

Annual Report 2017



هيئة الأسواق المالية
CAPITAL MARKETS AUTHORITY

**Capital Markets
Authority moved
to its new location
in Roma street,
Wardieh area,
Hamra.
December 2017**



Six years have passed since the Capital Markets Authority launched its activities. Thanks to its hard work throughout its existence, the Authority has asserted itself as a locus in setting the tone in the capital markets and protecting investors in the Lebanese financial markets.

At the domestic level, the CMA initiated a market development action plan. It issued regulations that strengthen both its regulatory and supervisory roles, while pursuing its collaboration with regional and international regulatory organizations. This continued collaboration facilitated the membership of the CMA in the International Organization of Securities Commission (IOSCO) and the Union of Arab Securities Authorities.

Lebanon succeeded, thanks to the resiliency of its markets, in maintaining financial stability amidst the political crisis that emerged towards end of 2017.

Such an achievement is owed to the wide scale confidence in the role of the Central Bank that intervened to establish a sound framework for preserving such confidence and financial stability. This was made possible as well through the conservative approach adopted by the CMA to reduce the risks of financial leverage in the Lebanese markets, thus avoiding random liquidations resulting from the increase in interest rates at that time.

In fact, this positive development contributed to reinforcing the subsequent demand on Lebanese securities, in shares and bonds, as soon as the political crisis ended.

The CMA noticed that the largest activity taking place in the market revolved around currency speculations, while knowing that such speculations do not lead to any revenues for the Lebanese economy and are rarely used to protect exports from currency fluctuations. Thus, the Authority introduced high margins on foreign currency trading in order to protect national wealth.

In its efforts to develop the Lebanese market, the CMA continues its collaboration with experts from the World Bank, economic and business bodies, and capital markets institutions, to establish a comprehensive action plan that aim to promote active capital markets in Lebanon. Such market development plans will be based upon successful international experiences built on characteristics similar to those found in Lebanon.

Indeed, expanding Lebanese capital markets would be beneficial for small and medium

enterprises that represent about 90% of the private sector in Lebanon, in an effort to reduce their indebtedness and strengthen their capitalization. This is fundamental for increasing the SMEs investments and their ability to provide more job opportunities.

This policy falls under our efforts to reactivate the private sector and revive the entrepreneurial spirit of the Lebanese people. Indeed, the economic salvation of Lebanon can be achieved by limiting the growth of the public sector while expanding the role of the private sector in the economy.

As such, developing the capital markets in Lebanon offers a new opportunity to advance the sector despite the various challenges it faces. In light of the increasing indebtedness of the private sector and that of Lebanese households, it was essential to propose a solution that would stimulate the markets through new initiatives, such as the electronic trading platform that the CMA is striving to launch, which will in turn provide a strong market for Lebanese commercial bonds and shares.

Indeed, a promising future awaits the Lebanese capital markets, and we have all the confidence that the financial situation of the country will soon recover and improve, in particular with the launching of the electronic platform. We will continue to work with all relevant stakeholders in the Lebanese financial sector to promote transparent capital markets built upon the highest international standards in order to best serve the Lebanese economy and the general society.

In this regard, we are proud of the achievement of the CMA in cooperation with the IFC especially in regard to considering new types of environmental bonds and promoting the launch of 'Green bonds' in Lebanon, which in turn will enhance financial intermediation companies and specialized banks in financing and developing projects that help preserve the environment.

The CMA will thus continue to make further and exceptional efforts in 2018, in the best interest of the national economy. And in light of the increase in interest rates, both globally and locally, investing through capitalization becomes more meaningful for our private enterprises and ensures their sustainability.

Sincerely

Riad Toufic Salame

Chairman of the Capital Markets Authority/
Governor of Banque du Liban



Vision

Establishing confidence in the Lebanese financial and capital markets by enhancing their integrity and maintaining their attractiveness to investors by developing the local markets to better serve the national economy.

Mission

- To regulate and monitor the financial markets in order to ensure its expansion in line with the changes and the best local and international standards.
- To reduce Systemic Risk in capital markets.
- To organize and define the framework and professional activities carried out by people who engage in business related to financial instruments and ensure their adherence to the code of ethics.
- To raise investment awareness among the Lebanese public and familiarize them with the advantages of the financial markets.
- To constantly seek the investor protection and use of financial markets in Lebanon and abroad.
- To follow up on the development of markets through constant communication with all stakeholders in all the productive sectors.



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The Capital Markets Law and the CMA's Main Goals

The Capital Markets Law No. 161 was ratified by the Lebanese Parliament on 17/8/2011. It stipulated the establishment of the Capital Markets Authority, «CMA».

The CMA aims to achieve two main goals: promote and develop the financial markets in coordination with the various sectors concerned, and protect private savings invested in financial instruments. In this context, the law defines the mechanism for the regulation and promotion of financial markets focusing on establishing a culture centered on the importance of effective governance in financial institutions, and proper use of private and important information, as well as published information. The law aims also to ensure absolute transparency in the sector due to its role in protecting the capital and investors.

The vision around which the work of the Authority revolves is based on the importance of establishing trust in the Lebanese financial markets by means of reinforcing their safety and preserving their attractiveness so they could be developed and serve the Lebanese economy.

Indeed, the development of the financial markets has direct bearing on the increase of the growth rate in the economy, which reflects positively on the capital movement and the unemployment rate, in view of the ability to find long term funding sources for the private sector, and to guide public savings in the economy towards appropriate investments.

The Capital Markets Law No. 161/2011 sets as well the mechanism for regulating and developing the financial markets by instituting a culture centered on the importance of effective governance in financial institutions, and the proper use of sensitive information. At the same time, it provides for absolute transparency in the sector due to its role in protecting Capital investments and investors alike. Accordingly, the law sets a mechanism to ensure accountability and enforces disciplinary action against any party found in breach of the provisions thereof through the legal frameworks it provides, such as the Independent Sanctions Committee and the Capital Markets Court of Law that still require establishment through appointments conducted at the level of the Lebanese cabinet within the mechanism proposed in the Capital Markets Law No. 161.

The Capital Market Authority is administered by a board composed of seven members and chaired by the Governor of Banque du Liban. The Board includes three full time members, experts in Banking, Capital Markets and Financial Affairs, and three other part time members representing ministries and administrations directly involved in the Authority operations. These are the Director General of the Ministry of Finance, the Director General of the Ministry of Economy and the Head of the Banking Control Commission.

The Capital Markets Authority is composed of:

Riad Salame	Governor of Banque Du Liban	Chairman	Alternate Chairman First Vice Governor of the Banque du Liban, Mr. Raed Charafeddine
Firas Safieddine	Expert in capital markets	Executive Board Member	Vice Chairman of the CMA in 2017
Sami Saliba	Expert in banking affairs	Executive Board Member	
Fadi Fakh	Expert in financial affairs	Executive Board Member	
Alain Bifani	Director General of the Ministry of Finance	Board member	
Alia Abbas	Director General of the Ministry of Economy	Board member	
Samir Hammoud	Chairman of the Banking Control Commission	Board member	

BSE Privatization Decree issued by the Council of Ministers

As per the Capital Markets Law 161/2011, the Council of Ministers of Lebanon issued a decree incorporating a Lebanese joint stock company under the name of "Beirut Stock Exchange SAL" as stipulated by the Law on Capital Markets issued on 17/8/2011. With decree no 1404 being issued, the Capital Markets Authority would be closer to achieve one of the most important goals it aimed at since its establishment: Operational independency of Beirut Stock Exchange as a private sector entity. Such a step would prove to be of positive value to the market.

CMA Signs an MOU with the Insurance Control Commission

The CMA, represented by its Chairman, Governor of Banque du Liban, and the minister of Economy and Trade, also signed on June 13, 2017 a memorandum of understanding between the Capital Markets Authority and the Insurance Control Commission, for fostering cooperation between the two bodies and regulating the supervisory work regarding the financial instruments contained in the insurance products.

These two developments represent a qualitative leap in the Authority's work with regards to establishing the appropriate regulations and legislations that are in accordance with international standards for the proper functioning of capital markets; in addition to a rigorous oversight of the market which aims to encourage local and international investors to have trust in Lebanese securities issued by CMA Approved institutions, which would translate in achieving faster growth in this sector. Such a development would ultimately encourage companies operating in Lebanon to undertake initial public offerings, list their shares on the stock exchange and provide job opportunities for Lebanese youth.

Beirut Stock Exchange to the private sector

On 9/8/2017, the Council of Ministers of Lebanon issued the decree incorporating a Lebanese joint stock company under the name of "Beirut Stock Exchange SAL" as provided for by the Law on Capital Markets no 161 of 17/8/2011.

By virtue of this decree, the Beirut Stock Exchange SAL replaced "Beirut Stock Exchange", and a provisional Board of Directors was set up in order to put in place the necessary frameworks and regulations for the transfer of the Stock Exchange assets and their operationalization by the private sector for a specified period of time according to the decree.

At the level of the administration of the "Beirut Stock Exchange SAL", the provisional Board of Directors would be composed of the following members:

- Two representatives of Beirut Stock Exchange Commission, the public institution that is being transformed into a joint stock company
- Two representatives of the Ministry of Finance, among experts in financial affairs who are appointed by virtue of a decision issued by the Council of Ministers on the basis of a proposal submitted by the minister of finance.
- The three full time members of the Capital Markets Authority Authority's Board.

Core functions of the Capital Markets Authority

Investor Protection and Organization of Professional Activities

- Protecting investors from illegal, irregular or unfair practices, including the prohibition of direct or indirect insider trading.
- Organizing the disclosure of information to persons who distribute Financial Instruments to the public.
- Setting the work environment and organizing the professional activities of the persons who perform operations on Financial Instruments, while monitoring their compliance with professional ethics.

Organizing Capital Markets and Reducing Systemic Risks

- Organizing and developing capital markets in Lebanon, and promoting their use by investors and issuers in Lebanon and abroad.
- Reducing systemic risks in capital markets.

Licensing

- Granting licenses to brokers who provide services to investors and issuers.
- Granting licenses to financial rating agencies, and defining and regulating their functions and work process.
- Licensing collective investment schemes, including mutual funds that invest in securitization.

Organize and Control the Work of the Stock Exchanges

- Regulating and controlling the work of licensed Stock Exchanges, and the persons who provide deposit, clearing or settlement service.
- Setting the general regulatory framework for listing financial instruments and approving their trading on stock markets.

Legal Control and Accountability

- Sanctioning administrative violations of Law No. 161 and its implementation rules.
- Initiating legal action against insider trading crimes, and the circulation of false or misleading information about securities or Financial Instruments, or their Issuers.



Main Activities in 2017

Year after year, the Capital Markets Authority moves forward with its achieving vision on both the local and international levels. In fact, it has strived since its establishment in 2011 to regulate the work of the Lebanese capital markets based on a clear roadmap, setting a vision that would place it alongside prominent international regulatory organizations. After it joined the International Organization of the Securities Commissions (IOSCO) in 2016 as Associate Member, the Authority signed a number of international agreements that strengthened its regulatory and supervisory capacities in 2017. Meanwhile, it continued its international engagements as vice-president of the Francophone Institute for Financial Regulation (IFREFI) for a period of two years, after hosting its Fifteenth Annual Conference in Beirut.

In fact, the continuous activity of the Authority provided flexibility that allowed it to overcome concerns about the internal situation of the markets in 2017, thanks to a number of factors, mainly the role of the Central Bank in establishing the sound frameworks that absorbed the effects of the successive crisis Lebanon has seen in 2017. Despite the challenges, the CMA has been active on its efforts to develop the market, and will act to launch the Electronic Trading Platform that was announced by the Chairman of the CMA, the Governor of Banque du Liban, Mr Riad Salame. This platform aims to assist SMEs in listing their shares and trade in securities, currencies and gold which would contribute in creating further investment opportunities for the Lebanese. With such an initiative, the CMA will once again ensure that the Lebanese financial markets and the national economy at large would stand to benefit.

In this regard, and in light of the frequent calls of the Authority's Chairman and Board members for the privatization of the Beirut Stock Exchange, Vice-chairman, Mr. Firas Safieddine, reiterated at the Lebanese Diaspora Energy Conference; held under the patronage of the President of the Republic, General Michel Aoun, the importance of utilizing the capital markets in Lebanon as a solution to Lebanon's financial and economic problems. He enumerated the points that could serve as a favorable basis if the appropriate mechanisms are applied as well as the issued legislations, the required incentives to support the capital markets and the need to involve the Lebanese diaspora in this expected development.

As a member of IOSCO, CMA is currently engaged in discussions that would lead to the signing of a multilateral memorandum of understanding that would ensure the ability of Lebanon to strengthen its supervisory role in local capital markets, and ensure proper cooperation with various regulators around the world. In addition, the membership of the CMA to IOSCO has also rendered the activation of the cooperation mechanisms between parties under IOSCO's different committees, such as the committee on emerging markets and the committee for the protection and education of investors.

