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ASSOCIATION OF BANKS IN LEBANON



The Lebanese Economy and Banking Industry: Compliance with International Standards

© ASSOCIATION OF BANKS IN LEBANON
Beirut, Saifi, Gouraud street, ABL Bldg.
Postal Code: Beirut 2028 1212 Lebanon
P.O.Box: 976 Beirut, Lebanon
Tel / Fax : (00 961) (1) 970500/1
Web Site: www.abl.org.lb

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January 2016

ASSOCIATION OF BANKS IN LEBANON

The Association of Banks in Lebanon (ABL) is a professional industry organization which was established in 1959. Its key mission is to serve and defend the interests of its Lebanese and non-Lebanese member banks and to promote them on the domestic and international markets.

The Association is a key party when it comes to expressing views and opinions on both debatable macro-economic policy issues and drafts of new financial / banking rules and regulations. In addition, it plays an active role in coordinating banks' efforts on common - interest issues such as setting the minimum fees and commissions on banking products and services, negotiating the employees' union on collective employment convention, and upgrading the payment and telecommunication systems.

Under the leadership of a bi-yearly elected Board of Directors, ABL fulfills its mandate through a full time professional staff, organized under a General Secretariat, and through the cooperative efforts of banks' representatives in twelve Working Committees.

The support services provided to member banks include:

Representation in public policy forums,

Information dissemination to all interested private and public sector entities, domestic and foreign,

Research & statistics on financial and economic issues, and

Training & development of the banking sector's human capital.

Board of Directors

Elected on June 29th, 2015 for two consecutive years

Chairman

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Chairman & GM, CREDIT LIBANAIS S.A.L.

Vice-Chairman

Saad Azhari

Chairman & GM, BLOM BANK S.A.L.

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FENICIA BANK S.A.L.

Marwan Kheireddine

Chairman & GM

AL-MAWARID BANK
S.A.L.

Nadim Kassar

General Manager

FRANSABANK S.A.L.

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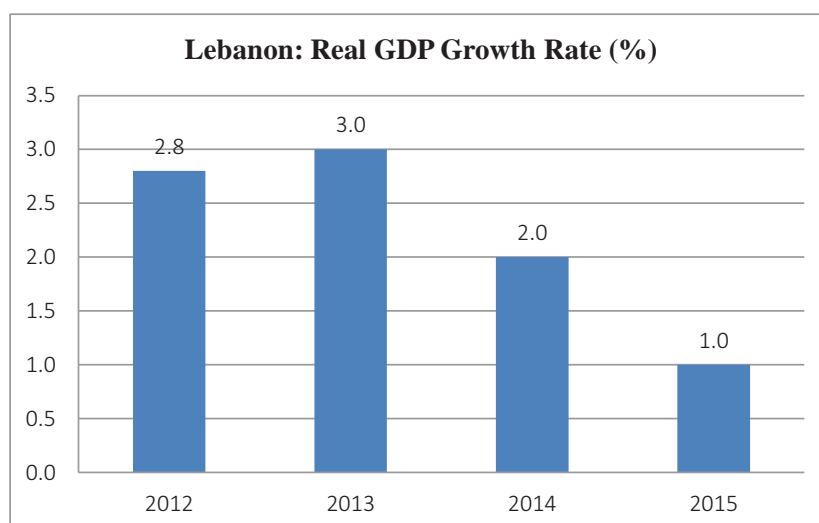
II. Ratification of new laws by Lebanese Parliament (November 24, 2015):

1. Law 42 on the declaration of amounts of carried cash at the border
2. Law 43 on the exchange of tax information
3. Law 44 on Anti-Money Laundering and Counter Financing of Terrorism
4. Law 53 on the International Convention for the Suppression of the Financing of Terrorism.



I- Recent Developments in Lebanon's Economy and Banking Industry

1. Lebanon had to cope again in 2015 and for the fifth year in a row with the unfavourable political, economic and social outcomes of the war taking place in neighbouring Syria and the interrelated adverse consequences of the regional and even international power struggle and conflicts in the Middle East, which recently accentuated. The Syrian crisis with all its ramifications keeps on creating uncertainty and contributes to the long lasting political deadlock and the failure to elect a president for the republic, thus undermining consumers and investors' confidence. It also continues to restrain economic activity and growth by mainly influencing tourism, trade, foreign direct investment and financial inflows. Syrian refugees in Lebanon, around 1.5 million persons, still impinge as well a substantial burden on public spending, services infrastructure and employment under insignificant international foreign aid and donations from governmental and non-governmental organization to assist them in their refuge and the Lebanese Government in supporting their hosting.
2. The impact of the Syrian mess on the Lebanese economy is becoming more severe. Real growth in GDP decelerated in 2015 to less than 1 percent according to preliminary official estimates compared to an average annual real growth in output of 2.6 percent during the past three years. The improvement in economic performance in 2016 and the years to follow depends on a major breakthrough in the stalemate domestic political situation and a main shift to institutional effectiveness, with the election of new president of the Republic, to reduce uncertainty, reinstate confidence, revitalize economic activity and promote sustainable growth after pursuing the required and long waited structural reforms. Economic recovery necessitates also crisis resolution in this area of the world or a de-escalation of the struggle and reduced exposure to the regional conflict.



Sources: CAS, BDL.



