

DOING BUSINESS IN SYRIA

INVESTOR GUIDE

Banking Sector

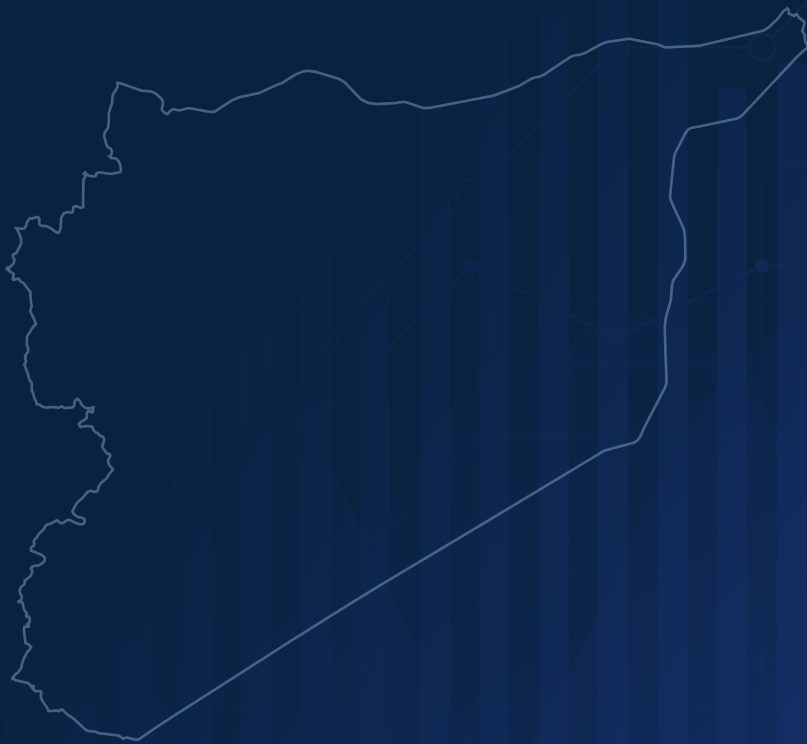


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Disclaimer

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The political, regulatory, and economic environment in Syria remains fluid and subject to rapid change. Laws, regulations, sanctions frameworks, and administrative practices may evolve, and investors are encouraged to conduct independent legal and compliance due diligence before engaging.

Acknowledgment

The development of the Investor Guides was implemented by **Creative Associates International** in partnership with **Karam Shaar Advisory Limited** and developed through the valuable engagement of numerous stakeholders who contributed their time, expertise, and perspectives. In particular, we wish to acknowledge the constructive cooperation with the Syrian government counterparts and relevant sectoral institutions, with a special thanks to **the Syrian Investment Authority** for their comprehensive review and feedback.

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Banking Snapshot

Opportunities are real, but the investable path is selective and low-exposure in the near term.

**Demand strong,
rails fragile**

Top Opportunities

Demand is deep, immediate, and structurally under-served.

- 1 **Extremely low intermediation**
Credit is only ~4% of GDP, leaving major upside for lending, payments, and broader financial services.
- 2 **Severely underbanked population**
Low branch and ATM density (4 branches and 5 ATMs per 100,000 inhabitants) creates clear demand for basic banking access and simple consumer products.
- 3 **High need for fintech and compliance tools**
Development of core banking systems, AML/CFT capabilities, and digital rails are urgently needed.
- 4 **Microfinance can scale first**
SME financing demand is rising in order to meet the urgent need to empower families and combat unemployment and poverty.
- 5 **Early reintegration tailwind**
Correspondent links are beginning to reopen, alongside renewed regional engagement.

Key Risks

The system remains operationally weak and externally constrained.

- Legislative instability resulting from the restructuring of the banking regulatory environment and the regulatory authority's
- Financial isolation persists, so cross-border payments and correspondent access remain complex and constrained.
- Currency volatility, inflation, and macro instability continue to pressure balance sheets and profitability.

Why Now

The market is reopening before the sector is fully rebuilt.

- **Stabilization and reform momentum**
Exchange rate stabilization and IMF/MENAFATF
- **Reopening signals**
Saudi links are returning and European banks are re-engaging.
- **First foreign investment activity**
Regional banks are entering through acquisitions.
- **Structural recovery demand**
~18,000 new companies in 2025 plus 1.3 million refugee returns.