Equally important, are the efforts by CMA to sign the multilateral memorandum for objectives related to the exchange of valuable information in order to combat illegal operations in the markets, as well as fraud and money laundering activities, the investigation of which is very often related to comparing information between a number of supervisory frameworks or of IOSCO's member countries.

This highly important issue was also discussed among the members and authorities of the Union of Arab Securities Authorities (UASA) in their annual meeting held in Tunisia in 2017. The discussions revolved around the concerted Arab position towards the Enhanced multilateral memorandum of understanding or eMMoU, and the financial legislative amendments that its signature would entail in some member countries of the Union. In this context, Lebanon and the CMA supported the Arab position and proposed to pursue the discussion in order to obtain the signature of all member countries, in light of the importance of such a step for the financial and supervisory environment of Arab markets.

During the UASA meeting in Tunisia, Lebanon offered to host the Annual Meeting in 2018, and upon the request of the Authority, Beirut was chosen as the venue for the upcoming 2018 annual meetings.

At the international level, a delegation of the Lebanese Capital Markets Authority took part in the IMF/World Bank meetings held in Washington. The delegation also met with many members and investors in global capital markets and with officials in US supervisory authorities (SEC, FINRA) specialized in capital markets.

The members of the delegation representing the Authority participated with the Governor of Banque du Liban in a meeting with the World Bank, and discussed the important developments taking place with regards to the efficiency of the Authority's work and the positive contribution and transparent culture it had instilled in the markets. These developments encourage the World Bank to continue supporting the CMA by allocating a specialized work program to technically support the developing of regulations aimed at promoting Green Bonds in Lebanon, a measure which would help in raising the awareness of environmentally impactful project financing in Lebanon.

As a result of the meetings, the US counterparties informed the Lebanese delegation of the continuous trust that the US regulatory institutions and the US Treasury Department have in the active role of the Central Bank, Governor Riad Salame, Chairman of the Capital Markets Authority. During the meetings in Washington, the Chairman of the CMA received for the 2nd consecutive year the best Governor of a Central Bank award from the Global Finance magazine.

Beirut was chosen as the venue for the upcoming 2018 UASA annual meeting

1.1 Organizing and Sponsoring Conferences

The Authority strived, since its establishment, with many international organizations to set in motion the debate around capital markets in Lebanon from a local and an international perspective. It also continued to support the conveying of regional and local conferences that aim to provide a bigger space for capital markets specialists to share their ideas with active stakeholders in the Lebanese market concerning ways to strengthen the sector in Lebanon according to policies set by the Capital Markets Authority, and based on the highest international standards.

The Arab Exchanges Conference in Lebanon

The Authority sought to host the Arab Exchanges conference in Lebanon by supporting the Arab Federation of Exchanges efforts to organize such conference in Lebanon. In fact, during that event held under the title “AFE Annual Conference 2017”, the Chairman of the Authority discussed the importance of the joint Arab work for the development of capital markets by developing the legal and technological infrastructure of such markets. In his speech he discussed the achievements of the Authority during the last five years through which it established advanced concepts that contributed to organizing the work and protecting the investors. He also explained that the Authority concluded, since its establishment, MOUs as well as cooperation and coordination agreements with a number of financial authorities around the world. Lebanon’s CMA joined the International Organization of the Securities Commissions (IOSCO) in 2016 as an associate member. He underlined the fact that activating capital markets in Lebanon is in the best interest of the private sector, and that it would create more job opportunities, either directly or indirectly, and help in reducing the indebtedness of the private sector by issuing shares. It would also help in achieving a better distribution of indebtedness through issuing bonds that lead to better rescheduling of debt maturities. The role of financial and intermediation institutions and commercial banks is thus of vital importance in this area, under the supervision of the Capital Markets Authority, and in ensuring a favorable environment for the markets.

CMA Chairman Salame ascertained that Lebanon is committed to international standards and remains engaged in the financial globalization, and that it endorsed laws that require shares to be nominal in Lebanon and do not allow for bearer shares. Lebanon also cooperates through the CMA in combatting insider trading, at the local, regional and international levels, if conducted through its financial institutions. As for the Authority, it organizes courses to promote data governance and transparency, especially for companies that are going to list their shares in the Lebanese regulated markets. Finally, he stressed on the fact that the capital markets in Lebanon are promising; due to the available liquidity and freedom of transfers despite that the regulations do not allow a funding exceeding 50 percent of the shares value.

On one hand, the Secretary General of the Arab federation of Exchanges, Mr. Fadi Khalaf, emphasized in his speech the success achieved by the Federation in attracting global settlement companies and international banks to participate in the conference. He also assured that the sponsor of the conference, Prime Minister Saad Hariri, expressed his interest in this conference that attracts many companies specialized in the development of the Arab capital markets, in particular Beirut Stock Exchange. The same interest was expressed by the Minister of Finance, H.E Ali Hassan Khalil and the Chairman of the Authority, Mr. Salame. The objective of that conference was to bring together global and Arab experiences in Lebanon, and the discussion revolved during two days, around the way to implement standards, opportunities, ideas and global mechanisms in the Arab region.

The Lebanese Banks Day in Dubai

The Dubai International Financial Center hosted in May of this year the “Lebanese Banks Day in Dubai” under the patronage and in the presence of the Authority’s Chairman, Governor of Banque du Liban Mr. Riad Salame, and the Governor of the Dubai International Financial Center, Mr. Issa Kazem. This event was attended by representatives of the banking and financial sectors in Lebanon within efforts made to strengthen the relationships with this sector that enjoys an entrenched standing in Lebanon. The Governor of the Dubai International Financial Center, Mr. Issa Kazem, and the Chairman of the Capital Markets Authority, Mr. Riad Salame, shed light on the very important strategic role that both the banking and financial sectors play in Lebanon and in Dubai. They emphasized as well the need to reinforce the cooperation frameworks that help in developing this sector inside and outside the region. They also discussed the importance of the Dubai International Financial Center that actually hosts a number of Lebanese financial services institutions as it provides them with a robust platform to grow outside the region and to access international markets.

The Chairman of the Authority tackled in his speech the importance of controlling risks. He stated that the supervisory and regulatory authorities have set standards related to the required capitalization, either for transactions related to the construction or real estate sector (60 percent is required for the capitalization of any project), or to the funding of shares (it is required to provide 50 percent of capitalization for loans granted on shares), and for currency speculations. Indeed, a 20 percent down payment was imposed on currencies speculations, and this is a high percentage compared to the prevailing one around the world. Both the Lebanese investor and market were thus able to overcome the serious crisis that recently hit the British Pound, the Swiss Franc and the Japanese Yen.

The Chairman of the Authority also stated in his speech, “It is true that crisis are aiming at financial institutions or specific banks, but most importantly, we should not reach a stage where we would witness a crisis in the whole financial system. I think that this experience has proven its efficiency, according to numerous studies conducted with the IMF missions, which show that the banking control system in Lebanon is excellent. Regarding the Special Investigation Commission, we are keen to preserve Lebanon’s reputation, and all international institutions now recognize this commission. Lebanon is currently listed among countries that have put in place the required laws to combat money laundering and terrorism financing. As for combatting tax evasion, Lebanon has endorsed the relevant laws and is now recognized by the OECD”.

He noted, “This existing structure also helped the Capital Markets Authority in Lebanon to develop the markets. Indeed, Lebanon endorsed the law providing the establishment of the Capital Markets Authority that is initially responsible for regulating capital markets and securities, supervising dealing therein and gradually developing these markets so that they would be at the service of the Lebanese economy and private sector. This would start with the privatization of Beirut Stock Exchange and the launching of the Electronic Trading Platform that links Lebanon to the region and to the world; because the Lebanese diaspora is an important pillar of the Lebanese economy through the remittances Lebanon receives. Such remittances amount to around 15 percent of the GDP and are mainly sent by Lebanese who work all over the world.

The Annual Euromoney Conference, “Stability, Growth and Reform: New Dynamics for the Lebanese Economy?”

Developing the markets is neither an easy nor a fast process. The Authority is working on many projects including the privatization of Beirut Stock Exchange and the establishment of an Electronic Trading Platform in order to increase the markets liquidity, to contribute to the development of Small and Medium Enterprises and emerging companies that list their shares in the Stock Exchange.

This development holds many positive aspects, including contributing to the gradual reduction of the indebtedness of the private sector and the banks, the liberalization of a capital mass that contributes to creating new job opportunities at a lower cost than before.

The Chairman of the Authority raised this issue in the interview that took place at the opening of the Euromoney conference in Beirut, which is held on an annual basis, with the contribution of the Capital Markets Authority. As always, this conference brings together the largest number of stakeholders in the capital markets, either directly or indirectly.

Under the theme “Stability, Growth and Reform: New Dynamics for the Lebanese Economy?” the Euromoney returned to Beirut on May 15, 2017 to hold its annual conference. This event brought together more than 300 senior government officials, investors, funders, business leaders and several pioneer institutions in Lebanon in order to explore new opportunities, and discuss the role of Lebanon in the new global financial landscape.

It was also attended by specialists in various sectors, including IT and information economics, on which Lebanon relies due to their future role in the financial markets, especially that Lebanon currently ranks second in the Arab world in financing the knowledge sector companies, and new innovations that these companies often bring along. This is a major development knowing that Lebanon was not on the world map of this sector and only received trivial attention.

In a direct interview held by the Chairman of Euromoney's conferences, the Chairman of the Authority expressed his views regarding the growth perspectives in Lebanon, stating that fluctuations are increasing in the global markets due to the non-conforming policies of the central Banks in many advanced economies. He then announced that Banque du Liban's outlook for the country is positive for the upcoming 12 months, in light of the initiatives that are being taken to ensure stability when it comes to countering the expected increase by the Federal Reserve in the US interest rate. The CMA's Chairman pointed out as well that the Lebanese CDS rating is progressively decreasing in ordinary cases, thus reflecting a certain relief in the Lebanese bonds market, stressing the important role that financial technology could play in improving financial inclusion.

The Director of Communication and Research at the CMA, Mr. Tarek Zebian, also took part in a panel alongside a number of financial experts such as the representative of the European Bank for Development and Reconstruction. The discussion tackled ways for developing political and economic models and their significance in the Lebanese economy.

Mr. Zebian suggested that the government implements the "Development projects Funding" model and initiates reforms that would allow an effective support to develop the infrastructure of the country through transparent capital markets.

Endeavour & LIFE Business Global Summit

For the fourth year in a row, Endeavour Lebanon and LIFE hosted the Global Business Summit in Beirut. This summit gathered 400 people from businessmen, to local entrepreneurs and diaspora members active in the financial and knowledge economy sectors, with a view to communicate with and listen to officials that are able to influence the future of the Lebanese economy.

At first, His Excellency Prime Minister Saad Hariri, gave an overview of the economic and trade issues that Lebanon faces. He presented his cabinets' plans for reforms and growth, highlighting the role that the Lebanese diaspora could take in supporting such reforms and rebuilding the Lebanese economy. Mr. Hariri pointed out that "Lebanon now represents a major market for investments and that we are striving to develop an investment project underpinned by the infrastructure development in Lebanon, the Capital Investment Program-CIP, in cooperation with the World Bank and the International Monetary Fund". He also emphasized the major effect of the CIP in attracting different industries and maintaining areas that lead to economic growth in Lebanon.

Chairman of the CMA and Governor of the Central Bank of Lebanon, Mr. Riad Salame, gave a speech concerning Lebanon's economic vision. He pointed out to the activities of BDL and the CMA for developing the entrepreneurship and knowledge sectors in Lebanon, and declared, "We are taking one step further in strengthening our cooperation with entrepreneurs in the country. In fact, the CMA is preparing for the launch of an Electronic Trading Platform that we hope to introduce in the second half of 2018. This platform would allow a transparent and effective trading, and would ensure an investment opportunity accessible to all people around the world with the possibility to trade in Lebanese securities, bonds, bonds certificates or shares". He added, "It is our duty to promote the entrepreneurship ecosystem in Lebanon so as to reverse the brain drain in the country, create job opportunities and contribute to economic growth. The Central Bank will continue supporting the economy through subsidizing interest rates as well as some sectors like SMEs and housing sectors".

He indicated that BDL's Circular no. 331 aimed at pumping hundreds of millions of US Dollars in the markets in order to initiate work and innovations to promote the knowledge-based economy. Also, pointing out that the vision is clear and based on providing long-term support even though Lebanon was not lucky enough to accelerate this growth as expected, due to the adverse effects of the political instability and the refugee crisis on the economy in general.

Nevertheless, according to international institutions such as Global Entrepreneurship Monitor, Lebanon ranked first in terms of its innovative youth capacities. The Chairman of the Authority reassured the audience by declaring that the Lebanese markets became stable by the end of 2017, and will witness fixed interest rates in 2018, while

recognizing the linkages between interest rates and political climate. He noted that banks enjoy sufficient funds to finance both the economy and the public sector.