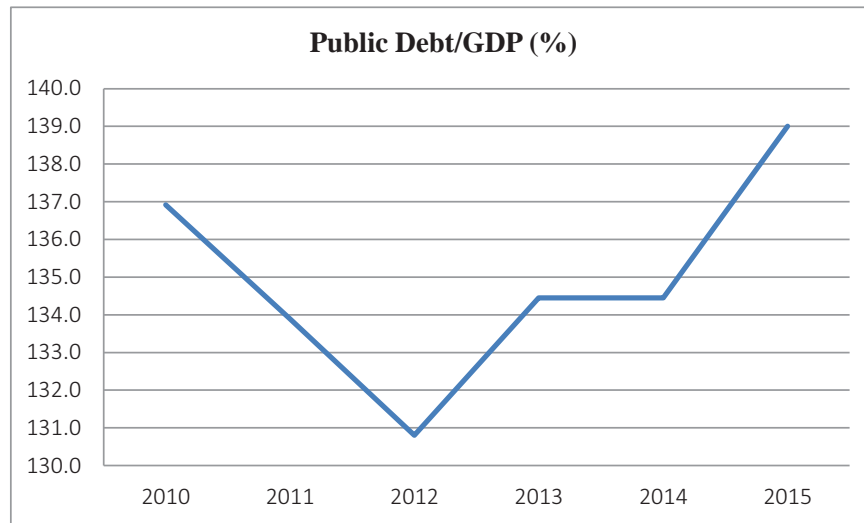
3. Weak economic activity influenced in turn the public finances' situation, which also retreated in 2015 but still fared better than in the years 2012-2013. The government (fiscal) deficit widened to almost 6.5 percent of GDP in 2015 compared to around 6.2 percent in the previous year and the primary surplus fell to around 1.8 percent from 2.6 percent of output in 2014. The wider deficit played a part in the moderate growth in the gross public debt, which exceeded the growth in nominal output and thus the debt to GDP ratio climbed to around 139 percent in 2015, according to preliminary estimates, after stabilizing at around 135 percent in the two previous years.

Public Finances in USD billion

	2012	2013	2014	2015 (est)
Gross public debt	57.7	63.5	66.6	70.4
Net public debt	49.1	53.2	57.3	60.9
Total government revenues	9.4	9.4	10.9	9.6
Total government expenditures	13.3	13.6	14.0	13.1
<i>o/w Debt Service</i>	3.8	4.0	4.4	4.4
Overall deficit	3.9	4.2	3.1	3.5
Primary balance	-0.1	-0.2	1.3	0.9
<i>In percent</i>				
Gross public debt/GDP	130.8	134.5	134.4	139.0
Net public debt/GDP	111.4	112.7	115.7	121.9
Overall Deficit/GDP	8.9	8.9	6.2	6.5
Total Revenues /GDP	21.3	19.5	22.0	19.3
Total Expenditures/GDP	30.2	28.9	28.2	26.2
Debt service/GDP	8.7	8.4	8.8	8.7

Source: Ministry of Finance- Banque du Liban

4. Lower oil prices in 2015 had both a positive and a negative impact on the Lebanese economy. Lebanon benefitted from lower spending on government transfers to Electricite du Liban (EDL) and from a reduced trade deficit both potentially allowing a better fiscal situation and external accounts. Conversely, there have been a drop in VAT and customs duties from lower oil imports and a likely decline in external demand for Lebanese products and services and a deceleration in remittances and foreign direct investment from oil producing countries. The net effect, therefore, is ambiguous though many would argue is positive.



Sources: BDL, CAS.

5. Lebanon's current account deficit narrowed in 2015 according to IMF preliminary estimates to read around 21 percent of GDP, well below the 24.9 percent and the 26.7 percent of output in 2014 and 2013 respectively. The sharp drop in oil prices and the substantial appreciation in the value of the U.S dollar against other main currencies could have played an important role in this development. The deficit is financed traditionally by capital inflows mainly deposits into the banking system and FDI's, which slowed in 2015. There have been deficits in the overall balance of payments for the last five consecutive years (2011-2015) in the amount of USD 1.8 billion annually on average, related to the deceleration in the different forms of capital inflows in response to heightened uncertainty and the deterioration of the political and economic situation but these negative balances are still offset by large surplus accumulated in earlier years.

Balance of Payments

	2012	2013	2014	2015
Current Account Deficit- USD billion	-10.7	-12.7	-12.5	-11.4
Current Account Deficit/GDP (%)	-24.3	-26.7	-24.9	-21.0
Balance of Payments- USD billion	-1.5	-1.1	-1.4	-3.0*

* Till November 2015.

Sources: IMF, BDL.

6. The monetary policy was successful in achieving price and financial stability and in stimulating the economy. The Lebanese central bank (BDL) pursued in 2015 its policy aiming at maintaining confidence in the financial system through preserving high foreign currency reserves and favourable interest rate differential. International reserves (excluding gold) reached USD 31.8 billion by the end of November 2015 and covered 21.5 months of imports of goods. The inflation attained its lowest levels at less than 2



percent under weak economic growth and interest rates were almost stable. The BDL continued also its countercyclical policy in providing stimulus packages of USD 1 billion in 2015 (USD 0.8 billion in 2014) in addition to the existing subsidized schemes with the collaboration of banks to support private sector activity and growth mainly small and medium enterprises and the knowledge economy.

Interest and Inflation Rates

	2012	2013	2014	2015*
Avg.Lending Rate- LBP (%)	7.25	7.35	7.27	7.06
Avg. Deposit rate- LBP (%)	5.46	5.44	5.52	5.58
Avg.Lending Rate- USD (%)	7.11	6.96	6.95	7.08
Avg. Deposit rate- USD (%)	2.84	2.92	3.03	3.15
Yield on 3 -month TBs (%)	4.32	4.44	4.44	4.44
Inflation- Avg CPI (%)	6.6	4.8	1.9	0.1

* Till November 2015 for the lending and deposits rates.

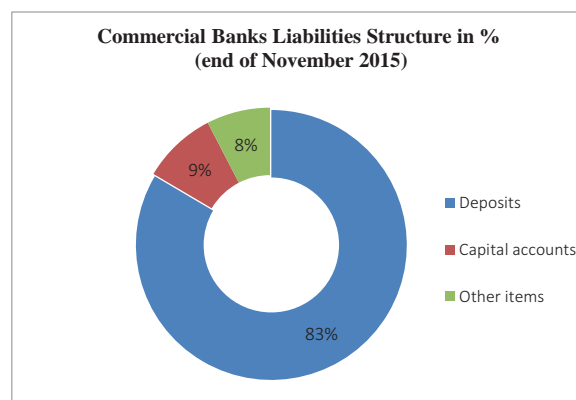
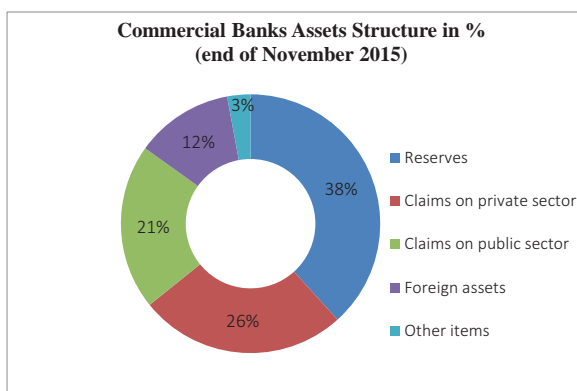
Sources: BDL, CAS, IMF.