Reintegration is creating a credible demand story, but the most execution-ready entry path is through low-exposure models such as fintech, representative offices, and microfinance until financial, regulatory, and macro constraints ease.

1. Market Reality

- The banking sector is structurally constrained, with limited lending activity
- Financial inclusion remains low despite underlying demand
- The system is stabilizing, with recovery expected to be gradual and reform-dependent
- Private banks are operational but maintain conservative lending practices
- Execution is constrained by financial system limitations rather than by demand



1.1 Sector Depth and Financial Intermediation

Syria's banking sector has undergone a significant contraction in its economic role since 2011. Prior to 2011, the sector displayed relatively strong intermediation for its income level, with total assets at around 75 percent of GDP and loans exceeding 23 percent of GDP (see Annex 4 for sectoral data).

By the mid-2020s, this role had narrowed substantially. Customer loans are now estimated at just over 4 percent of GDP, reflecting very limited bank lending to the real economy. The sector today operates primarily as a deposit-taking and payment system, with limited credit intermediation.

This shift reflects:

- Currency depreciation and inflation
- Elevated levels of non-performing loans
- Liquidity constraints and reduced depositor confidence
- Limited integration with international financial systems

1.2 Financial Inclusion and Demand Dynamics

Despite constrained sector performance, underlying demand for banking services is strong and increasing. Financial inclusion indicators remain low, with approximately four bank branches per 100,000 adults and five ATMs per 100,000 adults.

At the same time, recent developments are reinforcing a dynamic in which demand for banking services is high, while supply remains structurally constrained. This dynamic is supported by:

- Return of approximately 1.5 million refugees (with further returns expected)
- Registration of over 18,000 companies in 2025
- Expansion of cash-transfer systems requiring account ownership

1.3 Sector Structure and Operating Model

The banking system is state-influenced but operationally segmented. Public banks dominate in scale and geographic reach, while private banks—both conventional and Islamic—are smaller but more agile.

Compared to their public counterparts, private banks benefit from modern core banking systems, regional strategic shareholders, and stronger internal processes. They operate under conservative business models, focusing on low-risk income streams, limited credit exposure, and defensive balance sheet management.

This posture reflects operating conditions over the 2011–2024 period and continued system constraints, rather than a lack of underlying opportunity.

1.4 Financial Isolation and External Integration

A defining feature of the sector is its continued limited integration with the global financial system. Recent developments signal improvement, including restored correspondent relationships, steps toward European re-engagement, and reconnection with the Federal Reserve Bank of New York. However, the system remains constrained by limited coverage, high compliance thresholds, and continued FATF grey-listing.

As a result, cross-border transactions, trade finance, and foreign currency operations remain limited in practice, even where formally permitted.

1.5 Investment Activity and Reform Momentum

The sector is entering a phase of renewed engagement, with key developments including:

- Initial foreign investment interest
- Central Bank-led reform efforts (AML/CFT strategy, IMF engagement)
- Increased focus on compliance, transparency, and governance

At the same time, structural reforms are under discussion, including potential increases in capital requirements, strengthening of regulatory frameworks, and improvements in AML/CFT compliance.

Recovery is expected to be gradual, with expansion linked to the pace of reform implementation and external financial integration.

1.6 Key Actors

The banking sector is overseen by the Central Bank, with additional roles played by capital markets and investment institutions. Core entities manage licensing, supervision, and financial market activity.

The list below provides an overview of key institutions and contact points; a more comprehensive listing is provided in Annex 1.