As for the compliance environment, the Chairman of the Authority stressed that Lebanon will start applying the International Financial Reporting Standards IFRS9 starting 2019, and seeks to establish a stable compliance environment. This is a very good step with regards to cooperating with external parties, such as correspondent banks, that would scale up their activities and operations in Lebanon.

In this context, Mr. Salame said that the most recent OECD publications indicate that Lebanon was not mentioned in the list of non-cooperating countries in tax evasion issues, knowing that Lebanon, represented by its supervisory and legislative institutions, is sparing no effort in combating money laundering and terrorism financing.

Lebanon, is sparing no effort in combating money laundering and terrorism financing

Cooperation with the Union of Arab Securities Authorities

In order to prompt the implementation of the policies of the implementing regulations which the Authority launched in the previous years, the CMA intensified its cooperation with the Union of Arab Securities Authorities by planning a series of workshops that started by the end of 2017 on "Combating financial crimes in markets" and gathered experts on one of the most important issues related to protecting markets and fighting money laundering.

The training session that was held at Monroe Hotel in Beirut, was inaugurated by the Secretary General of the Union of Arab Securities Authorities, Mr. Jalil Tarif, and the Director of Communication and Research at the CMA, Mr. Tarek Zebian and the lecturer, Dr Khaled Sari Syam, previous Chairman of Cairo Stock Exchange and vice-president of the Egyptian Financial Supervisory Authority.

More than thirty trainees attended the training program that was hosted by the Authority from different supervisory authorities, including the Capital Markets Authority of Kuwait, the Syrian Commission on Financial Markets and Securities, Midclear, Banque du Liban as well as senior officials at Beirut Stock Exchange and a number of financial institutions in Lebanon and Sudan.

This program aimed at supporting and developing the skills of people who work in the specialized administrations in the regulatory and supervisory authorities and in financial institutions that are in charge of detecting financial crimes and prosecuting the perpetrators. The trainers presented the audience with the most recent global developments and methods in financial markets crimes, as well as, the methods followed to deter the perpetrators and compensate those affected.

The program also discussed the latest developments in the techniques used for detecting new financial crimes and supporting markets control and oversight, in addition to techniques for preparing the criminal prosecution files and developing the role of supervisory authorities in combatting those crimes.

The program is also part of the strategic plan for 2016-2020 that was endorsed by the Union's Board in cooperation with the CMA in Lebanon last year. Within the context of capacity building, the plan aims to hold a series of training sessions and workshops to contribute to the development of the supervisory capacities of regulatory authorities and reinforce competence. The CMA promised to host a number of training sessions each year as part of its cooperation with the Union.

2.2 At the Regulatory and Supervisory Levels

One of the most prominent regulatory developments of 2017 lies in the signature of a Memorandum of Understanding with the Insurance Control Commission (ICC), in the presence of the CMA's Chairman, the Minister of Economy and members of both bodies. This initiative aimed at identifying mechanisms for supervising insurance products based on tradable securities with a view to strengthen and activate this sector as to ensure the best protection for investors in Unit Linked Products and/or in products related to securities traded in local and international financial markets.

This agreement clarified the activities of both bodies after the endorsement of Law no 161 of August 11, 2011 that allowed capital markets to supervise all securities tradable in the Lebanese market. It facilitated as well the working methods and dissipated all the uncertainty in legislations governing the insurance and capital markets sectors.

Moreover, within developing the technological infrastructure of the capital markets sector, the CMA strived to develop the Central Counterparty jointly with Midclear. This is viewed as a major development in the way of managing electronic clearing operations when conducting activities in developed capital markets, such as the Authority's intends to initiate. Thus, the CMA and Midclear would have finalized the first step that facilitates the work of market operators and stock exchanges in Lebanon in the upcoming period. Within this context, Midclear cooperated with GMEX, a leading global company, to establish the new system for the best interest of the Lebanese market.

As for Beirut Stock Exchange, the Lebanese Council of Ministers issued on 9/8/2017 the decree no 1404 related to establishing a Lebanese joint stock company under the name of "Beirut Stock Exchange SAL", according to the Law on Capital Markets no 161 of 17/8/2011. By virtue of this decision, Beirut Stock Exchange SAL replaced Beirut Stock Exchange. A provisional Board was also put in place in order to establish frameworks and systems that would transfer the Stock Exchange assets and their operationalization by the private sector within a period specified in the decree.

Implementing Regulations issued by the Authority in 2017

Regarding the regulations officially issued by the Authority in 2017, the CMA released the Licensing and Registration Regulation as well as the Regulations on Offer of Securities in January and August 2017, respectively. The Offer of Securities Regulation aims at identifying the requirements related to the securities offered to the public or exempt offers of securities. This Regulation is important because it gives details concerning the offer and the method followed by Approved Institutions after a thorough revision of all offer documents and the prospectus submitted to the Authority. It defines as well the compliance requirements in order to protect the investor.

As for the Licensing and Registration Regulation, it contributed to reinforcing the capacities of financial specialists in establishing Financial Intermediation Institutions, after the Authority decreased the required capital. For example, the required capital for incorporating financial intermediation institutions involved only in Advising the public on all issues related to conducting business in capital markets has decreased from a minimum of five billion LBP to around 150 million LBP only. The Authority strived as well to facilitate the incorporation of Financial Intermediation Institutions that focus on Arranging public and exempt offers for an establishment capital amounting to 300 million LBP.

As for licenses granted for managing portfolios and collective investment schemes, and licenses for providing Custody services as well as rights and benefits managing, the required capital for Managing related business license was set at 3 billion LBP against 6 billion LBP for Custody related business license.

It is worth noting that the required capital is considered as an operating capital, and if one company provides the higher amount, it may conduct all licensed activities for which the incorporation capital is lower than the one required.

On another hand, the Licensing and Registration Regulation prohibits the Approved Institution from appointing an individual who is not registered with the Authority to conduct a registrable function stated in the mentioned Regulation, such as the CEO, a Board Member, the Chief Financial Officer, Head of Compliance, anti-money

laundering Officer, the officer in charge of the client's account, Head of Risk Management, Internal Audit Officer, the Director, and the trader who trades in securities as agent for clients or as principal for an Approved Institution, as stated in the Regulation. The Authority requires from the Approved Institution that the applicant be fit and proper, and has sufficient competence to carry on the functions included in the license application submitted to the Authority. The Approved Institution must as well take all necessary measures to verify the information included in the application. The Regulation also sets the examinations an applicant has to pass and that are defined by the Authority in Annex 5 for each of the registrable functions required in the application, unless the applicant has obtained an exemption from the Authority.

Brief regarding the Implementing Regulations launched by the Authority in 2016 and 2017

Licensing & Registration Regulation

Series 2000,

January 2017

This regulation aims to identify the different categories of licenses required to carry out securities related business in Lebanon, identify exclusions from the requirements, and set the requirements for licensing institutions and registering individuals as registered persons. It also sets the conditions for the maintenance of a license or a registration, and established the procedures of applications, approvals, changes and termination of a license or registration.

Business Conduct Regulation

Series 3000,

November 2016

This regulation aims to establish the rules and code of conduct that an approved institution must comply with in carrying out securities business and dealing with clients. It also defines the policies and procedures, systems and controls that an approved institution must establish and implement. The regulation also sets out the rules for approved institutions on how to handle client money and client assets, while it sets the requirements to notify or report certain changes and events to the Capital Markets Authority.

Market Conduct Regulation

Series 4000,

November 2016

This regulation aims to regulate the conduct of trading in the securities markets, and set out the details of the prohibitions on insider trading and the prohibitions on market manipulation. The regulation also aims to cover the obligations of approved institutions when trading in the markets, as principal and for clients.

Offers of Securities Regulation

Series 6000,

August 2017

This regulation aims at outlining the requirements related to Offers of Securities in Lebanon and determining the types of offers that are exempted from the imposed requirements on the public offer as well as setting the requirements for an exempted offer of securities

Listing Rules Regulation

Series 7000, draft

This regulation aims at outlining the necessary requirements for the issuer to list financial instruments in Lebanon and determines the requirements for maintaining this listing and for maintaining sound foundations for corporate governance by the listed issuers.

Collective Investments Scheme Regulation

Series 8000, draft

This regulation comprises the establishment and operation of Collective Investments Scheme including Islamic Investments Scheme in Lebanon according to Law 706 but excludes the use of Collective Investments Scheme for the purpose of securitization according to Law 705 as it is a separate Law simply using the form of a common fund for other purposes. This system aims at regulating the process of setting, licensing, suggesting and managing collective investments scheme and its complementary activities in Lebanon and determining the work requirements adopted by the managers, the depositaries and the accredited agents.

At the regulatory level, the Authority sought since 2017 to proceed with the reorganization of the decisions issued by the Board and with their reformulation so that they would be in accordance with the implementing regulations that the CMA issued since 2015. Thus, every capital markets activity would have a legal reference among one of the six Regulations issued by the Capital Markets Authority.

In this context, the Authority issued Decision no. 25 that publishes the list and figures of the financial intermediation companies registered according to the procedures issued by the Authority on an annual basis. By virtue of the decision pertaining to the standardization of the regulations, the Authority's Board issued five (5) announcements explaining the amendments introduced to the implementing regulations, after incorporation of relevant sections from previous decisions issued before 2017, or endorsing the amendments related to the attempts of the Authority's Board to keep pace with the markets needs and developments, through periodic reviews of all regulations and decisions issued by the Authority. These are:

Announcement	CONTENT	
21	RELATED TO THE AMENDMENT OF DECISION NO 14 OF FEBRUARY 10, 2014	Repeal of the text of Article 13 of Decision no 14
22	RELATED TO THE IMPLEMENTATION SCOPE OF THE IMPLEMENTING REGULATIONS AND THE REGULATORY DECISIONS ISSUED BY THE AUTHORITY	Standardization of the regulations with the regulatory decisions issued by the Authority within a single integrated body
23	RELATED TO THE AMENDMENT OF THE BUSINESS CONDUCT REGULATION IN CAPITAL MARKETS, SERIES 4000 AND REPEAL OF DECISION NO 22 OF AUGUST 9, 2016 AND OF DECISION NO 6 OF NOVEMBER 20, 2013	Repeal of the text of Paragraph 8 of Article 4202 of the Business Conduct Regulation in capital markets, Series 4000 related to the prohibition of activities and practices of manipulation and misleading. Repeal of Decision No 22 related to price manipulation of securities, and repeal of Decision no 6 related to the prohibition of exploitation of inside nonpublic information when trading in capital markets.
25	RELATED TO THE AMENDMENT OF THE REGISTRATION AND LICENSING REGULATION IN CAPITAL MARKETS- SERIES 2000 AND REPEAL OF DECISION NO 24 TAKEN ON SEPTEMBER 29, 2016	Paragraph (6) of Article 2204 related to licensing requirements was amended. Articles of Part E related to the approval of registered persons- Requirements and Mechanism were amended. The table related to the examinations that the applicant should pass before applying for registration and attached to Annex 5 of the Registration and Licensing Regulation was amended. Decision no 24 taken on September 29, 2016 was repealed (related to the required qualifications for conducting some registered functions related to securities).
26	ON THE REPEAL OF DECISION NO 16 TAKEN ON NOVEMBER 27, 2014 RELATED TO FINANCIAL INSTRUMENTS AND PRODUCTS	Decision no 16 related to financial instruments and products was repealed.
28	RELATED TO THE AMENDMENT OF THE SECURITIES OFFER REGULATION, SERIES 6000	Addressed to financial intermediation companies duly registered

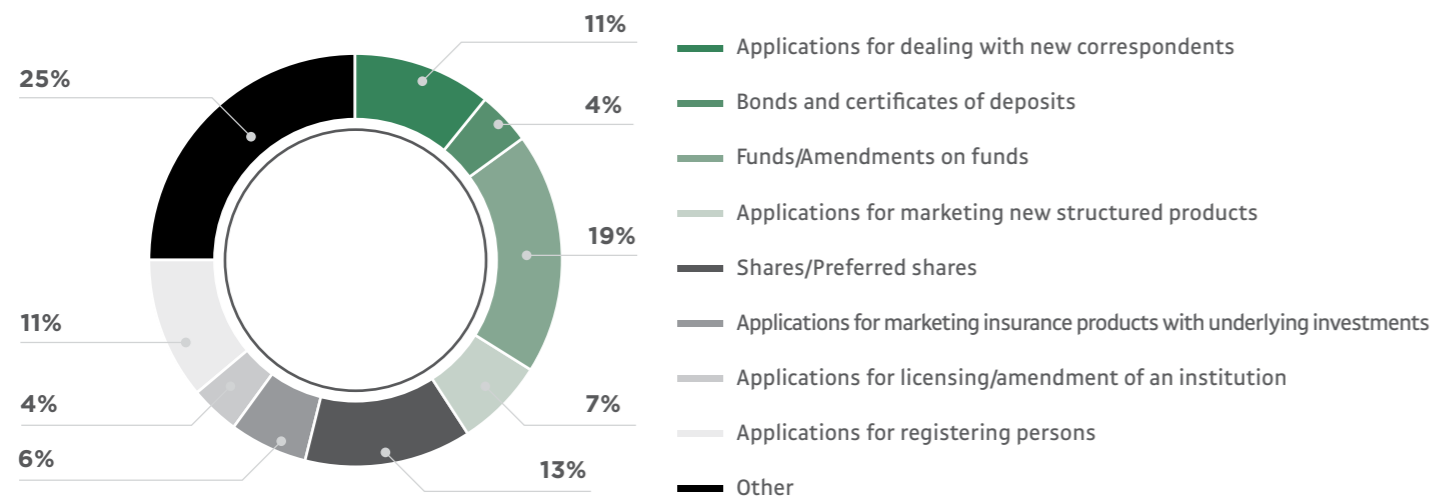
At the supervisory level, the Financial Control Unit (FCU) conducted 15 investigations and 10 auditing operations on financial institutions dealing with securities. The main focus revolved around several aspects, including price manipulation, illegal trading by exploiting information, intentional violation of disclosure requirements, as well as cooperation with foreign judicial bodies to reach positive results in internal investigations, and other relevant issues. All results were reported to the CMA's Board to take the necessary decisions.

