

**CIRCULAR NO. 1810 TO BANKS, FINANCIAL INSTITUTIONS AND INSTITUTIONS
DEALING WITH**

Electronic Banking and Financial Transactions

DECISION NO. 7548

**ON ELECTRONIC FINANCIAL AND BANKING
TRANSACTIONS**

Pursuant to the provisions of the Code of Money and Credit, especially the provisions of Articles 70 and 174, to the provisions of Law 133 of October 26, 199, and to the Decision of the Central Council of the Banque du Liban, taken in its meeting of March 29, 2000,

the Governor of the Bank of Lebanon decides the following:

Article 1

For the purpose of implementing the provisions of this Decision, all operations and activities that are concluded, carried out, or promoted through electronic or photo-electric means (telephone, computer, Internet, ATM, etc.) by banks, financial institutions, financial intermediaries, mutual funds, or any other institution or entity shall be considered “**electronic financial and banking transactions**”.

This definition applies equally to operations undertaken by issuers or promoters of payment and credit cards and by institutions involved in electronic transfers. It also applies to institutions involved in offer, purchase and sale operations, and in the provision of other electronic services related to financial instruments, as well as to their settlement and compensation centers.

Article 2

Any entity that undertakes “**electronic financial and banking transactions**” should follow principles of honesty, integrity and transparency, adopt adequate procedures for ensuring maximum security, and take all necessary measures to define and restrict various responsibilities.

Article 3

In undertaking **electronic financial and banking transactions**”, any authorized entity is subjected to the following conditions:

1. Banks and other institutions officially registered with the Banque du Liban or operating under its supervision, with the exception of money changers, must inform the Central Bank in advance of their intention to carry out, partly or

entirely, their authorized activities through any of the various electronic means.

2. Lebanese institutions other than those specified in Paragraph 1 of this Article, including money changers, must obtain in advance, from the Banque du Liban, an authorization to undertake any of the activities specified in Article 1 of this Decision.
3. When targeting their operations or service offers at the public in Lebanon, foreign institutions or their branches must obtain in advance, from the Banque du Liban, an authorization to undertake any of the activities specified in Article 1 of this Decision.

Article 4

When dealing with money electronic transfers, institutions established in Lebanon and referred to in Article 3, Par. 2 and 3, must meet the following conditions:

1. As regards transfers in Lebanon As regards transfers in Lebanon:
 - a. To have a capital of two billion Lebanese pounds or, in the case of a foreign institution, to allocate a similar amount to the operations of its branch in Lebanon.
 - b. To inform the Banque du Liban about the number and addresses of branches opened in Lebanon, and about the transfer equipment in use in each location; and to comply with the content of any objection by the Banque du Liban concerning these branches, at the risk of losing its license to operate in Lebanon.
 - c. To comply with professional confidentiality.
 - d. To buy insurance on its operations.
 - e. To provide evidence on the effectiveness of its electronic protection system.

As regards transfers abroad::

- a. To be connected to an international transfer network.
- b. To comply with subparagraphs (b), (c), (d) and (e) of Paragraph 1 of this Article.

Article 5

Institutions that install and operate ATMs must comply with all relevant rules and regulations issued by the Banque du Liban.

Article 6

Unless otherwise stipulated, “electronic financial and banking transactions” and institutions handling them are subjected to the laws, rules and regulations that

govern the said institutions or the said transactions, when carried out with traditional, non-electronic means.

Article 7

Institutions which establish electronic centers to deal with stocks and other financial instruments, or which undertake to pay the relevant yields and profits must comply with BDL regulations concerning financial intermediaries, of which mainly the allocation of a minimum operating capital.

Article 8

In addition to the general principles stipulated by Article 2 of this Decision, the following conditions must be met:

1. The client should be at least eighteen years old, with full contractual capacity.
2. With due consideration to laws in force, no information should be given about the client's account without his/her prior and unequivocal, written permission.
3. Digital signatures are accepted only when they meet the following conditions: There should be a clear agreement between the concerned parties.
 - a. The signatory should use a personal identification code.
 - b. The institution implementing the transaction should confirm it within 24 hours by electronic mail, and within one week by surface mail, unless the client requests his/her mail to be kept with the said institution.
 - c. The implementing institution should provide the client with a detailed monthly statement of account, to be sent to an address of his/her choice.
4. The ceiling on aggregate credits extended through electronic means by a single institution to one real or moral person shall not exceed 20% of its own funds. In this respect, banks continue to be governed by BDL regulations concerning the ceilings on their credit facilities.
5. The concerned institution shall indicate on its electronic site:
 - a. Its registration number at the Banque du Liban, in the case of institutions specified in Article 3, Par. 1.
 - b. The date of the authorization (and its number, if available) granted by the Banque du Liban to undertake operations covered by this Decision, in the case of institutions specified in Article 3, Par. 2 and 3.

Article 9

The institutions specified in Article 3 of this Decision shall:

1. Facilitate control operations on their activities by the Banque du Liban or the Banking Control Commission, including technical control.
2. Inform the Banque du Liban about their operations system and its technical basis, and about any modification in this respect.
3. Request their auditors to prepare semi-annual reports on their electronic banking operations and on their technical and organizational status, with copies to be sent each year, by end-March and end-September, to the Banque du Liban and the Banking Control Commission.

Article 10

Institutions among those specified in Article 3, Par. 1, which are undertaking operations regulated by this Decision, shall start to enforce the provisions of the said Decision within a period of six months. They shall inform the Central Bank about the measures taken for this purpose and submit to the Bank the required documents.

Institutions specified in Article 3, Par. 2 and 3, which are undertaking operations regulated by this Decision without the authorization of the Banque du Liban, must regularize their position within a period of six months.

Article 11

The administrative penalties stipulated by the laws and regulations in force shall apply to violations of the provisions of this Decision.

Article 12

This Decision shall enter into force from the date of its publication in the Official Gazette.

Beirut, March 30, 2000

The Governor of the Bank of Lebanon

Riad Toufic Salameh