Central Bank of Syria

- cb.gov.sy
- omar.alhalabi@cb.gov.sy

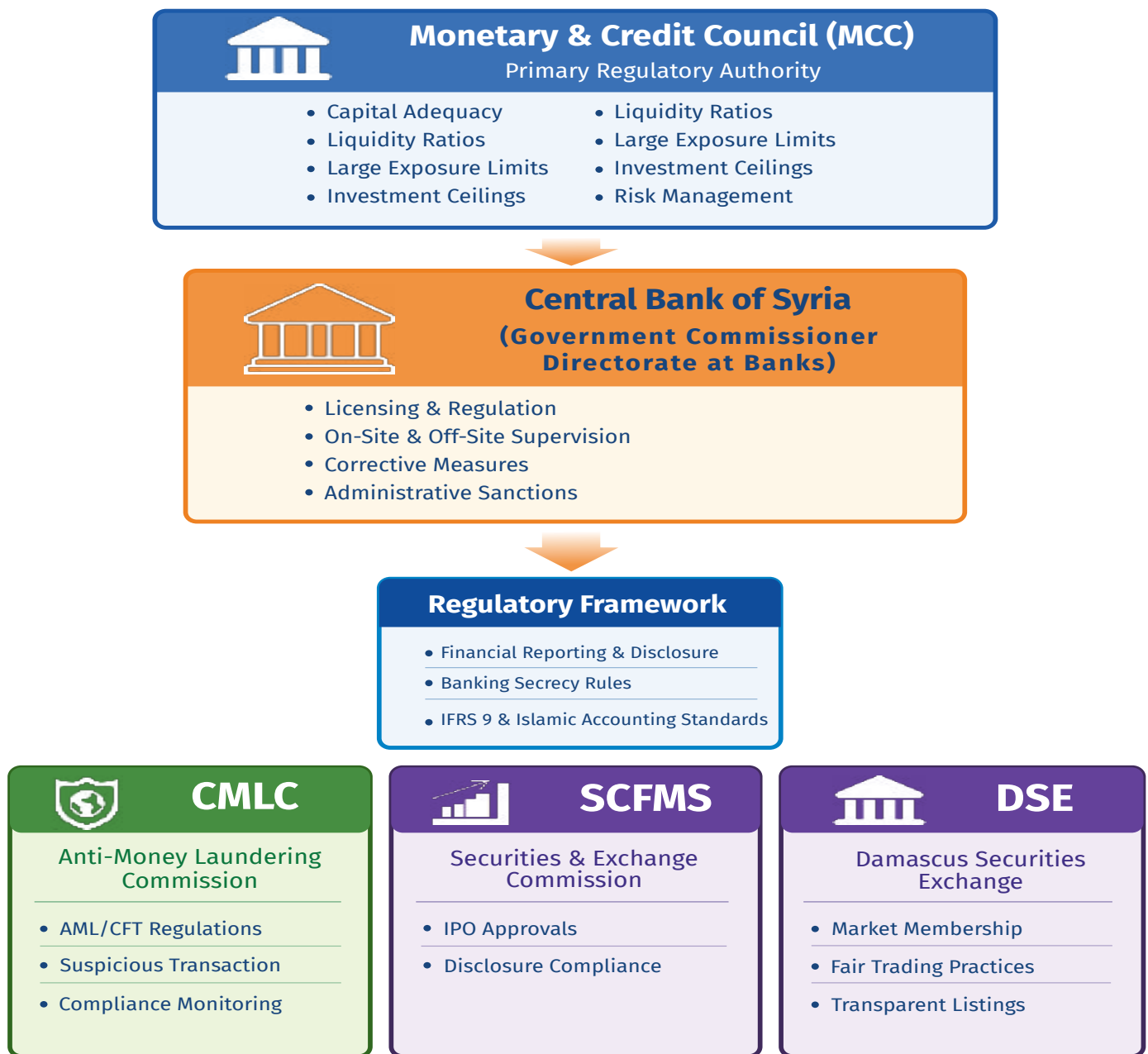
Syrian Commission of Financial Markets and Securities (SCFMS)

- scfms.sy

Damascus Securities Exchange (DSE)

- dse.gov.sy
- faltufaily@dse.sy

FIGURE 1: Supervisory Bodies of Syrian Banks



2. Entry Pathways

- Service-based and fintech entry models are the primary pathways (including representative offices and advisory services)
- Equity participation is possible but remains constrained
- Microfinance offers a scalable near-term entry point
- Correspondent banking relationships and partnerships are key enablers
- Regulatory alignment and compliance capacity are essential from the outset



2.1 Common Entry Models

2.1.1 Microfinance Institutions (Key Segment)

Microfinance represents a viable entry point for direct financial intermediation, particularly for SME lending, consumer finance, and financial inclusion initiatives.

This model offers:

- Demand linked to economic activity and financial inclusion needs
- Smaller ticket sizes and diversified portfolios
- Alignment with development and donor-supported programs

2.1.2 Fintech and Financial Infrastructure (Primary Entry Route)

Technology and financial infrastructure represent a primary entry pathway, including:

- Digital payments and mobile wallets
- Core banking systems and IT upgrades
- AML/CFT and compliance solutions
- Digital onboarding (KYC) and transaction monitoring

These services are typically delivered through contracts with local banks, partnerships with payment providers, and licensing or SaaS-based models.