In addition, the Unit reviewed and examined [183] applications in 2017, submitted by corporations, financial companies, financial intermediation companies and banks. They tackled various aspects, including requests for dealing with new foreign correspondents, requests for subscription to capital increase, issuance of new licenses or amendments thereof, monitoring the implementation of marketing guidelines for new securities, shares, collective investments schemes and structured products.

The chart below shows that the greater part of the one hundred eighty three [183] applications revised by the unit was composed of requests related to the marketing of collective investment schemes (or to the amendment thereof) that represented thirty four [34] applications, followed by twenty three [23] applications for marketing preferred shares and twenty one [21] applications for dealing with new correspondents, in addition to nineteen [19] applications related to bonds and deposit certificates (16 requests) as well as marketing securities related insurance products.

As for applications for licensing or amending the license of financial intermediation institutions, they amounted in 2017 to a total of eight [8] applications and twenty one [21] applications related to registering people to conduct business in capital markets. The majority of applications of various types amounted to forty-six [46] applications.

PERCENTAGE OF THE REVISION OF APPLICATIONS SUBMITTED BY CORPORATIONS, FINANCIAL COMPANIES, FINANCIAL INTERMEDIATION COMPANIES AND BANKS



The CMA's Board enjoys comprehensive powers aiming at fostering the protection of investors and promoting investments in financial markets, knowing that its mandate includes setting general regulations for the establishment and management of stock exchanges, as well as regulations related to the establishment and functioning of financial intermediation institutions and the placement of the public's funds.

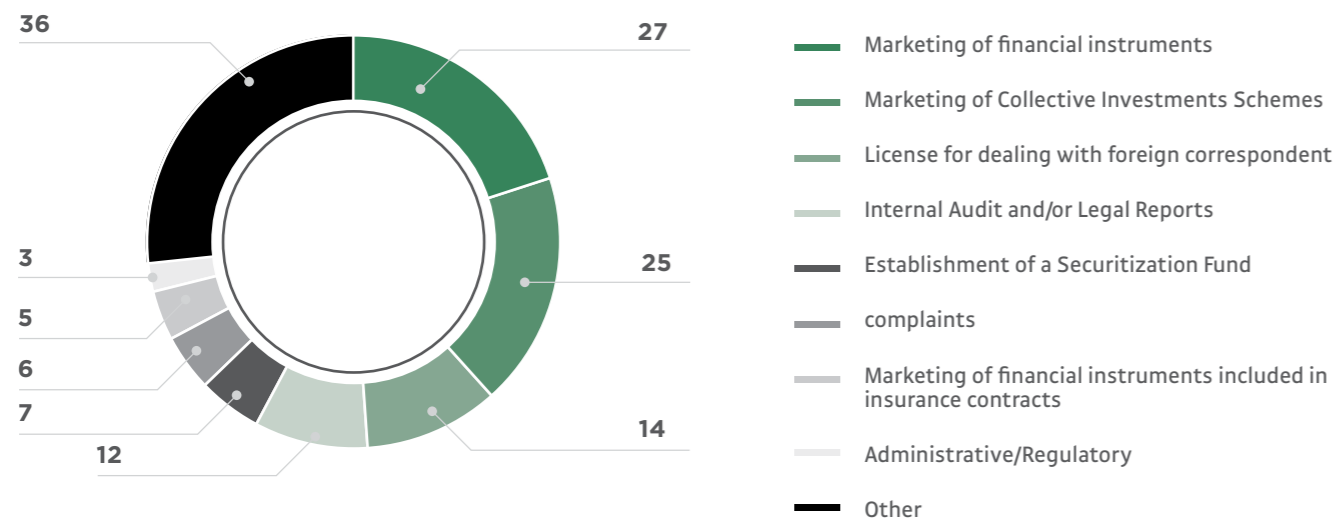
The Board also sets the regulations pertaining to codes of conduct to be followed by financial service providers and their employees. It is entrusted with the power to grant licenses to institutions and bodies involved in financial intermediation, investment of funds and different types of securitization.

According to its above-mentioned responsibilities, the Board held seventeen meetings, and took three hundred thirteen [313] regulatory and administrative decisions in 2017, among which one hundred ninety one [191] decisions related to the internal activity of the Authority.

#	Date of Boad Meetings	Number of Decisions
1	JANUARY 9, 2017	14
2	JANUARY 30, 2017	7
3	FEBRUARY 13, 2017	13
4	MARCH 6, 2017	14
5	APRIL 3, 2017	19
6	APRIL 24, 2017	26
7	MAY 11, 2017	15
8	JUNE 12, 2017	26
9	JULY 3, 2017	20
10	AUGUST 7, 2017	26
11	AUGUST 21, 2017	33
12	SEPTEMBER 11, 2017	15
13	OCTOBER 2, 2017	15
14	OCTOBER 23, 2017	13
15	NOVEMBER 7, 2017	20
16	NOVEMBER 28, 2017	18
17	DECEMBER 18, 2017	19

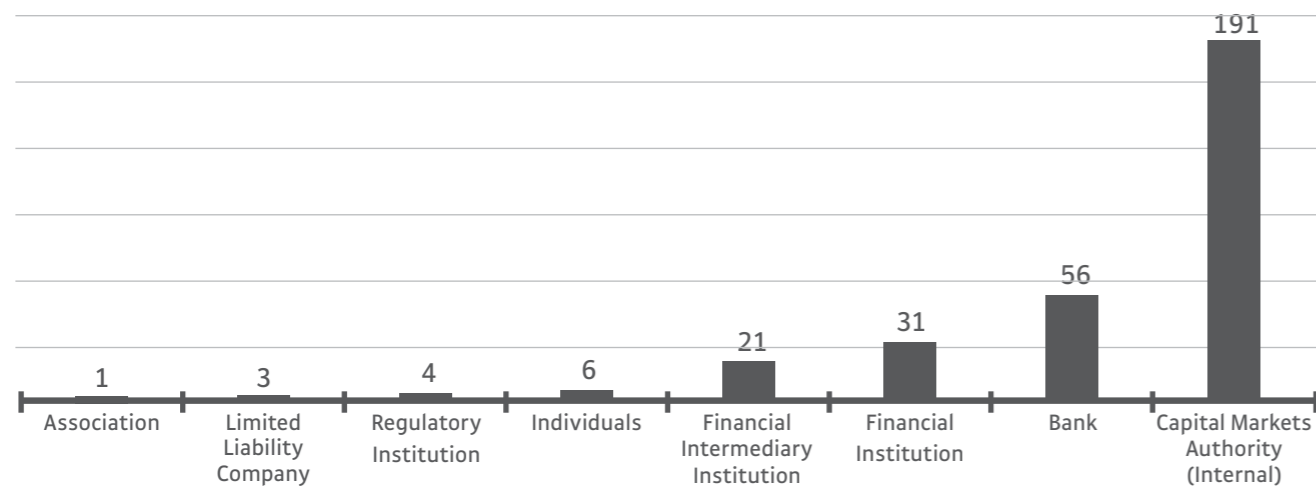
The Types of Applications Reviewed by the CMA Board in 2017

With regards to the type of the applications examined by the Authority in 2017, they were as follows: the applications for constituting and increasing the capital of registered financial intermediation institutions, extending licensing deadlines, obtaining the status of registered person, represented around 27% of the total applications submitted to the Authority’s Board [other]. The licensing of securities marketing included in the contracts for guaranteeing and marketing securities and collective investment schemes represented around 42% of the total applications submitted to the Authority’s Board.



The Board handled around one hundred twenty two [122] external applications, fifty six [56] of which were submitted by Lebanese banks, thirty-one [31] applications by financial institutions, twenty one [21] by financial intermediation institutions and six applications [6] by individuals, in addition to four [4] applications from alternate supervisory institutions, three [3] applications from limited liability companies and one [1] request from the Banks Association.

Entities Responsible for Submitting Applications to the Board of Directors



In performing its functions and reviews of the regulatory frameworks, the Department of Legal Affairs reviewed applications for the establishment of financial intermediary institutions as well as licensing applications for conducting securities related business in addition to other applications submitted by financial intermediaries, such as applications related to the issuance and/or the marketing of different types of financial instruments, and the establishment/ marketing of collective investment schemes.

Within the regulatory frameworks, the Department considered issuing and marketing a new type of debt securities, i.e the Green Bonds. The Authority launched this work at the end of 2017 within a cooperation mechanism with the IFC, the company specialized in the private sector issues with the World Bank.

The Department worked as well in 2017 on preparing some amendments to the implementing regulations issued by the Authority, including:

- Announcement no 21 related to the amendment of decision no 14 taken on February 10, 2014 (on investment collective schemes),
- Announcement no 22 related the implementation scope of the implementing regulations and the regulatory decisions issued by the Authority,
- Announcement no 23 related to the amendment of the business conduct regulation in the capital markets- Series 4000, and the repeal of Decision no 22 taken on August 9, 2016 and Decision no 6 taken on November 20, 2013 (on the prohibition of exploitation of inside non public information when trading in capital markets),
- Announcement no 25 related to the Registration and Licensing Regulation in the Capital Markets- Series 2000, and repeal Decision no 24 taken on September 29, 2016 (on the required qualifications for conducting some registered functions related to securities)
- Announcement no 26 related to the repeal of Decision no 16 taken on November 27, 2014 on financial instruments and products,
- Announcement no 28 related to the amendment of securities offer regulation- Series 6000,

The Department participated as well in the completion of the translation of two implementing regulations into Arabic, which will be published in the Official Gazette in 2018. These are the Listing Rules Regulation and the Collective Investment Schemes Regulation.

The Legal Affairs Department contributed as well to establishing an index of the financial terms, in cooperation with the Union of Arab Securities Authorities in order to standardize the concepts between member countries. Finally, it examined a number of international cooperation agreements that the Authority signed with its counterparts, in particular the agreement concluded with the Russian Republic represented by the Central Bank of Russia. The Department worked as well on drafting the cooperation agreement signed between the CMA and the Insurance Control Commission.

2.3 The CMA's Activities at the Administrative Level

Since the Capital Markets Authority was established in 2011 by Law no 161, it worked on achieving several objectives and most importantly, strengthening the regulatory and supervisory frameworks on the markets, ensuring education and awareness towards the role of financial markets in developing the national economy. This mandate allowed it to recruit staff members who enjoy a high level of education, awareness and knowledge of the functioning of local and global financial markets.

The Authority was thus very active at the administrative level and strived to implement and develop the applicable regulations therein, as well as to recruit more professionals and experts according to the mechanisms and standards adopted in the best companies.

Relocating to the new headquarters

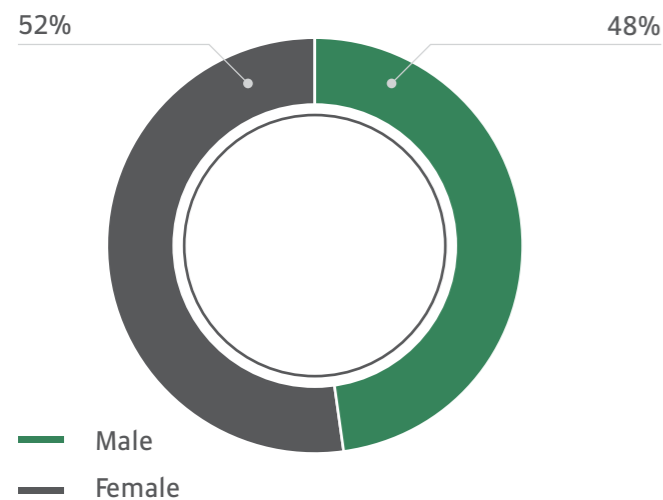
The Authority completed the final preparations to move its offices as of December 2017 to the new address: Roma Street, Wardieh area in Hamra.