- The Lebanese banking sector remained committed in 2015 to finance a part of the government deficit and to meet the demand for credit from the private sector despite the marked slowdown in economic activity. Though deposits growth pace slowed in respect of the previous years, it stayed sufficient to enable the financing of the economy's needs in its private and public sectors. Deposits of customers of commercial banks operating in Lebanon grew by 3.7% in the first eleven months of 2015 (4.8% growth in the same period of 2014). The expansion in the credit to the private sector was satisfactory under prevailing conditions and attained 4.6 percent during January-November 2015 in line with the contracting economic activity (6.6% in the corresponding period of the preceding year).

Consolidated Balance Sheet of Commercial Banks - billion USD - End of period

	2012	2013	2014	Nov-15	Share %
Cash and Deposits at BDL	52.8	54.7	63.9	70.1	38.3
Claims on resident private sector	37.8	41.5	45.4	47.5	25.9
Claims on public sector	31.1	37.7	37.4	37.9	20.7
Foreign Assets	26.2	26.6	24.2	22.4	12.2
Fixed assets & other assets	3.9	4.3	4.9	5.3	2.9
Total Assets	151.9	164.8	175.7	183.2	100.0
Resident Private Sector Deposits	100.9	107.7	114.1	118.8	64.8
Non resident Private Sector Deposits	24.1	28.5	30.3	31.0	16.9
Public Sector Deposits	2.7	3.0	3.2	3.3	1.8
Non resident financial sector deposits	5.9	5.0	5.8	6.4	3.5
Capital Accounts	12.6	14.2	15.7	16.3	8.9
Bonds & unclassified liabilities	5.7	6.4	6.5	7.4	4.0

Source: BDL



Source: BDL.

8. In spite of the above mentioned adversities, the Lebanese banking sector stays robust, well regulated and supervised, highly liquid, and profitable. The key performance metrics for 2014 were steady in relation to the previous year with the return on average assets and the return on average equity for the sector as a whole, including banks and subsidiaries, at 0.99 percent and 11.04 percent respectively. Both the interest margin and the spread were stable as well at 2.0 percent and 1.9 percent consecutively while the cost to income ratio decreased a little to 51.57 percent from 51.82 percent. Capital adequacy and liquidity measures improved in reference to the preceding year, to remain sound and positive. The total capital adequacy ratio as per Basle II was close to 14.61 percent (13.48 percent Tier one ratio), exceeding international regulatory requirements, and net primary liquidity to deposits was 32.11 percent (30.81 percent in 2013), far above regional and international benchmarks. Asset quality was also slightly better with the ratio of net doubtful loans to gross loans at 1.48 percent and the ratio of net doubtful and substandard loans to gross loans standing at 2.15 percent (2.25 percent in 2013). In parallel, the ratio of loan loss reserves on doubtful loans to doubtful loans retreated to 77.45 percent from 78.34 percent and the collective provisions to net loans recoiled to 0.99 percent from 1.07 percent. Preliminary data for 2015 show that these different measures of profitability, capital adequacy, liquidity and asset quality were almost stable in respect of the year 2014.



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9. Banks in Lebanon review frequently their compliance and risk management frameworks in place with a view to update and enhance, among other things, their AML/CFT and sanctions policies, systems and procedures. The Association of Banks in Lebanon (ABL) continues to raise awareness of developments in regulatory compliance and to support medium and small banks, through different means, in configuring their compliance frameworks and implementing the necessary rules and processes. One of these means is developing and distributing to banks a set of manuals the content of which is in line with international standards and local regulatory requirements. The latest of these manuals issued with the collaboration of the international auditing firm Deloitte were: (i) ***Business Ethics and Customer Protection Generic Policies and Procedures Manual (in September 2015)***, and (ii) ***Anti-Bribery and Corruption Generic Policies and Procedures Manual (under review)***. The first manual includes the principles to ensure that customers receive the information required to enable them to make informed decisions and that they are not subject to unfair or deceptive practices. As for the second manual, it provides guidance on how banks shall prohibit bribery and corruption in any form, draws heavily on the UK Bribery Act of 2010 and the U.S Foreign Corrupt Practices Act of 1977 and its amendments in 1988 and 1998. ABL issued formerly: ***Generic Policy & Procedures Manual on Sanctions and Embargoes Program*** in early 2015; ***Anti-Money Laundering and Counter Financing of Terrorism (AML/CFT) Generic Policies & Procedures Manual*** in 2013; and ***Generic FATCA Policy Manual*** also in 2013.
10. The compliance committee at ABL is also very active and supportive in compliance matters to all banks residing in the country. It met a dozen of times during 2015 and organized a few general meetings with all compliance officers in banks operating in Lebanon to discuss trends and developments in rules and procedures related to fight against money laundering and terrorist financing, provision of tax related information (FATCA), financial sanctions, and other compliance related issues. In the latest General meeting in November 2015, there have been exchange of views on the implications and possible amendments in the scope of work of the compliance units at banks from the passing of new and modified legislations on combating money laundering, the exchange of tax information, the authorization for the transfer of money across borders, and the UN Convention of 1999 on the drying of terrorist financing sources. Discussions centered also on the new manuals published by ABL mentioned above and certain aspects of the relationship between banks and the Capital Markets Authority (CMA). The audience expressed satisfaction with the adoption of the new financial bills, evidencing the commitment of Lebanon to international fight against financial crimes and to the international best practices and regulations.



11. In 2015, and for the eighteenth consecutive year, ABL organized different training activities related to fighting money laundering, aside the in-house training held by banks themselves. Most of ABL activities in this subject are prepared in cooperation with Special investigation commission. More specifically, a conference on fighting money laundering has been organized for 5 times, and 244 employees of 29 banks attended this conference that ended up with a case study. The efforts of the ABL's Training department during 2015 was concentrated for three months on a workshop that included 3-4 suspicious money laundering and terrorism financing cases. The participants to this workshop had to find them and the ways the banks should avoid them by introducing adjusted procedures. Twenty five different groups comprising an average of twenty people in each, in total 514 employees have attended this workshop. A typology of the different debated case studies during the workshop will be sent, early 2016, to participating banks, to be diffused to all banks' employees through intranet.