This model offers:

- Low capital requirements
- Short implementation timelines
- Alignment with sector priorities (modernization, compliance, financial inclusion)

2.1.3 Strategic Partnerships with Local Banks

Foreign institutions may enter through partnerships or technical cooperation agreements with Syrian banks, including:

- Advisory and capacity-building programs
- Joint product development (e.g., SME lending, trade finance)
- Risk-sharing or co-financing arrangements (where feasible)

This model offers:

- Access to existing client bases
- Reduced operational and regulatory burden
- Local market insight

2.1.4 Equity Participation (Selective and Long-Term)

Foreign investors may pursue equity stakes in existing banks or new entrants, subject to regulatory approval. This model provides direct participation in sector development and long-term growth.

Equity investment involves capital-intensive structures and longer investment horizons, with outcomes linked to macroeconomic conditions, foreign exchange dynamics, and regulatory developments.

As a result, equity entry remains selective, with early-stage participation observed among regional banking institutions.

2.1.5 Representative Offices and Market Presence

Foreign banks may establish representative offices to build relationships with local institutions, assess market conditions, and support clients operating in Syria.

By law, these offices do not conduct full banking operations but serve as an initial market-entry and positioning mechanism.

This model offers:

- Low capital requirements
- Limited regulatory burden
- Flexibility to scale into broader operations

3. Execution Environment

- Financial system limitations remain a core structural factor shaping sector activity
- Macroeconomic and FX conditions directly affect balance sheet dynamics
- The banking sector is operational, but performs a limited intermediation role
- Compliance requirements and international standards influence operations
- Regulatory frameworks continue to develop



3.1 Financial Isolation and Correspondent Banking Considerations

A defining feature of Syria's banking sector is its continued limited integration with the global financial system.

Recent developments indicate gradual improvement, including restored correspondent relationships with regional banks and steps toward re-engagement with European institutions. However, international connectivity remains limited, with:

- Restricted correspondent banking relationships
- High compliance thresholds for cross-border transactions
- Conservative risk assessments among international banking partners

As a result, cross-border transactions may experience extended processing times and additional scrutiny, even where formally permitted.

3.2 Macroeconomic and FX Considerations

Syria's banking sector operates within a dynamic macroeconomic environment, with direct implications for financial performance and balance sheet management. Key factors include:

- Exchange rate movements affecting asset and liability valuation
- Inflation influencing real returns and depositor behavior
- Limited availability of hedging instruments

Foreign exchange (FX) conditions also affect profit repatriation, cross-border transactions, and balance sheet management. As a result, currency dynamics are an important consideration in banking operations, particularly for foreign investors.

3.3 Sector Structure and Credit Dynamics

The banking sector operates with limited lending activity and a constrained intermediation role. Key features include:

- Low credit penetration (around 4 percent of GDP)
- Elevated levels of legacy non-performing loans
- Conservative lending practices

Banks prioritize liquidity and capital preservation and maintain selective lending approaches, resulting in a limited role in financing economic activity. This creates a dynamic in which demand for credit is present, while supply remains constrained by balance sheet conditions and lending practices.

3.4 Compliance and Reputational Considerations

Although comprehensive sanctions have been lifted, compliance and reputational considerations continue to shape sector operations.

These include:

- Remaining targeted sanctions on individuals and entities
- FATF grey-listing and associated scrutiny
- Global compliance practices shaped by legacy sanctions frameworks

Financial institutions typically implement enhanced due diligence procedures, robust AML/CFT frameworks, and counterparty screening practices in response to these requirements.

3.5 Regulatory and Reform Considerations

The regulatory environment continues to develop as authorities pursue reforms aimed at:

- Strengthening AML/CFT frameworks
- Improving governance and supervision
- Aligning with international standards

Current conditions include:

- Ongoing updates to regulatory frameworks
- Variation in implementation capacity
- Evolving policy direction

These factors influence project structuring and investment planning, particularly in relation to capital requirements, licensing, and supervision.