2.4 At the Staff Level

Upon the directives of the CMA Board, the Department of Human Resources completed the staff members of the "Authority" by recruiting individuals having fulfilled the conditions set in the job description and took the required tests, in cooperation with "Evaluation" (Taquyim) institution and the Ecole Superieure des Affaires (ESA) for the fifth consecutive year.

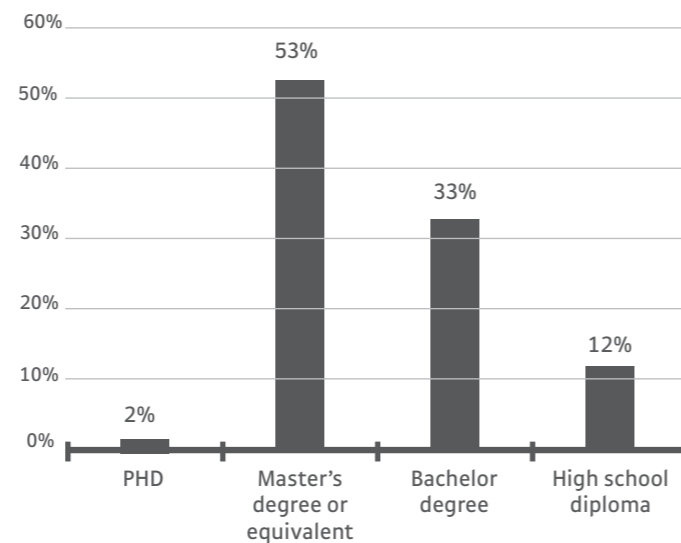
While gender balance and equality in the number of men and women working in the Authority were quite evident in 2016, the female staff members in the CMA outnumbered the male ones in 2017, as shown in the chart below.

General Distribution of the CMA's Staff

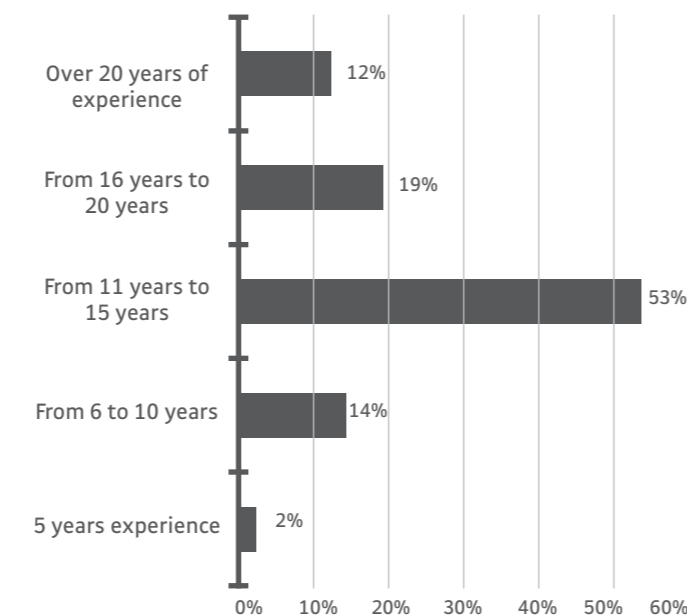


With regards to education and competence of the staff members, the holders of high diplomas have a long experience in the nature of market activities. Indeed, the percentage of staff members with more than 10 years of experience stands around 84% of the total CMA staff.

Achievement of the Staff of the Authority



Years of Experience of the Staff of the Authority



At the Level of Building the Capacities of the Authority's Supervisory and Legal Staff

In terms of building job capacities, the Human Resources Department, in coordination with the heads of administrative units, initiated a process for staff training and development as to strengthen their competences through participation in regional and international training sessions. For example, the training program organized by the Authority jointly with the Union of Arab Securities Authorities on fighting financial crimes on November 18, 2017, and the workshops held with international supervisory authorities, in which the CMA employees participated in to keep up with the latest regulatory developments.

IOSCO/PIFS-Harvard Global Certificate Program for Securities Regulators

The Executive Board member, Mr. Firas safieddine, and the head of Communication and Research, Mr. Tarek Zebian, attended the joint program of the Harvard Law School with the IOSCO on the regulation of Securities Markets aiming at reinforcing the understanding of senior staff in supervisory bodies of the new challenges emerging in the area of regulating and supervising capital markets.

This program is divided into two parts: the first part covers the basics and challenges of regulating securities and status of compliance in such markets through detailed presentations made by securities specialists. The second part aims at predicting future trends and challenges as well as looking into actual and future regulatory challenges and emerging issues raised by prominent academicians from Harvard and international securities organizations beside major financial and regulatory policymakers in developing countries. This is considered among the best global programs keeping pace with the latest scientific developments in capital markets regulation. It is jointly managed and supervised by IOSCO and PIFS-HLS, so as to ensure the program quality and sustainability and meet the expectations of the participants. It includes real study cases, virtual exercises, group work as well as in-depth readings of some judicial proceedings pertaining to financial cases in some IOSCO's member countries.

Workshop of the International Institute for Securities Enforcement and Market Oversight

A delegation of the Authority took part, as has been the practice, in the annual workshop organized by the CMA and the US Securities and Exchange Commission under the theme "International Institute for Securities Enforcement and Market Oversight". More than 140 delegates attended this event from more than 60 countries, in the presence of Mr. Aziz El Amm and Mrs. Rita Mahfouz from the Financial Control Unit on November 13, 2017. This workshop mainly aims at providing an opportunity for meeting, cooperating and exchanging ideas and experiences between supervisory bodies from all over the world with a view to identify best practices and advancing international standards for establishing prosperous and developed capital markets.

This workshop tackled as well the mechanisms adopted for elaborating a supervisory program for implementation, and for managing coordination and cooperation between financial supervisory authorities, public prosecutors and competent judicial authorities. It also reviewed the investigation mechanisms used to detect financial crimes and prohibited practices by listed companies, such as markets and prices manipulation and use of private information for illegal trading activities.

The 27th Annual International Institute for Securities Market Growth

In the framework of cooperating with the Securities and Exchange Commission – SEC, the Director of the Department for Legal Affairs, Mrs Caline Aoun Maarawi, and staff from the Financial Control Unit, Mrs Yasmine Fakhoury, Mrs Tamara Bou Fakhereddine and Mr. Kamal El Khatib, attended the 27th Annual International Institute for Securities Market Growth held on March 27, 2017. The program focused on international changes in the technology used in capital markets, including high frequency trading, as well as the role of control based on mechanisms for technological risks identification, issues related to cybersecurity and to data privacy, new financial innovations and all emerging risks that come along.

Some other important issues that were raised revolved around the mechanisms followed to establish the whistleblower system that is in the heart of any efficient control. Moreover, the participants delved into different issues including fighting money laundering in markets as well as putting an end to fraud and deception in financial transactions in the markets. They stressed in that training session on the importance of communication between supervisory authorities within the international frameworks set for the protection of investors in global financial markets, in light of the positive effect of such communication on investors' confidence.

Fighting Financial Crimes in Global Markets

The Capital Markets Authority organized, in cooperation with the Union of Arab Securities Authorities, a training session on “Fighting Financial Crimes in Capital Markets” at Hotel Monroe, Beirut, on November 17 & 18, 2017. This session aimed at supporting and developing the skills and competences of staff in specialized departments within the regulatory and supervisory authorities, as well as in financial institutions in charge of detecting financial crimes and prosecuting the perpetrators. Mrs Layal Mardini and Mr. Mohammad Akkoun attended it on behalf of the FCU, and Mrs. Joanna Kazan and Mrs. Mirna Nasr on behalf of the Department of Legal Affairs, representing the Authority. The trainers presented to the participants the latest developments and global methods regarding financial crimes, as well as ways used to ensure deterrence of offenders and compensation of victims. The program also discussed several issues including the latest developments in the techniques for detecting new financial crimes to support market supervision, in addition to techniques for preparing judicial prosecution files and developing the role of supervising authorities in fighting such crimes.

Date	Subject	Organizer	Venue	Concerned Departments
JANUARY 31, 2017	LECTURE ON CAPITAL MARKETS LAWS IN LEBANON	ASSOCIATION OF FINANCIAL INSTITUTIONS IN LEBANON (AFIL)	BEIRUT, LEBANON	FINANCIAL CONTROL UNIT
MARCH 27, 2017	27TH ANNUAL INTERNATIONAL INSTITUTE FOR SECURITIES MARKET GROWTH	US SECURITIES AND EXCHANGE COMMISSION (SEC)	WASHINGTON, USA	DEPARTMENT OF LEGAL AFFAIRS FINANCIAL CONTROL UNIT
JUNE 19, 2017	IOSCO/PIFS-HARVARD GLOBAL CERTIFICATE PROGRAM FOR SECURITIES REGULATORS	HARVARD LAW SCHOOL AND IOSCO	MADRID, SPAIN	DEPARTMENT OF COMMUNICATION AND RESEARCH VICE-CHAIRMAN
JULY 7, 2017	EFFECT OF TAXES IN LEBANON IN LIGHT OF TRANSPARENCY	PWC	BEIRUT, LEBANON	FINANCIAL CONTROL UNIT
OCTOBER 18, 2017	WORKSHOP ON FIGHTING FINANCIAL CRIMES IN CAPITAL MARKETS	CAPITAL MARKETS AUTHORITY AND THE UNION OF ARAB SECURITIES AUTHORITIES	BEIRUT, LEBANON	FINANCIAL CONTROL UNIT DEPARTMENT OF COMMUNICATION AND RESEARCH DEPARTMENT OF LEGAL AFFAIRS
NOVEMBER 29, 2017	3RD MEETING ON FIGHTING CYBERCRIME	AL IKTISSAD WAL AAMAL	BEIRUT, LEBANON	FINANCIAL CONTROL UNIT
DECEMBER 4, 2017	CAPITAL MARKETS LAWS	CMA AND INSTITUTE OF INTERNAL AUDITORS IN LEBANON	BEIRUT, LEBANON	FINANCIAL CONTROL UNIT

2.5 Communication with the Public

The Communication and Research Department played an efficient role in preparing a number of conferences held by the CMA under the patronage of its Chairman, Mr. Riad Salame. These conferences witnessed the wide participation of active individuals engaged in financial markets. The department launched a detailed newsletter to the public, including the main discussions that took place in the conferences organized by the Authority, or to which it contributed.

In addition to publishing and covering all the Authority’s activities in the media, the Communication and Research Department continued to prepare daily newsletter reports at the internal level, summarizing the most important articles published in the local and global economic newspapers to share them with the Board and all the CMA’s staff. It also carried on the preparation of daily and periodic financial data pertaining to the activity of Beirut Stock Exchange, as well as statistical data on Collective Investment Schemes and structured products in all financial institutions, financial intermediation companies and banks for the purpose of publishing it on the Authority’s website.

Lectures on Capital Markets

The Director of Communication and Research Department, Mr. Tarek Zebian, gave a lecture on capital markets to Legal students who are undergoing a training at the Lebanese Parliament. He informed them about the latest developments in the Lebanese Capital Markets, and discussed the particulars of the Capital Markets Law no 161/2011 and the Inside Trading Law no 160/2011. The lecture was followed by a Q & A session and a discussion about current economic issues.

Mr. Zebian, representing the CMA, participated as well in the opening session of the conference on Investment and Financial Markets Education: Lebanon 2025, held under the patronage of His Excellency the Minister of Finance, Mr. Ali Hassan Khalil represented by the Director General of the Ministry of Finance, Mr. Alain Bifani. Mr. Bifani opened the conference by giving an overview of the macroeconomic situation in Lebanon, and a brief about the discussions of the budget for 2017 beside the economic projections and the implications ensuing the promulgation by the Parliament of the scale of wages and salaries.

In his intervention during the panel that took place during the opening session, Mr. Tarek Zebian, Head of the Communication and Research Department, pointed out the main activities undertaken by the Authority with regards to educating and protecting investors, while stressing the importance of activating the programs aiming at educating investors. Such programs deal with education systems in primary schools so as to integrate financial education courses in the national curriculum, capacity building in financial institutions and regulatory authorities to ensure the access of investors to a good financial education and protect them to help establishing more advanced capital markets.

The CMA also participated in the workshop that the Financial Control Unit represented by the Head of the FCU department Mr. Khalil Ghalayini, contributed to organize in cooperation with the Institute of Internal Audit (IIA) in Lebanon on December 4, 2017. This last event provided a thorough explanation about the implementing regulations issued by the Authority; the FCU staff listened to the questions raised by people operating in the markets and to their views about business related issues, thus contributing to develop their supervisory capacities.