In addition, a FATCA seminar was organized twice by ABL, where two audit firms (among the big 4) delivered lectures and case studies, aside three heads of Lebanese bank compliance and audit departments; 95 senior officers from 45 different banks participated to this seminar. Moreover, a conference on "Sanctions and embargo program" was organized for 44 banks and 70 employees attended this conference.

The ABL is planning to continue its efforts in combating money laundering and terrorism financing, during 2016 and by concentrating more efforts on the new Law 44, and on cybercrime and fraud prevention that has started earlier on 2014 with Kaspersky.

The ABL is also involved in promoting financial inclusion, consumer protection and citizenship. A national conference on "Financial Capabilities in Lebanon – Towards a national strategy" was organized on 21 - 22 October 2015 by the ABL in cooperation with the Institut des Finances Basil Fuleihan / Ministry of Finance and the Ministry of Education and Higher Education (MEHE) and with the support of the Organization for Economic Co-operation and Development (OECD). It was attended by more than 100 participants from commercial banks, BDL, ministries, foreign consulates and NGO's and came up with many useful recommendations for decision makers.

Five main topics were covered during this conference in plenary sessions and roundtable discussions: Starting early: Financial education at school: empowering youth and their teachers, Banking and Consumer Protection, Retirement and long term saving strategies, Citizenship, Accountability and Good Governance and Strengthening financial inclusion. A draft of a national strategy has been already prepared and will be discussed during next February by all concerned stakeholders of this conference.



12. After strong and persevered lobbying from the Association of Banks in Lebanon (ABL), the Lebanese Parliament passed in late 2015 four important laws, which ABL has long considered their ratifications as critical to uphold the credibility of Lebanon among international circles and to strengthen the existing legal anti-money laundering framework and thus protect the work and the practice of Lebanese banks at this level. The first of these laws (Law 44) introduces amendments to the Anti-Money Laundering Law 318 of 2001. It expands both the definition of anti-money laundering, to include most financial crimes (21 offenses)¹, and the declaration forms to include new professional sectors such as public notaries and lawyers in accordance with international criteria. The mentioned law modified also certain procedures in order to make the work of the SIC (the Lebanese FIU) more efficient. According to this legislation, people who committed, attempted to commit, participated or facilitated the enlisted crimes will be condemned in case of money laundering from 3 to 7 years of imprisonment and a penalty up to twice the amounts involved, and in case of financing terrorism, condemnation falls under Articles 316 and 212 through 222 inclusive of the penal code. According to Article 4 of the legislation, banks and financial institutions are required to apply appropriate and permanent due diligence and care procedures on their permanent clients, and the relevant required due care in dealing with transiting clients, and apply appropriate procedures to satisfy the requirements of economic ownership, and track signals and indicia of probability of occurrence of money laundering operations. The second bill relates to the declaration of amounts of carried cash at the border and thus regulates the transfer of such cash across Lebanon's frontiers. It requires incoming visitors to disclose the amount of cash they have at border entry points, which would facilitate the potential deposit of these amounts at financial institutions in Lebanon, knowing that most of the financial inflows to Lebanon go through the financial and banking sector, while inflows in the form of cash represent a small share of total inflows. The third law is on the exchange of tax information, giving Lebanon the legal basis to exchange information related to possible tax evasion and fraud cases and to abide by the OECD principles and mechanisms to combat tax evasion. The fourth bill involves Lebanon's adherence to the United Nation's 1999 International Convention for the Suppression of the Financing of Terrorism. It should be noted that Lebanon ratified earlier the Arab Convention on the Suppression of Terrorism in 1999 and signed several bilateral agreements to combat terrorism that are similar to the UN's convention.

¹Of the 21 activities that qualify for money laundering and terrorist financing: Illegal drug activities; Terrorism as defined in the Lebanese Law, and financing of terrorism; Illegal trade of weapons; Kidnapping ; Corruption and abuse of authority in public office; Theft, abuse of trust and misappropriation of funds; Falsification of documents and payment instruments; Illegal trafficking of goods in violation of the customs regulation; Forfeiting of brands and related trading activities; Slavery and illegal trafficking of immigrants; and Tax frauds according to Lebanese regulations.



II- 1 Law No 42 of November 24, 2015

On Declaring the Cross-Border Transportation of Money

Article 1:

For the purpose of implementing the provisions of this Law, the following expressions shall mean:

1- **Currency/ Negotiable Instruments:**

- Banknotes and coins in circulation, whether in Lebanese pound or any other currency.
- Commercial papers, securities, means of payment and other types of negotiable movable assets, in case they are not made out or endorsed to the benefit, or to the order of a designated payee (drawing bonds, promissory notes, checks, payment orders, bearer shares, prepaid cards, etc.).

2- **Declaration:** to provide detailed information on the owner of the Currency/Negotiable Instruments being transported, the person transporting them, the recipient party, their value, type, origin and intended use, the routes and modes of transportation.

3- **Disclosure:** to provide detailed information, at the request of the Customs authorities, on the owner of the Currency/Negotiable Instruments being transported, the person transporting them, the recipient party, their value, type, origin and intended use, the routes and modes of transportation.

4- **False declaration/false disclosure:** to provide false or incomplete information on the value of Currency/Negotiable Instruments transported across borders or other information which is asked for in the declaration/disclosure requested by the authorities; or failing to make a declaration/disclosure as imposed / required .

Article 2:

All persons transporting physically, in or out of the border, Currency/Negotiable Instruments on them, in their accompanying luggage, or by any other means, by containerized cargo or any other means of shipping, or through the post, must submit a written declaration thereon to the Customs authorities, whenever the value of the Currency/Negotiable Instruments exceeds the amount of USD 15,000 or its equivalent in other currencies, by filling in a form that includes the complete relevant information requested.

