regulates the bank adoption of the liquidity risk management practices guidelines in accordance with sound management of liquidity in the banking institutions, issued by the Basel Committee 2 and the Basel Committee 1
- ❖ **Decree No. 100** of 2005: determines the directives for the maximum allowable limits in terms of banking risks concentration.
- ❖ **Decree No. 93** of 2004: regulates the credit risk management standards based on the principles of credit risk issued by the Basel Committee



# What Next ?

- ⚡ Risk Assessment on the National level
- ⚡ One National Framework for CG
- ⚡ Development of National Corporate Governance Codes and Codes of practice for
  - ⚡ Banking institutions.
  - ⚡ Insurance Companies .
  - ⚡ Financial services and Brokerage Companies .
  - ⚡ Listed and Public companies.
  - ⚡ Non-Listed Companies.
- ⚡ More Attention For Operations, ,business process and IT Governance.
- ⚡ Ensure an effective role of the Board of director and Audit committees .
- ⚡ Raise Awareness.



# Q&A

Thank You For Your Precious time



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