Launching of the new CMA Website

Based on its vision and experience in communicating with the public, the Communication and Research Department launched the new CMA’s website in 2017. The new design contains many features such as, portraying the main concepts that the Authority strived to institute since its establishment and throughout its past five years of existence, among which the concept of transparency and protection of the investor through financial education and the implementing regulations that it strived to launch. Moreover, through this new design, the Authority granted the public and the financial markets specialists the opportunity to access information considered essential for the markets functioning, such as periodic reports summarizing the markets activity, reports related to investment funds approved by the Authority, in addition to all laws and implementing regulations pertaining to financial markets in Lebanon. In this context, the Authority created pages dedicated to investors on which it gives an overview of the applicable implementing regulations, as well as pages aiming at educating investors and informing them about the most basic concepts of financial markets in the world and the way to approach them from the perspective of averting potential risks.

Commenting on the launch of the newly designed official website, the Chairman of the Authority and Governor of Banque du Liban, Mr Riad Salame emphasized the importance of this step, stating that “It enhances the communication between the Authority, the financial sector and the public, knowing that it provides services that are mainly aimed at protecting the investor, which helps in creating an attractive investment environment for Lebanese citizens wherever they may be.”

2.6 Overview on Capital Markets in Lebanon

Beirut Stock Exchange

Table 1

	Financial	Non Financial
NAME OF LISTED COMPANIES	BLC BANK	SOLIDERE
	BANK AUDI	RASAMNY YOUNIS MOTOR CO.
	BANK OF BEIRUT	HOLCIM LEBANON
	BYBLOS BANK	CIMENTS BLANCS
	BANQUE BEMO	
	BLOM BANK	
TOTAL	6	4

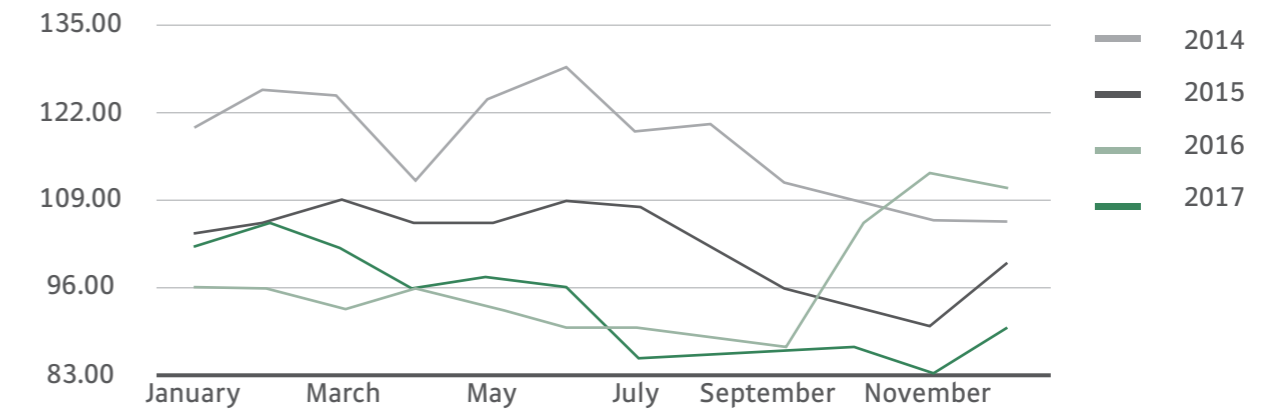
The year 2017 may have been the most prominent year for Beirut Stock Exchange, with the issuance of decree no. 1404 that shaped the future of the stock exchange, by transforming it into a joint stock company as a first step to sell its assets to the private sector that will be in charge of operating it. In fact, Beirut Stock Exchange boasts a glorious history, knowing that it was among the first Arab stock exchanges to be established under the French mandate in 1920, and it is still considered the only securities markets in Lebanon. Thus, it witnessed a golden era in the fifties and sixties, after which it went through a period of recession due to the civil war in Lebanon and to the Israeli invasion. It had to close its doors in 1983 with the deteriorating economic and security situation, before it was revived again during the process initiated for rebuilding the down town of Beirut in January 1996.

There are 10 listed companies on Beirut Stock Exchange as shown in Table (1) above, alongside some structured products and investment funds. The market value of Beirut Stock Exchange decreased by 3.71% at the end of 2017, thus amounting to \$US 11,395 billion compared to \$US11.220 at the end of 2016.

In 2017, three preferred shares were de-listed: the Bank Audi- Preferred shares “F”, BLOM Bank- Preferred shares 2011 and Ciments Blancs (Bearer Shares). And two shares were listed: Bank Audi- Preferred shares “I”, Bank Audi- Preferred shares “J”

Table 2

Market Value Weighted Index for Shares Listed in Beirut Stock Exchange 2014-2017



Market Value Weighted Index for Banks Listed in Beirut Stock Exchange 2014-2017

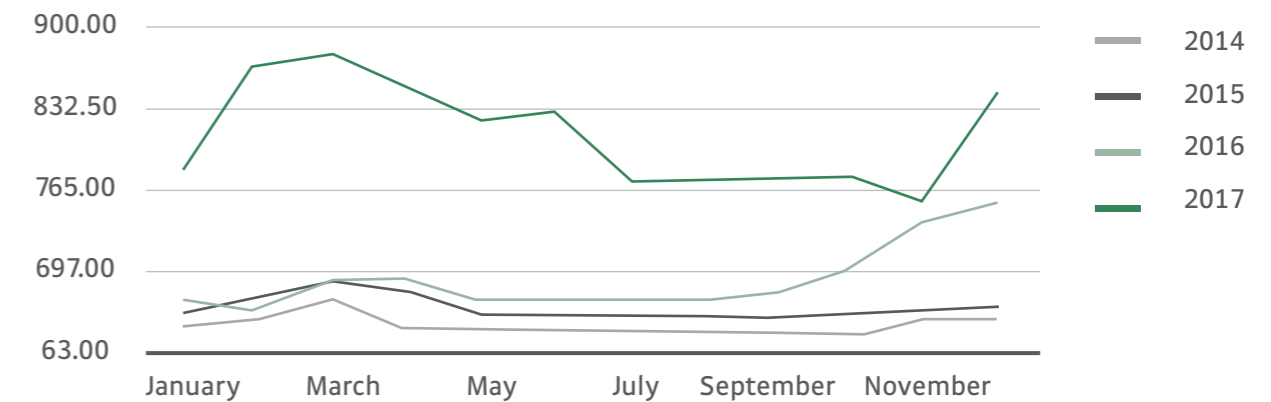


Table 2 gives a clear picture of the Market Value Weighted Index for Shares Listed on the Beirut Stock Exchange, alongside the Market Value Index for Banks Listed on the Beirut Stock Exchange for 2014-2017. The average Market Value Weighted Index for Shares Listed on the Beirut Stock Exchange shows a decrease of 17.22% in December 2017 knowing that it closed at the average of 92.03 compared to 111.18 December 2016. As for the average Market Value Index for Banks Listed on the Beirut Stock Exchange, it showed some progress in December 2017 by 11.67% and closed at the average of 846.19 compared to 757.79 in December 2016.

Moreover, the closing price of the Market Value Weighted Index for Shares Listed on the Beirut Stock Exchange in 2017, it showed a decrease by 3.26%, 93.58 in 2017 compared to 96.73 in 2016. As for the Market Value Index for Banks Listed on the Beirut Stock Exchange, it showed by 17.54% in 2016, 810.52 in 2017 compared to 689.56 in 2016.

Table 3

▼ Report Market Summary	2014	2015	2016	2017
Number of transactions	10,805	9,745	10,939	10,759
Volume traded	96,790,303	74,774,129	119,745,228	85,919,093
Value Traded (Turnover) (\$)	661,412,925	629,973,104	963,814,191	741,753,014
Avg Value Per Working Day (\$)	2,699,645	2,592,482	3,982,703	3,116,609
Avg Volume Per Working Day	395,062	307,712	494,815	361,005
(Value / Volume)	6.83	8.43	8.00	8.63
Number of Trading days	245	243	242	238
▼ Market Liquidity	2014	2015	2016	2017
Turnover Ratio =YTD Value Traded / Avg Market Cap.	5.97%	5.54%	8.57%	6.35%
Percentage of The Free Float	92.86%	92.74%	100.07%	99.37%
▼ Market Size	2014	2015	2016	2017
Total Number Of Listed Securities	30	30	30	29
Total Number Of Listed Firms	10	10	10	10
Average FF Market cap in Current Year (M of \$)	11,076	11,365	11,248	11,946

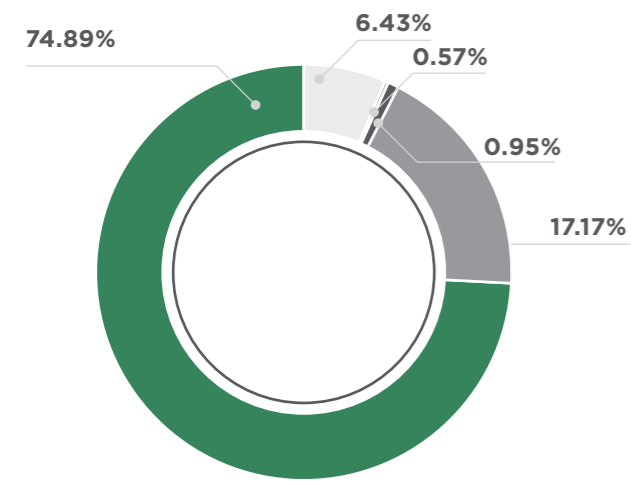
Table 3 provides a summary of the activity of Beirut Stock Exchange as it shows a decrease in the traded volume in 2017 by 28% thus amounting to 85,919,093 shares compared to 119,754,228 shares at the end of 2016. As for the value of traded shares, it decreased by 23.04% at the end of December 2017 and reached \$US 742 million compared to \$US 964 million at the date of trading closing in 2016. With regards to market transactions in 2017, there were 10,759 transactions in 2017 compared to 10,939 transactions at the end of 2016, i.e. a decrease of almost 1.65%.



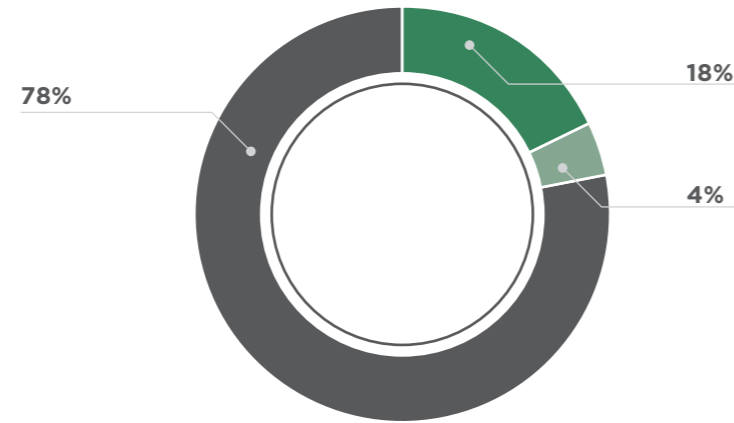
Domestic Collective Investment Schemes

Table no 4

Investment Type



Investment sector



Fixed Income Securities	Global and International
Mixed Allocation	Shares and Bonds
Capital Markets	Securities
	USA
	Middle East

Domestic Collective Investment Schemes Summary	
TOTAL NUMBER OF INVESTMENT FUNDS	23
TOTAL NUMBER OF SUBSCRIBERS	5,422
TOTAL SUBSCRIPTIONS (\$)	\$790,977,105.18
OPEN-ENDED	23
Currency	
USD	16
LBP	5
JOD	1
EUR	1
Investment Type	
Securities	11
Fixed income securities	6
Capital Markets	3
Shares and Bonds	2
Mixed Allocation	1
Investment Sector	
Middle East	18
Global and International	4
USA	1
Type of Institution	
Financial Institution	12
Bank	11

Table 4 shows the number of domestic collective investment schemes. i.e. 23 funds, in which the total subscriptions amount to \$US 800 million. 78% of the funds rely on investments in the Middle East region, knowing that most of their investments are in mixed allocations (74%) and in securities (18%).