As an exemption to the preceding paragraph, a disclosure thereof to the Customs authorities may be sufficient without the need for the declaration, when the Currency/Negotiable Instruments are being physically transported outside Lebanon and their value exceeds the amount of USD 15,000 or its equivalent in other currencies, according to the implementation rules mentioned in Article 6 below to be issued in relation to this Law.



Article 3:

Customs authorities are empowered to search natural persons, inspect their luggage and the transportation modes referred to in Article 2 above, in order to check the accuracy of the information declared or disclosed.

In case a false declaration/disclosure is detected or suspected, or in case of non-declaration/non-disclosure, or in case of suspecting the transportation of illicit Currency/Negotiable Instruments, within the meaning of Article 1 of amended Law No 318/2001, the Customs authorities are empowered to request additional information about the transported Currency/Negotiable Instruments, to seize them and prepare relevant seizure records, after notifying the Public Prosecution of the Court of Cassation. The latter shall, within a maximum period of two days, take the appropriate decision in light of the available data, as to whether maintain the seizure or free the said Currency/Negotiable Instruments, and accordingly notify its decision to the «Special Investigation Commission» established pursuant to amended Law No 318 of April 20, 2001 on Fighting Money Laundering and Terrorist Financing.

Customs authorities shall promptly notify the «Special Investigation Commission» of the above-mentioned seizure records.

Article 4:

Customs authorities shall establish an electronic database that has the necessary safety and confidentiality specifications. All the declarations, disclosures, records, files and official documents shall be archived in the database in a way that clearly distinguishes between the declarations and disclosures referred to in Article 2 of this Law and those mentioned in Article 3 thereof.

The Special Investigation Commission shall be empowered to directly access the declarations, disclosures, records, files and official documents mentioned in Article 3 of this Law.

Article 5:

Customs authorities shall impose on any person making a false declaration/disclosure or failing to make a declaration/disclosure, a fine not exceeding ten million Lebanese pounds, not precluding any criminal prosecution as specified in the provisions of above-mentioned Law No 318.

Article 6:

The Customs Higher Council shall issue, within three months from the enactment date of this Law, and in collaboration with the «Special Investigation Commission», a decision pursuant to which it shall set the implementation rules of the provisions of this Law, notably the preparation of the declaration form mentioned in Article 2 thereof.



Article 7:

The detailed implementation of the provisions of this Law shall be set, where applicable, through Decrees taken by the Council of Ministers, upon a proposal made by the Minister of Finance on the basis of the preparation work done by the Customs Higher Council in collaboration with the «Special Investigation Commission» specified in Law No 318/2001.

Article 8:

This Law shall enter into force upon its publication in the Official Gazette.

Beirut, November 24, 2015
Promulgated by the Council of Ministers
The President of the Council of Ministers
Signed: Tammam Salam



II- 2 Law No 43 of November 24, 2015

Exchange of Tax Information

Article 1:

Without prejudice to the provisions of Article 52 of the Lebanese Constitution, the Minister of Finance is authorized, in the context of international cooperation, to conclude or join bilateral or multilateral agreements to exchange information on tax evasion or tax fraud, in accordance with the adopted legislative rules and the stipulations of this Law.

Article 2:

The information request on tax evasion or tax fraud must be submitted to the Ministry of Finance by its foreign counterparts or by the foreign taxation authority.

Article 3:

The information request submitted by the requesting country must either be based on a final judgment incriminating the person under investigation of tax evasion or tax fraud, or include conclusive evidence or facts that this person has engaged in tax evasion or tax fraud in the requesting country, along with sufficient information on the offender's relevant bank accounts in the banks operating in Lebanon.

Article 4:

In case the required information is covered by the Law on Banking Secrecy of September 3, 1956 or by Article 151 of the Code of Money and Credit, the information request shall be directly forwarded, along with the opinion of the Ministry of Finance, to the Special Investigation Commission (SIC) established under Law No 318¹ of April 20, 2001 on Fighting Money Laundering. The latter shall take the appropriate decision in compliance with the legal provisions and international conventions relating to the exchange of information on tax evasion or tax fraud.

¹ This Law shall be replaced by virtue of Law No 44 of November 24, 2015.



Whenever the Special Investigation Commission decides to provide the requesting party with the requested information, it shall send a written notification thereof to the person under investigation who may object to the Commission's decision before the State Council, within 15 days from the notification date.

The State Council shall determine in a definitive manner whether the legal conditions that require the exchange of information are met, within three months from the submission of the recourse. After this deadline, the Commission shall implement the required procedures.

Article 5:

In the implementation process of the provisions of Article 4 of this Law, and any other matter that is not at variance therewith, the Special Investigation Commission shall adopt the mechanism and rules stipulated in Law No 318¹.

The SIC shall directly and exclusively notify its decision or provide the required information to the foreign requesting authority.

Article 6:

The provisions of this Law shall apply to cases of tax evasion or tax fraud occurring after its issuance.

Article 7:

This Law shall come into force upon its publication in the Official Gazette.

Beirut, November 24, 2015

Promulgated by the Council of Ministers

The President of the Council of Ministers

Signed: Tammam Salam

¹ This Law shall be replaced by virtue of Law No 44 of November 24, 2015.



II- 3 Law No 44 of November 24, 2015
Fighting Money Laundering and Terrorist Financing

Single Article:

The draft law required by Decree No 8200 of May 24, 2012 (amending Law No 318 of April 20, 2001, on Fighting Money Laundering) is adopted, as amended by the subcommittee of the joint parliamentary committees and the Parliament.

This Law shall enter into force upon its publication in the Official Gazette.