ANNEX 1: Comprehensive Contact List

Entity	Role / Function	Key Contacts & Access	Notes
Central Bank of Syria <i>Monetary authority and banking regulator</i>	<ul style="list-style-type: none"> Monetary policy authority and sector regulator Oversees licensing, supervision, and regulatory approvals Leads financial sector reform and digital transformation initiatives <p>Units:</p> <ul style="list-style-type: none"> Governor's Office Banking Supervision Directorate 	<p>Governor's Office (strategic / initial engagement):</p> <ul style="list-style-type: none"> Omar Al-Halabi — Electronic payments and digital transformation omar.alhalabi@cb.gov.sy <p>Banking Supervision Directorate (licensing and approvals):</p> <ul style="list-style-type: none"> Hanan Aelbone — Head of Licensing Department <p>https://cb.gov.sy/index</p>	<p>Primary counterpart for licensing, regulatory approvals, and financial sector oversight.</p> <p>Initial engagement typically begins at the Governor's Office, with licensing and regulatory approvals handled through the Banking Supervision Directorate.</p>
Combating Money Laundering and Terrorism Financing Commission (CMLC) <i>AML/CTF Regulator</i>	<ul style="list-style-type: none"> Issuing regulations related to AML/CFT Receiving and processing STRs Monitoring compliance with AML/CFT requirements <p>Units:</p> <ul style="list-style-type: none"> Procedures Verification Unit 	<p>General contact:</p> <ul style="list-style-type: none"> Lama Kasem — Director <p>Phone / WhatsApp:</p> <ul style="list-style-type: none"> +963 112237258 <p>Website:</p> <ul style="list-style-type: none"> cmlc.gov.sy 	<p>This Commission acts as the Financial Investigations Unit (FIU), responsible for all matters related to combating money laundering and terrorist financing.</p>
Syria Commission on Financial Markets and Securities (SCFMS) <i>Capital markets regulator</i>	<ul style="list-style-type: none"> Regulates capital markets and securities issuance Oversees IPO processes and disclosure requirements Supervises market participants and public offerings <p>Units:</p> <ul style="list-style-type: none"> Directorate of Issuance, Licensing and Disclosure 	<p>General contact:</p> <ul style="list-style-type: none"> Suzan Shihada — Director <p>Phone / WhatsApp:</p> <ul style="list-style-type: none"> +963 947888004 <p>Website:</p> <ul style="list-style-type: none"> scfms.sy 	<p>Relevant for equity issuance, capital markets activity, and public listings.</p>
Damascus Securities Exchange (DSE) <i>The financial market</i>	<ul style="list-style-type: none"> Grants approval for membership in the financial market Oversees listing requirements, trading rules, and market transparency for bank shares <p>Units:</p> <ul style="list-style-type: none"> Directorate of Listing and Operations 	<p>General contact:</p> <ul style="list-style-type: none"> Farah Altufaily — Director <p>faltufaily@dse.sy</p> <p>Phone / WhatsApp:</p> <ul style="list-style-type: none"> +963 115190000 <p>Website:</p> <ul style="list-style-type: none"> dse.gov.sy 	<p>Grants membership to banks to make their shares tradable, and is responsible for ensuring the fairness, adequacy and transparency of bank share listing requirements</p>
U.S.-Syria Business Council <i>Private sector advocacy and coordination body</i>	<ul style="list-style-type: none"> Facilitates dialogue between U.S. investors and Syrian public and private sector stakeholders Supports business-to-business engagement and policy advocacy <p>Units:</p> <ul style="list-style-type: none"> Energy & Infrastructure Working Group 	<p>Website:</p> <ul style="list-style-type: none"> ussybc.org 	<p>Verify current operational status and contact details following the post-2024 transition.</p>
U.S. Chamber of Commerce <i>Business association and private-sector advocacy body</i>	<ul style="list-style-type: none"> Represents U.S. business interests globally, and works to advance commercial relations between the U.S. and markets around the world, including Syria. Supports U.S. companies interested in the Syrian market through policy advocacy and convening U.S. business leaders with relevant officials from the Syrian and U.S. governments. 	<p>General contact:</p> <ul style="list-style-type: none"> ncondrey@uschamber.com <p>Website:</p> <ul style="list-style-type: none"> uschamber.com 	<p>Engagement is primarily oriented toward U.S. companies; services are membership-based.</p>

Entity	Role / Function	Key Contacts & Access	Notes
Karam Shaar Advisory Limited <i>Private sector economic and energy advisory firm</i>	<ul style="list-style-type: none"> Provides market analysis, investment risk assessment, and strategy support Advises companies, international organizations, governments, and NGOs 	General contact: <ul style="list-style-type: none"> info@karamshaar.com Website: <ul style="list-style-type: none"> karamshaar.com 	Consulting firm based in New Zealand and Damascus, specializing in Syria's political economy and business environment.