Domestic Collective Investment Schemes

Percentage of Change between 2016 and 2017

NUMBER	NB OF SUBSCRIBERS	VALUE OF SUBSCRIPTION (US\$ MILLION)
15.00%	-0.35%	-6.58%

2016

TYPE	NB	%	NB OF SUBSCRIBERS	%	VALUE OF SUBSCRIPTION (US\$ MILLION)	%
FIXED INCOME SECURITIES	4	20.00%	211	3.88%	15.54	1.84%
MIXED ALLOCATION	4	20.00%	900	16.54%	139.81	16.51%
SHARES AND BONDS	-	-	-	-	-	-
CAPITAL MARKETS	3	15.00%	37	0.68%	196.56	23.21%
SECURITIES	9	45.00%	4293	78.90%	494.80	58.44%
GRAND TOTAL	20	100%	5,441	100%	\$846.71	100%

2017

TYPE	NB	%	NB OF SUBSCRIBERS	%	VALUE OF SUBSCRIPTION (US\$ MILLION)	%
FIXED INCOME SECURITIES	6	26.09%	276	5.09%	50.85	6.43%
MIXED ALLOCATION	1	4.35%	14	0.26%	4.48	0.57%
SHARES AND BONDS	2	8.70%	20	0.37%	7.48	0.95%
CAPITAL MARKETS	3	13.04%	32	0.59%	135.83	17.17%
SECURITIES	11	47.83%	5080	93.69%	592.33	74.89%
GRAND TOTAL	23	100%	5,422	100%	\$790.98	100%

Foreign Collective Investment Schemes

Type of Investment

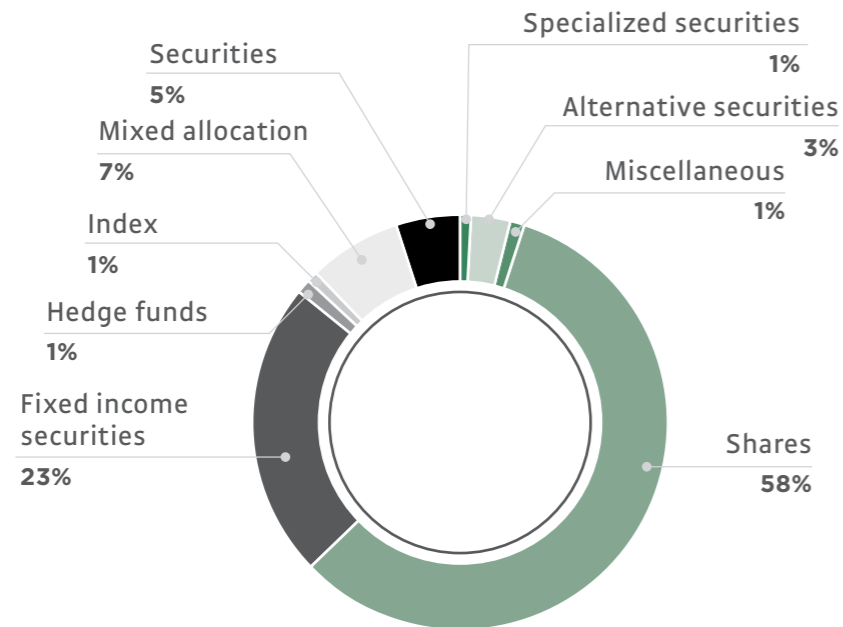


Table (5)

Foreign Collective Investment Schemes Summary

Currency	
USD	333
EUR	133
CHF	15
GBP	15
JPY	4
SAR	2
CAD	1
LBP	1
Type of Investment	
Shares	293
Fixed Income Securities	113
Mixed Allocation	34
Securities	27
Alternative Securities	16
Hedge Funds	6
Miscellaneous	4
Specialized Securities	3
Index	2
Minerals	2
Commodities Market	1
Debt	1
Fund of Hedge Funds	1
Capital Markets	1

Investment Sector	
Global and International	269
Europe	107
Asia	54
USA	36
Middle East	12
Russia	9
Latin America	6
Emerging markets	3
KSA	2
North America	2
Lebanon	1
Africa	1
Bank	1
OECD	1
Type of institution	
Bank	400
Financial Institution	104
Foreign Collective Investment Schemes Summary	
Total nb of investment funds	504
Total nb of subscribers	3,757
(\$) Total of subscriptions	899,956,229\$
Open-ended	502
Closed-ended	2

Table (5) shows that the total number of Foreign Investment Schemes reached 504 funds, increasing by around 7% in 2016, with a drop of approximately 0.29% in the value of subscriptions thus amounting to almost \$US899 million compared to \$US902 million in 2016.

58% of these were concentrated in shares/equity funds and around 23% in fixed income securities. The table also shows that the subscribers in foreign investment schemes preferred to invest in the international geographical zone followed by the geographical scope of the European Union.

Yearly change- Number of Collective Investment Schemes

Foreign collective investment schemes

	2016	2017	PERCENTAGE OF CHANGE BETWEEN 2016-2017
BANKS	348	400	14.94%
FINANCIAL INSTITUTIONS	123	104	-15%
GRAND TOTAL	471	504	7.01%

Foreign Collective Investment Schemes

2016

TYPE	NB	%	NB OF SUBSCRIBERS	%	VALUE OF SUBSCRIPTION (\$US MILLION)	%
Shares	295	62.77%	1175	29.85%	42.25	4.68%
Fixed Income Securities	86	18.30%	485	12.32%	95.71	10.60%
Mixed Allocation	31	6.60%	315	8%	65.65	7.27%
Alternative Securities	27	5.74%	53	1.35%	17.39	1.93%
Securities	18	3.83%	1408	35.76%	612.97	67.92%
Miscellaneous	7	1.49%	58	1.47%	5.24	0.58%
Capital Markets	2	0.43%	2	0.05%	0.11	0.01%
Specialized Securities	2	0.43%	2	0.05%	0.30	0.03%
Commodities	1	0.21%	1	0.03%	0.04	-
Hedge Funds	1	0.21%	438	11.13%	62.88	6.97%
Debt	-	-	-	-	-	-
Fund of Hedge Funds	-	-	-	-	-	-
Index	-	-	-	-	-	-
Minerals	-	-	-	-	-	-
Grand total	470	100%	3,937	100%	\$902.54	100%

2017

TYPE	NB	%	NB OF SUBSCRIBERS	%	VALUE OF SUBSCRIPTION (\$US MILLION)	%
Shares	293	58.13%	999	26.59%	45.56	5.06%
Fixed Income Securities	113	22.42%	494	13.15%	100.05	11.12%
Mixed Allocation	34	6.75%	315	8.38%	69.15	7.68%
Alternative Securities	27	5.36%	1366	36.36%	584.06	64.90%
Securities	16	3.17%	28	0.75%	13.77	1.53%
Miscellaneous	6	1.19%	489	13.02%	82.55	9.17%
Capital Markets	4	0.79%	40	1.06%	3.22	0.36%
Specialized Securities	3	0.60%	12	0.32%	0.63	0.07%
Commodities	2	0.40%	7	0.19%	0.28	0.03%
Hedge Funds	2	0.40%	2	0.05%	0.46	0.05%
Debt	1	0.20%	1	0.03%	0.04	0.00%
Fund of Hedge Funds	1	0.20%	2	0.05%	0.07	0.01%
Index	1	0.20%	1	0.03%	0.02	0.00%
Minerals	1	0.20%	1	0.03%	0.09	0.01%
Grand total	504	100%	3,757	100%	\$899.96	100%



2.8. Signing Memoranda of Understanding

The Lebanese Capital Markets Authority strives since its establishment to conclude strategic international agreements, such as MOU's and MMOU's, with its counterparts around the globe, so as to strengthen local markets by setting cooperation frameworks between institutions and finding ways to develop the Lebanese Capital Markets.

MOU between the Capital Markets Authority and the Central Bank of the Russian Federation

An MOU was signed between the Capital Markets Authority and the Central Bank of the Russian Federation (Bank of Russia) on January 24, 2017 in Moscow.

This MOU opens a new opportunity for cooperation between the capital markets authorities in both countries. Indeed, it contains provisions for cooperation and exchange of information between the Bank of Russia and the CMA in Lebanon. The areas of cooperation provided for in the MOU include, assistance in detecting and fighting the illegal use of inside information, markets manipulation, supervision, monitoring of compliance with applicable legislations in the financial sector, ensuring transparency in the activities of individuals in capital markets and other issues within the mandate of Bank of Russia and the Lebanese financial markets.

Moreover, this MOU provides a framework for exchanging information pertaining to a standardized supervision of financial groups, conducted by capital markets authorities in both countries. As well as to the regular exchange of information about developments in policies related to supervisory regulations in the Russian Federation and Lebanon in terms of regulating capital markets, and to emerging risks in such markets.

Memorandum of Understanding between Dubai Financial Services Authority and the CMA in Lebanon

Dubai Financial Services Authority signed an MOU with the CMA in Lebanon aiming at fostering the exchange of information and cooperation in supervisory issues, as well as strengthening the existing relationship between both markets.

This MOU was signed in the offices of Dubai Financial Services Authority between Mr. Ian Johnston, CEO of the Authority and Mr. Sami Saliba, Board member of Lebanon's CMA.

This MOU provides the basis for facilitating the access of some financial institutions in Lebanon to Dubai Financial Services Authority, with a view to exchange information. Indeed, Mr. Johnston declared that building strong frameworks for cooperation with the regional counterparts of Dubai Authority is a strategic objective. He added that the Authority already signed MOUs with all GCC countries, in addition to Egypt and Jordan as well as with the Central Bank of Lebanon. This last MOU illustrates the successful relationship with the Lebanese authorities, and the recognition of joint supervision of intermediation companies, investment banks and other non-banking financial institutions in the areas of competence of both bodies.

This MOU reflects as well the growing relationship between Dubai Financial Services Authority and the Lebanese markets, knowing that Dubai Authority had signed an MOU with the Central Bank of Lebanon in 2013, in order to exchange information and foster cooperation.

Memorandum of Understanding between Oman's Capital Market Authority and the CMA in Lebanon

In the context of pursuing cooperation in various areas and achieving integration in capital markets in accordance with markets requirements, the Lebanese CMA, represented by its vice-chairman Mr. Sami Saliba, signed a MOU with the Omani CMA.

This MOU aims at reinforcing the exchange of information and cooperation in areas of implementing laws related to issuing securities and investment instruments, supervising capital markets, setting financial standards for justice and integrity in the professional conduct of persons approved to deal with securities. The MOU was signed at the fringe of the 11th annual meeting of the Union of Arab Securities Authorities held in Tunis on 16/03/2017.

Memorandum of Understanding between the CMA in Lebanon and the Insurance Control Commission

The Chairman of the CMA, Riad Salame, signed with His Excellency the Minister of Economy and Trade, Mr. Raed Khoury, on June 13, 2016, a MOU between the CMA and the Insurance Control Commission. On strengthening cooperation between both bodies and organizing regulatory activities pertaining to financial instruments provided for in insurance products, in the presence of the ICC acting Chairman and the CMA's Board members. The ceremony was also attended by some general and executive directors, the Chairman of the Association for Insurance Companies in Lebanon and the Head of the Insurance Brokers Syndicate in Lebanon.

Mr. Khoury took the opportunity to declare, "The MOU is a step in the right direction. It is important because it is the first of its kind in Lebanon between two independent supervisory bodies", wishing that Lebanon witnesses more cooperation between supervisory bodies."

Mr. Khoury also stated "a great effort was made by the concerned parties to reach a well formulated document that was just signed. Indeed technical particulars are much complicated in any supervisory activity on insurance companies and brokers, and supervision on financial instruments is very important in terms of protecting the investment of title holders". He then pointed out that the Insurance Control Commission works on several projects that will lead to the growth of the insurance sector so that its contribution in the GDP becomes similar to that prevailing in developed countries.

Mr. Salame discussed the vital role of this MOU in reinforcing the supervisory authorities' capabilities in protecting investors' savings in various financial instruments and reduce the risks, in accordance with the provisions and spirit of Law no 161. He stated, "Adopting the comprehensive and integrated supervision between different supervisory bodies goes along with the global trend that emerged after the world financial crisis in 2008-2009. This has strengthened the trust of investors and issuers of securities as well as it has provided sufficient protection to their investments".

He pointed out "this MOU complies with the full membership requirements of a Capital Market Authority in IOSCO. Indeed, such requirements stress on the comprehensiveness of supervision of all aspects of the capital markets activity, and on reinforcing its capacity to contribute to capital markets and to have a positive effect on economic growth in general".

List of Agreements Signed since the Launching of CMA's Activity

	DATE	COUNTRY	AUTHORITY
1	05/05/2014	France	Autorité des Marchés Financiers
2	25/11/2014	Arab Republic of Egypt	Financial Supervisory Authority
3	15/12/2014	Qatar	Qatar Financial Center Regulatory Authority
4	01/06/2015	Tunisia	Conseil du Marché Financier
5	01/12/2015	United Arab Emirates	Financial Services Authority
6	29/2/2016	United Arab Emirates	Securities and Commodities Authority
7	20/05/2016	Germany	Federal Financial Supervisory Authority
8	24/01/2017	Federation of Russia	Central Bank of Russia
9	07/03/2017	Sultanate of Oman	Capital Markets Authority
10	13/06/2017	Republic of Lebanon	Insurance Control Commission
11	19/09/2017	United Arab Emirates	Dubai Authority for Financial Services

2.9 Coordination with Local and International Regulatory Authorities

Annual Meetings with the World Bank and the International Monetary Fund

The Authority's delegation, represented by its Chairman Mr. Riad Salame and the Authority's Vice-President Mr. Firas Safieddine and Board Member Mr. Sami Saliba, met with the World Bank when the delegation was in Washington in October 2017. The discussion revolved around the importance of reinforcing communication between both institutions after the success of the cooperation experience to find an advanced legislative system that would govern the financial markets activity in Lebanon. Both parties agreed on signing an agreement on some functions for which such institutions would cooperate in 2018.