The Law on Fighting Money Laundering and Terrorist Financing

Article 1

For the purpose of this Law, illicit funds include assets, tangible and intangible, movable and immovable, including any legal documents or instruments evidencing title to, or interest in, such assets, resulting from the commission of, or the punishable attempted commission of, or the participation in any of the following offences, whether in Lebanon or abroad:

1. The growing, manufacturing, or illicit trafficking of narcotic drugs and/or psychotropic substances according to the Lebanese laws.
2. The participation in illegal associations with the intention of committing crimes and misdemeanors.
3. Terrorism, according to the provisions of Lebanese laws.
4. The financing of terrorism or terrorist acts and any other related activities (travel, organizing, training, recruiting...) or the financing of individuals or terrorist organizations, according to the provisions of Lebanese laws.
5. Illicit arms trafficking.
6. Kidnapping, using weapons or any other means.
7. Insider trading, breach of confidentiality, hindering of auctions, and illegal speculation.
8. Incitation to debauchery and offence against ethics and public decency by way of organized gangs.
9. Corruption, including bribery, trading in influence, embezzlement, abuse of functions, abuse of power, and illicit enrichment.
10. Theft, breach of trust, and embezzlement.
11. Fraud, including fraudulent bankruptcy.
12. The counterfeiting of public and private documents and instruments, including checks and credit cards of all types and the counterfeiting of money, stamps and stamped papers.
13. Smuggling, according to the provisions of the Customs Law.
14. The counterfeiting of goods and fraudulent trading in counterfeit goods.
15. Air and maritime piracy.
16. Trafficking in human beings and smuggling of migrants.
17. Sexual exploitation, including sexual exploitation of children.
18. Environmental crimes.
19. Extortion.
20. Murder.
21. Tax evasion, in accordance with the Lebanese laws.



Article 2

Money laundering is any act committed with the purpose of:

1. Concealing the real source of illicit funds, or giving, by any means, a false justification regarding the said source, while being aware of the illicit nature of these funds.
2. Transferring or transporting funds, or substituting or investing the latter in purchasing movable or immovable assets or in carrying out financial transactions for the purpose of concealing or disguising the such funds' illicit source, or assisting a person involved in the commission of any of the offences mentioned in Article 1 to avoid prosecution, while being aware of the illicit nature of these funds.

Money laundering is a separate offence that does not necessitate the offender to be charged with the underlying predicate offence. Charging the offender with an underlying predicate offence shall not preclude the pursuing of any legal proceedings against the latter for a money laundering offence, in case of variation in the elements of the offences.

Article 3

Whoever undertakes or attempts to undertake or incites or facilitates or intervenes or participates in:

- 1- Money-laundering operations, shall be punishable by imprisonment for a period of three to seven years, and by a fine not exceeding twice the amount laundered.
- 2- Terrorist financing operations or any related activities, shall incur the penalties stipulated in Article 316 bis and Articles 212 to 222 of the Penal Code.

Article 4

Banks, financial institutions, leasing companies, institutions that issue and promote credit or charge cards, institutions that perform money transfers electronically, exchange institutions, financial intermediation institutions, collective investments schemes, and any other institution requiring a license or supervised by Banque du Liban, must comply with the obligations specified below and with the regulations issued by Banque du Liban for the purpose of implementing the provisions of this Law:

- 1- To implement Customer Due Diligence measures on permanent customers (whether natural persons or legal persons or unique legal arrangements), in order to check their identity on the basis of reliable documents or information or data.



- 2- To implement Customer Due Diligence measures on transient customers to verify their identity, if the amount of a single operation or series of operations exceeds the threshold designated by Banque du Liban.
- 3- To determine the identity of the economic right owner and take the steps needed to verify this identity, on the basis of reliable documents or information or data.
- 4- To retain copies of related documents of all operations, and to retain information or data or copies of the customers' identification documents, for at least five years after performing the operations or ending the business relationship, whichever longer.
- 5- To continuously monitor and review the business relationship.
- 6- To apply the measures specified in Paragraphs 1 to 5 above to permanent and transient customers, whenever there are doubts regarding the accuracy or adequacy of declared customer identification data, or whenever there is a suspicion of money laundering or terrorist financing, regardless of any thresholds or exemptions that limits the implementation of these measures.
- 7- To take into account the indicators that flag the likelihood of a money laundering or terrorist financing operation, as well as the due diligence principles to detect suspicious operations.

Article 5

Institutions not subjected to the Banking Secrecy Law of September 3, 1956, particularly insurance companies, casinos, real estate dealers and agents, and merchants of valuables (jewelry, precious stones, gold, works of art, antiques), must keep records of operations that exceed the threshold designated by the "Special Investigation Commission" (hereinafter referred to "the Commission") that was established pursuant to Article 6 of this Law. Such institutions must also comply with the obligations specified in Article 4 above and with the regulations and recommendations issued by "the Commission" for the purpose of implementing the provisions of this Law.

Certified accountants and notaries must implement these obligations, when preparing or carrying out on behalf of their customers any of the following activities:

- Buying and selling of real estate.
- Management of customers' movable and immovable assets, in particular transactions consisting of money accumulation and joint investment.
- Management of bank accounts and securities accounts.
- Organization of contributions for the establishment or management of companies.
- Establishment or management of legal persons or unique legal arrangements, and buying and selling of single person enterprise or companies.



The same obligations shall apply to lawyers when they carry out any of the above-mentioned activities. The implementation rules of these obligations shall be specified pursuant to a mechanism to be set by the Beirut Bar Association and the Tripoli Bar Association, taking into account the particularities and rules of the Legal Profession.

Article 6

An independent, legal entity with judicial status shall be established at Banque du Liban, referred to as “the Special Investigation Commission” or “the Commission”, which shall discharge its functions without being subject to Banque du Liban’s authority.

1. The “Special Investigation Commission” shall consist of:
 - The Governor of Banque du Liban or, in case of impediment, one of the Vice-Governors he designates **Chairman**
 - The judge appointed to the Higher Banking Commission or, in case of impediment, an alternate judge appointed by the Higher Judicial Council for a period equal to the term of the initially appointed judge. **Member**
 - The Chairman of the Banking Control Commission or, in case of impediment, a member of the latter designated by its Chairman. **Member**
 - A principal member and an alternate member appointed by the Council of Ministers upon proposal of the Governor of Banque du Liban, provided each of them has an experience of at least 15 years in financial or banking law. **Member**

2. The mission of the “Special Investigation Commission” is:
 - To receive suspicious transaction reports (STRs) and requests of assistance; to investigate operations that are suspected to be money-laundering or terrorist financing offences; to decide on the seriousness of evidence and circumstantial evidence related to the commission of any such offence(s); to take in this regard the adequate decision, particularly the precautionary and temporary freezing of the suspicious accounts and/or transactions, for a maximum period of one year renewable once for six months concerning foreign requests of assistance, and for a maximum period of six months renewable once for three months concerning local STRs and requests of assistance.
 - To ensure compliance by the parties referred to in Articles 4 and 5 above with the obligations stipulated in this Law and in the regulations issued in relation thereto, except for lawyers, certified accountants and notaries, without prejudice to the provisions of Paragraph 2 of Article 17 of this Law.