ANNEX 2: Banks Operating in Syria

Banks Operating in Syria						
Type	Bank	Code	Strategic Partner and Ownership Percentage	Year Established	Year listed on the DSE	Capital (Billion SYP)
Private (Traditional)	Al-Ahli Trust Bank	ATB	Banque Bemo Saudi Fransi—Syria (47.4%)	2005	2009	16.0
	Al-Shahba Bank	Shahba	Al-Ahli Trust Bank—Syria (35.9%) Banque Bemo Saudi Fransi—Syria (24%)	2005	2009	6.1
	Arab Bank—Syria	ARBS	Arab Bank—Jordan (51.3%)	2006	2010	10.0
	Bank Al-Sharq	SHRQ	Banque Libano-Française—Lebanon (49%)	2008	2010	25.8
	Bank of Jordan Syria	BOJS	Bank of Jordan—Jordan (49%)	2008	2010	15.0
	Bank of Syria and Overseas	BSO	Bank of Lebanon and Overseas—Lebanon (49%)	2004	2009	34.6
	Banque Bemo Saudi Fransi	BBSF	Bemo Bank—Lebanon (22%) Banque Saudi Fransi—Saudi Arabia (27%)	2004	2009	20.0
	Fransabank—Syria	FSBS	Fransabank—Lebanon (55.7%)	2008	2011	5.3
	Gulf Bank—Syria	SGB	United Gulf Bank—Bahrain (31%)	2006	2010	10.0
	International Bank For Trade and Finance	IBTF	Housing Bank for Trade and Finance—Jordan (49%)	2004	2009	52.5
	Qatar National Bank—Syria	QNBS	Qatar National Bank—Qatar (50.8%)	2009	2010	100.0
Private (Islamic)	Al-Baraka Bank—Syria	BBSY	Albaraka Banking Group—Bahrain (23%)	2009	2014	120.0
	Cham Bank	SHB	Commercial Kuwaiti Bank—Kuwait (32%)	2006	2014	40.0
	National Islamic Bank	NIB	Company New Generation CH.M.L/Holding (49%)	2021	2024	25.0
	Syria International Islamic Bank	SIIB	Qatar International Islamic Bank—Qatar (30%)	2007	2009	15.0
Public	Agricultural Bank	AGR-B	State-owned	1888	Unlisted	10.0
	Commercial Bank	COM-B	State-owned	1966	Unlisted	70.0
	Credit Bank	CRE-B	State-owned	1966	Unlisted	1.5
	Industrial Bank	IND-B	State-owned	1958	Unlisted	16.0
	Real Estate Bank	REA-B	State-owned	1966	Unlisted	10.0
	Savings Bank	SAV-B	State-owned	1963	Unlisted	1.5

ANNEX 3: Banking Sector Regulatory and Institutional Framework

Area	Description	Legal Basis	Competent Authority
Market Entry (Licensing)	Rules and conditions for licensing banking activities, including capital requirements, legal reserves, and supervisory oversight	Law 28 of 2001 on Conventional Banks and Law 35 of 2005 on Islamic Banks (as amended by Law 3 of 2010)	President, upon submission to the People's Assembly
Governance	Board of Directors structure and committees, internal control environment, disclosure and transparency, and stakeholder relationships	Corporate Governance Manual (Regulation 489 of 2009)	Monetary and Credit Council (MCC)
Banking System Stability and Depositor Protection	Includes prudential ratios in line with Basel Committee on Banking Supervision (BCBS) requirements	Regulation 253 of 2007 (capital adequacy); Regulation 588 of 2009 (liquidity coverage ratios); Regulation 395 of 2008 (maximum limits of banking facilities); Regulation 501 of 2009 and its amendments (maximum financial investments)	Monetary and Credit Council (MCC)
Risk Management	General rules and instructions for managing banking risks in line with Basel standards	Regulation 390 of 2008 (risk management responsibilities); Regulation 93 of 2004 (credit risk management standards); Regulation 106 of 2005 (operational risk management instructions); Regulation 74 of 2004 (liquidity risk management standards); Regulation 107 of 2005 and Resolution 362 (market risk management); Regulation 4 of 2019 [application of IFRS 9 and AAOIFI FAS 30 (Islamic finance)]	Monetary and Credit Council (MCC)
Financial Reporting and Disclosure	Publication of financial statements and annual reports, disclosure of changes in company ownership and management, and ad hoc disclosures	Resolution 110 of 2019	Syrian Commission on Financial Markets and Securities (SCFMS)
Banking Secrecy	Prohibition on the disclosure of customer identity, accounts, and transactions	Regulation 30 of 2010	President, upon submission to the People's Assembly
AML/CFT	Banks' obligations regarding AML/CFT	Regulation 33 of 2005 (Combating Money Laundering and the Financing of Terrorism)	President, upon submission to the People's Assembly
		Regulation 851 of 2014 (implementation of UN Security Council Resolutions 1276–1373)	Presidency of the Council of Ministers
		Regulation 19 of 2019 (financial and banking operations control system)	AML/CFT Commission (CMLC)