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- To collect and retain the information received from the parties referred to in Articles 4 and 5 above, as well as the information received from Lebanese and foreign official authorities, and all other collected information, and to share such information with the Commission's counterparts, in its capacity as the competent authority and the official center to undertake such a task.
 - To issue regulations on the implementation of the provisions of this Law addressed to the parties referred to in Article 5 above, and to issue recommendations to all concerned parties.
3. After conducting the necessary audit and analysis, "the Commission" is the solely certified to decide:
- To permanently freeze the concerned accounts and/or transactions, and/or to lift the banking secrecy in favor of the competent judicial authorities and the Higher Banking Commission represented by its Chairman on accounts or transactions suspected to be related to money laundering or terrorist financing.
 - To keep suspicious accounts as traceable accounts.

"The Commission" may withdraw any of its decisions, in whole or in part, in case it obtains any new relevant information.

4. "The Commission" is entitled to:
- a- attach an encumbrance on the records and entries pertaining to movable or immovable assets, indicating that such assets are under investigation by "the Commission". The encumbrance shall be kept until doubts are erased or until a final decision in this regard is taken,
 - b- request the Public Prosecutor of the Court of Cassation to take preventive measures concerning the movable and immovable assets that have no records or entries, so as to prevent the use of such assets until a final judicial decision in this regard is taken,

when there is a suspicion that these assets are related to money laundering or terrorist financing, and/or during the precautionary, temporary freezing of suspicious accounts and/or transactions, as specified in Paragraph 2 of this Article, and/or during the permanent freezing of these accounts and/or transactions, as specified in Paragraph 3 of this Article.

5. "The Commission" may require from concerned persons and parties, whether public or private, to take the necessary measures to prevent the use of movable or immovable assets belonging to any names designated or to be designated on the national lists issued by the competent Lebanese authorities or any other lists it circulates concerning terrorism and terrorist financing and any acts related thereto.



The concerned persons and parties, whether public or private, must comply without any delay to this requirement.

6. “The Commission” shall meet, upon its Chairman’s call, at least twice a month and when needed. The legal quorum requires the presence of three members at least.
7. “The Commission” shall take its decisions at a majority of the attending members. In case of a tie, the Chairman shall have a casting vote.
8. “The Commission” shall appoint a full-time Secretary General, who shall be responsible for the tasks assigned to him by “the Commission”, for implementing its decisions and for directly supervising its regular and contractual staff and the persons delegated by “the Commission” for a specific mission. The provisions of the Banking Secrecy Law of September 3, 1956 shall not be opposed to any of them.
9. The members of “the Commission”, its regular and contractual staff, as well as the persons delegated by “the Commission” for a specific mission, shall be bound by the obligation of confidentiality.
10. “The Commission” shall set its operating rules, as well as the internal rules governing its regular and contractual staff, who are subject to private law.
11. The expenses of “the Commission” and its ancillary bodies shall be borne by Banque du Liban as part of the budget prepared by “the Commission”, provided the budget is approved by the Central Council of Banque du Liban.

Article 7

The parties referred to in Articles 4 and 5 of this Law, including certified accountants and notaries, when preparing or carrying out on behalf of their customers any of the activities mentioned in Article 5 above must promptly report to the Chairman of “the Commission” the details of operations undertaken or attempted to be undertaken that are suspected to be related to money laundering or terrorist financing.

The same obligations shall apply to lawyers, according to a mechanism to be set by the Beirut Bar Association and the Tripoli Bar Association, taking into account the particularities and rules of the Legal Profession.



The supervisors of the Banking Control Commission must, through the Chairman of the latter, report to the Chairman of “the Commission” any operations they suspect to be related to money laundering or terrorist financing and which they are aware of while performing their duties.

The auditors of the parties referred to in Article 4 above must promptly report to the Chairman of “the Commission” the details of the operations they suspect to be concealing money-laundering or terrorist financing and which they are aware of in the course of performing their work.

Article 8

- 1- “The Commission” shall convene after receiving information from the parties referred to in Article 7 above, or after receiving information from Lebanese or foreign official authorities.
- 2- After the assessment and analysis of the information relating to the case under examination, “the Commission” shall either decide to take notice, or conduct the required investigation, particularly by auditing the accounts or operations, or investigating the suspicious assets. “The Commission” shall conduct its investigations through a delegated person chosen amongst its members or its concerned officers, or through its Secretary General or an appointed auditor. All these persons shall perform their duties subject to confidentiality obligations, and without being opposed to the provisions of the Banking Secrecy Law of September 3, 1956.
- 3- Upon the completion of its audit and analysis, “the Commission” shall take its decisions in accordance with the provisions of Paragraphs 2, 3, and 4 of Article 6 of this Law.
- 4- If “the Commission” decides to lift the banking secrecy off the concerned accounts and/or to freeze them permanently and/or to request the maintain of the prohibition to dispose of the assets, it shall send a certified true copy of its decision to the Public Prosecutor of the Court of Cassation, the Higher Banking Commission through its Chairman, the concerned party, and the concerned local or foreign bodies, either directly or by the same means/body through which the information was received.
- 5- In case the Public Prosecutor of the Court of Cassation decides to drop the case of money laundering and discontinue the proceedings, the frozen accounts and all other assets shall be deemed free. The decision to drop the case shall be notified to “the Commission”, and the latter shall not be entitled to maintain the lifting of the banking secrecy, the freezing and the prohibition to dispose of the assets, and shall immediately notify the concerned banks and any other concerned parties thereof. However, if “the Commission” finds, before implementing the decision, any new evidence or circumstantial evidence that justifies the maintain of the freezing, of the prohibition to dispose of the assets, and of the lifting of the banking secrecy, then it must send a justified report, along with the documents containing such evidence or circumstantial evidence to the Public Prosecutor



of the Court of Cassation who may decide, where applicable, to widen the investigation in light of the new information.