ANNEX 4: Sectoral Data

FIGURE 2: Role of Banking sector in the Syrian Economy

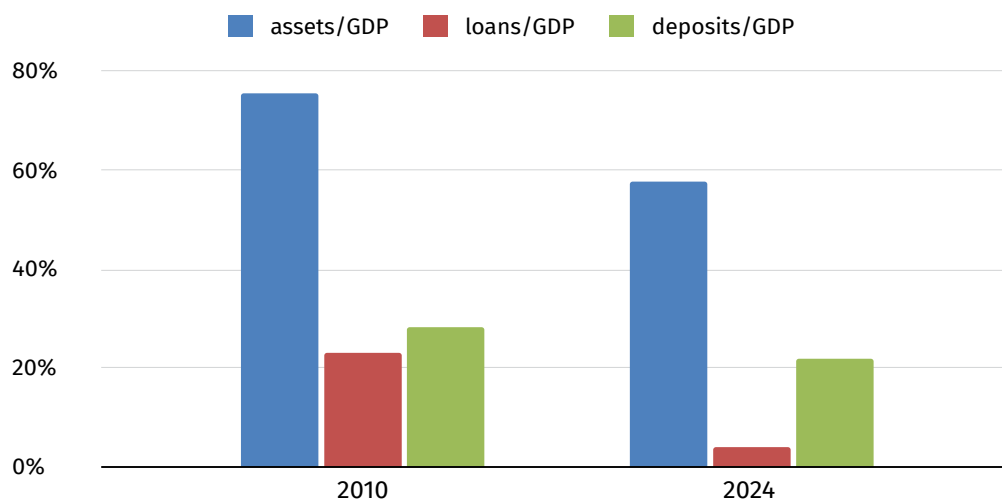


FIGURE 3: Role of Private Banks in the Syrian Economy

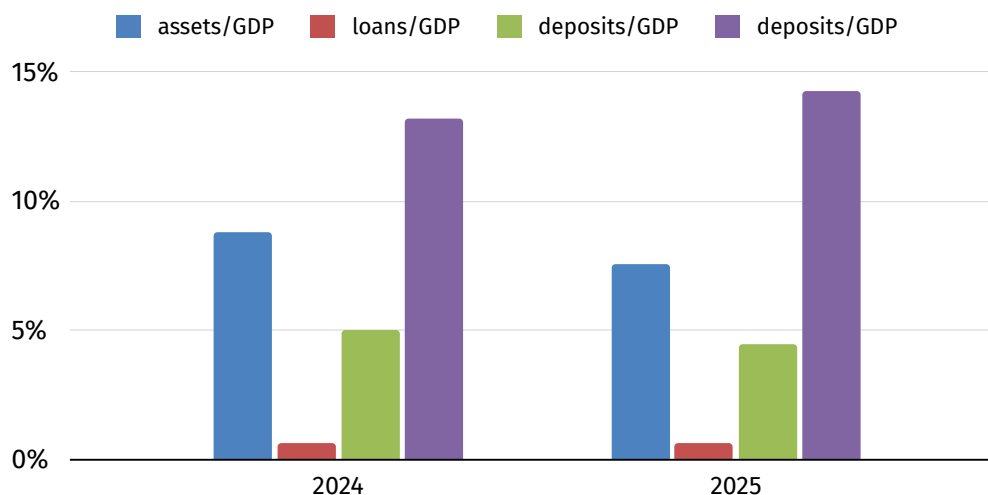


FIGURE 4: Role of Private Banks in the Syrian Economy