- 6- In case the Instruction Judge or the Chamber of Accusation issues a final decision dismissing any legal prosecution, as well as in the case of a final judgement or decision that ceases the legal proceedings or states the innocence of the holders of frozen accounts or assets not to be disposed of, these accounts and assets shall be deemed free, and a copy of the judgement or decision shall be notified to “the Commission” through the Public Prosecutor of the Court of Cassation. “The Commission” shall in turn notify the ruling or the decision to the concerned banks and other concerned parties. “The Commission” shall not be empowered to lift again the banking secrecy off the accounts or to reinstate the freezing decision and to prevent again the use of the accounts and assets, covered by the decision dismissing the legal prosecution, except through the mechanism stipulated in Article 127 of the Code of Criminal Procedures.

Article 9

The Chairman of “the Commission” or any person delegated by the Chairman may directly communicate with any Lebanese or foreign authority (judicial, administrative, financial, or security) in order to request information or take cognizance of the details of previously conducted investigations that are linked or related to ongoing investigations by “the Commission”. The concerned Lebanese authorities must promptly respond to this information request, and shall not be subject to any confidentiality obligation.

Article 10

The Chairman of “the Commission” or any person delegated by the Chairman may directly request from the parties referred to in Articles 4 and 5 above to provide “the Commission” with all the documents and information needed to perform its duties. Such parties must respond to this request within a reasonable period of time.

Article 11

Reporting entities, as well as their Board members, officers and employees, are prohibited from disclosing or insinuating to anyone that a suspicious transaction report or other relevant information is submitted or intended to be submitted to “the Commission”, or that “the Commission” is inquiring about customers or auditing their operations or accounts.



Article 12

Within the scope of their work, the Chairman, members, staff and delegates of “the Commission”, shall enjoy immunity. Thus, they may not be prosecuted or sued, neither collectively nor individually, for any civil or criminal liability related to the performance of their duties, including offences specified by the Banking Secrecy Law of September 3, 1956, except in case such secrecy is breached.

The parties referred to in Articles 4 and 5 above and their staff, as well as the supervisors of the Banking Control Commission and auditors, shall also enjoy the same immunity in performing their duties under the provisions of this Law or according to the decisions of “the Commission”, particularly when they report in good faith to “the Commission” the details of operations they suspect to be related to money laundering or terrorist financing.

Article 13

Any party that violates the provisions of Articles 4, 5, 7, 10, and 11 of this Law shall be punishable by imprisonment for a period of two months to one year and by a fine not exceeding one hundred million Lebanese pounds, or by either penalties.

“The Commission” may address a warning to the parties who are in violation of the provisions of the regulations issued for the purpose of implementing this Law, and may request from these parties periodic reports about the measures taken to rectify their situation. “The Commission” may as well, in case of violation, refer the parties mentioned in Article 4 to the Higher Banking Commission, and correspond with the supervisory or oversight authorities concerning the parties mentioned in Article 5.

The Higher Banking Commission may impose on the parties that were referred to it a fine for non-compliance with the regulations issued for the purpose of implementing this Law, provided this fine does not exceed two hundred times the official minimum wage. Fines shall be collected to the benefit of Banque du Liban.

The foregoing shall not preclude the enforcement of the administrative penalties stipulated in Article 208 of the Code of Money and Credit on the parties referred to in Article 4, nor shall it preclude the enforcement of the sanctions stipulated in all other laws and regulations on the parties referred to in article 5.

Article 14

The movable or immovable assets that are proved, by a final Court ruling, to be related to, or derived from, a money-laundering or terrorist financing offence, shall be confiscated to the benefit of the State, unless the owners of the said assets prove in a Court of Law their legal rights thereupon.



The confiscated assets may be shared with other countries, whenever the confiscation results directly from coordinated investigations or cooperation between the concerned Lebanese authorities and the concerned foreign body(ies).

Article 15

The reservations specified in Paragraphs 2, 3 and 4 of Article 1 of Law No 426 of May 15, 1995, on authorizing the ratification of the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances, are repealed, as well as the provisions of Article 132 of Law No 673 of March 16, 1998, on Narcotic Drugs and Psychotropic Substances.

Article 16

Upon the enactment of this Law, all provisions that are contrary to, or are in contradiction with the provisions of this Law, especially those specified in the Banking Secrecy Law of September 3, 1956, and those of Law No 673 of March 16, 1998, on Narcotic Drugs and Psychotropic Substances, shall cease to be applicable.

Article 17 (Final Provisions)

The auditors of banks, financial institutions and other companies and institutions specified in Article 4 of this Law must verify the compliance by all these companies and institutions with the provisions of this Law and with the implementation regulations issued in relation thereto, and must also notify the Chairman of “the Commission” of any violation thereof.

The Ministry of Justice, the Beirut Bar Association, the Tripoli Bar Association, and the Certified Accountants Association, shall be responsible for verifying the compliance by notaries, lawyers, and certified accountants, as far as each is concerned, with the measures stipulated in this Law and in the implementation regulations issued in relation thereto.

Article 18

This Law shall enter into force upon its publication in the Official Gazette.

Beirut, November 24, 2015
Promulgated by the Council of Ministers
The President of the Council of Ministers
Signed: Tammam Salam



II- 4 Law No 53 of November 24, 2015

Authorizing the Lebanese Government to accede to the International Convention for the Suppression of the Financing of Terrorism signed in New York on December 9, 1999

Single Article:

- 1- The Lebanese Government is authorized to accede to the International Convention for the Suppression of the Financing of Terrorism that was signed in New York on December 9, 1999 and came into force on April 10, 2002, however with certain reservations regarding the definition of terrorism as specified in Article 2, Paragraph 1, Sub-paragraph (b) of this Convention, and adopting the definition of terrorism as specified in Articles 1 and 2 of the Arab Convention for the Fighting of Terrorism, signed in Cairo on April 22, 1998, which the Lebanese Government was authorized to accede to pursuant to Law No 57 of March 31, 1999.

- 2- This Law shall enter into force upon its publication in the Official Gazette.

Beirut, November 24, 2015
Promulgated by the Council of Ministers
The President of the Council of Ministers
Signed: Tammam Salam