The Annual Conference of the International Organization for Securities Commissions (IOSCO)

The CMA's Vice-Chairman, Mr. Firas Safieddine, and the Secretary General of the CMA, participated in Colombo, Sri Lanka, to the annual meetings of the GEM Commission (Emerging markets and Growth), that is one of the most important IOSCO's commissions. The annual meetings were attended by more than 80% of the organization, and gathered more than one hundred fifty members, including 11 countries of which were from the G20. It raised the issue of bringing together relevant stakeholders in the emerging markets and growth sector in order to facilitate their contribution through IOSCO, and focusing on achieving the strategic priorities of this commission's work. The GEM strategic priorities focused, among other things, on assessing risks and weaknesses, as well as policies and development initiatives that influence emerging markets, and on building regulatory capacities of member countries.

11th Meeting of the Union of Arab Securities Authorities

Mr. Sami Saliba, Vice Chairman of the CMA, participated in 2017 in the 11th meeting of the Union of Arab Securities Authorities held in Tunis on March 8, 2017. At the time, the participants discussed the annual report of the Union for 2016 and the action plan set for 2017, in addition to a series of issues of concern to the Union, especially with regards to strengthening cooperation and coordination between these Authorities and the strategic plan of the Union for the upcoming five years. During the same meeting, the financial statements of the Union were adopted and an auditor was appointed at the Union for the three upcoming days.

Participants were also informed about a study on regulating purchase offers for acquisition prepared by the team commissioned by the Union members to conduct it. The Council commended the efforts to prepare such a study and decided to adopt the main conclusions of the report on regulating purchase offers for acquisition in the member countries of the Union of Arab Securities Authorities. The general principles that the regulating rules of these offers aim at achieving relate to instituting transparency and integrity principles, providing the holders of securities subject matter of the purchase offer with the necessary information and enough time to assess the purchase offers, and taking the investment decision based on know-how and awareness while taking into consideration equality and equal opportunities between holders of securities subject matter of the purchase offer, as well as between individuals concerned by the offer. These conclusions also aim at prohibiting the manipulation of securities prices for the company targeted by the offer, avoiding prices fluctuations, conflicts of interest and exploitation of inside information, in addition to taking in consideration the interests of the targeted company and protecting the rights of the minority among shareholders.

In the same meeting, a study on the governance of companies listed in the Arab capital markets prepared by the team commissioned by the Union members responsible, was presented. The Council listened to a presentation made by the head of the team and commended the efforts made by the team. It also decided to adopt the manual for the governance of companies listed in the Stock Exchange, to translate it into English and to make it available on the Union's website. This manual contained guiding rules related to the general assembly of the company and to preserving shareholders rights, the Boards and committees under the Council as well as investment corporations, capital markets and other financial intermediation companies. It also provided for guiding rules related to founding investors, stock exchanges and financial services companies, disclosure and transparency, internal control, an external auditor and avoiding conflicts of interest.

The Union seeks in his turn to advance the legislative and regulatory levels of the Arab securities markets so as to achieve equality, competence and transparency. It strives as well to work on unifying efforts in order to reach effective levels of control of transactions in the Arab securities authorities, in addition to cooperation and

coordination between the union's members with a view to achieve optimal harmony and consensus regarding relevant laws and regulations. The Union aims as well at overcoming all difficulties the investment could face in the Arab Securities markets, expand it, diversify its instruments, reinforce the culture of investment and the concepts of disclosure, transparency and governance, in addition to applying the best international standards and practices. To this end, the Lebanese CMA seeks to develop its relationship with the Union and its members at the service of financial markets, and in light of the importance of fruitful coordination for all concerned parties.

The CMA and Euroclear

The CMA welcomed a delegation from Euroclear, and discussed the situation in the Lebanese capital markets and the developments thereof within adopted systems and the possibility to introduce new programs to Beirut Stock Exchange at the short and medium terms. The members of the delegation expressed their full support to the financial authorities in Lebanon in any issue that falls within Euroclear's competences. They underlined as well the important positive developments the Lebanese financial sector is witnessing in terms of developing the infrastructure of payment and settlement systems.

Euroclear is one of the major internationally regulated companies in the area of settlement and clearing of financial transactions. Indeed, the total value of securities transactions that were settled by Euroclear exceeds 733 trillion euro per year.

The CMA Handles with Midclear the Development of a CCP

Midclear signed a partnership agreement with GMEX for advanced technology in order to establish an electronic clearing of financial derivatives within what is called Central Counterparty in Lebanon, that would develop the work of securities in Lebanon while abiding by and complying to the market structure and IOSCO's principles. This technology would allow Midclear to manage risks in real time and provide it with a clearing and settlements program, according to the markets principles of CPMI-IOSCO.

The signature ceremony was attended by the CEO of Midclear, Mr. Fouad Houry and the CEO of GMEX, Hirander Misra who declared that the CCP will constitute the cornerstone of the Lebanese markets in the future. The Chairman and CEO of GMEX stated that this agreement will play a decisive role in establishing secondary local markets for Lebanese investors. This signature to which the CMA gave utmost importance represents a distinctive feature in the strategic plan of financial markets in Lebanon. It is worth noting that the CCP would be able to settle various derivatives as well as exchange available currencies, shares and options.

BDL Publishes Payment & Settlement Systems Whitebook in Collaboration with CMA

The Arab Monetary Fund (AMF), the International Monetary Fund (IMF) and the World Bank Group jointly launched the Arab Payments and Securities Settlement Initiative (API), which aims to describe and assess the payments and securities settlement systems of the Arab countries with a view to identify possible improvement measures in their safety, efficiency and integrity.

This White Book, "Payments and Securities Clearance and Settlement Systems in Lebanon," is one of the public reports in the series and was prepared with the active support of the Central Bank of Lebanon, with the support and collaboration of the CMA on issues related to the capital markets.

2.10 Various Activities and Achievements

A number of conferences were held in 2017 in coordination with the CMA, with the participation of the Authority's members and employees in local and international seminars that contributed to consolidate its relationship with its counterparts in foreign countries, and reinforce the capacities of its employees through the exchange of experiences at all levels.

DATE	TOPIC	PARTICIPANTS FROM THE CMA	COUNTRY
JANUARY 31, 2017	Lebanese Diaspora Energy- LDE	Firas Safieddine	South Africa
MARCH 9, 2017	Lebanon and the Automatic Exchange of Tax Information	Caline Aoun	Lebanon
MARCH 28, 2017	World Exchange Congress 2017	Firas Safieddine	Hungary
APRIL 26, 2017	Annual meeting of the Union of Arab Stock Exchanges	CMA members	Lebanon
MAY 10, 2017	42nd meeting of IOSCO	General Secretariat	Jamaica
MAY 12, 2017	Lebanese Banks Day	Sami Saliba	United Arab Emirates
MAY 15, 2017	Annual meeting of Euromoney	CMA members	Lebanon
JUNE 7, 2017	Conference on Strengthening financial stability	Fadi Fakih	Egypt
SEPTEMBER 20, 2017	IOSCO's Conference for Growth and Emerging Markets	Firas Safieddine	Sri Lanka
OCTOBER 10, 2017	World Bank/IMF annual meetings	Sami Saliba Firas Safieddine	USA
NOVEMBER 14, 2017	International Seminar for Capital Markets Authorities	Caline Aoun	France
OCTOBER 27, 2017	LNE	Firas Safieddine	Lebanon
DECEMBER 3, 2017	Black Europe 2017	Alaa Sukkarieh	United Kingdom
DECEMBER 4, 2017	Joint Program between Harvard Law School and IOSCO	Firas Safieddine Tarek Zebian	USA



The CMA pursued its cooperation with IOSCO on different levels, especially discussions around the signature of the EMMoU, the Multilateral Memorandum of Understanding, after the Arab Group agreement, and with the members of the Union of Arab Securities Authorities, in order to adopt a unified position towards the Memorandum and different other topics under negotiation with IOSCO.

The Authority will continue pushing for the privatization of Beirut Stock Exchange after the issuing of Decree no 1404 that paves the way to such privatization and provides for the establishment of a transitional Board that organizes the transfer of the Stock Exchange's assets to the private sector that would be in charge of operating it. In this context, the Chairman of the Authority declared that the CMA was ready to grant a license, and even manage, the Electronic Trading Platform in case of delay in the implementation of Decree 1404, in order to launch this plan as announced by the CMA. At the legislative and regulatory levels, the Authority will pursue its activity in standardizing the decisions it issues within the implementing regulations, most of which were published in the Official Gazette and are available to the public. The CMA will continue to give the highest priority to investors' protection, by applying the regulations issued within the most important internationally adopted standards.

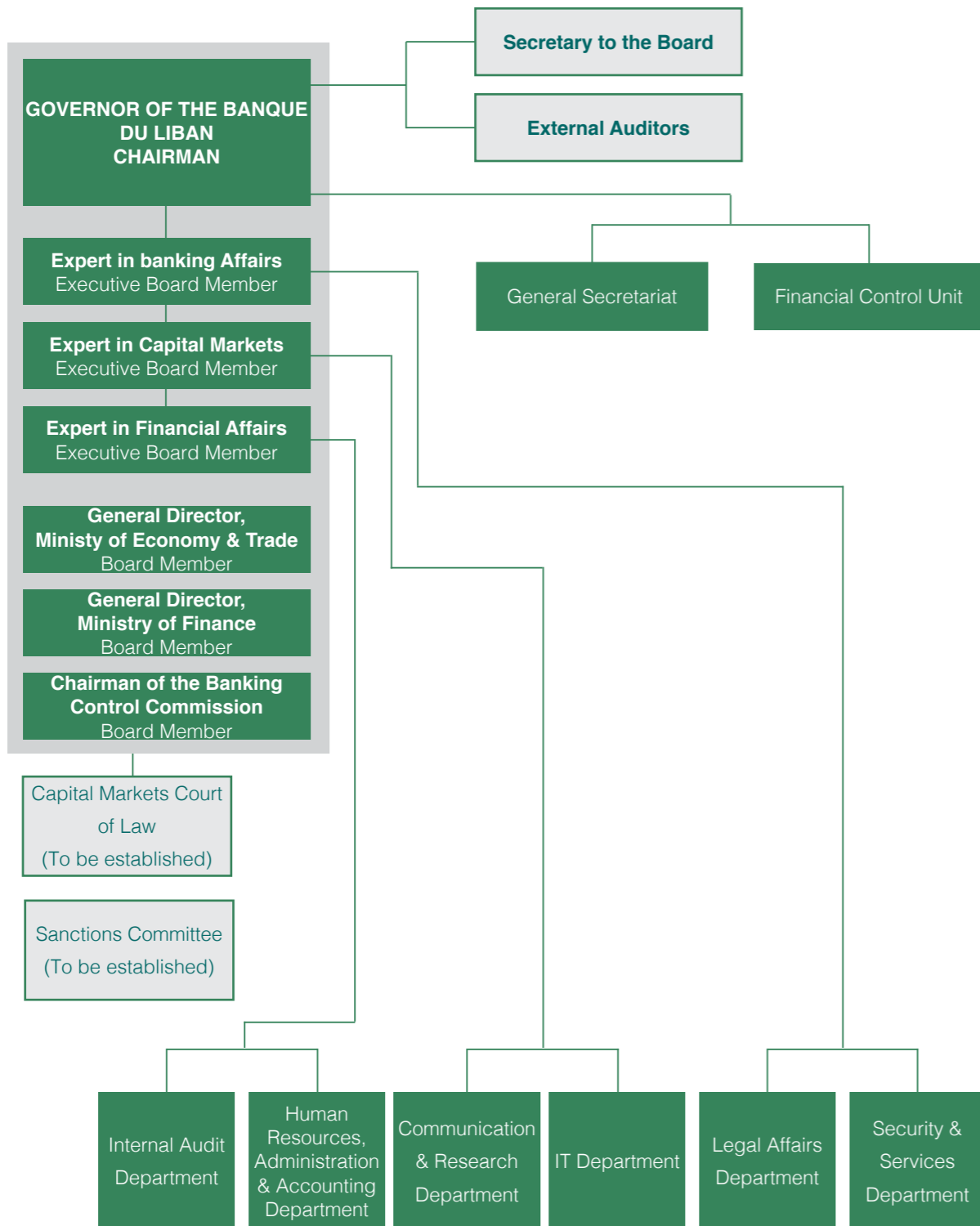
The Authority works as well with some involved stakeholders in the public and private sectors to develop the capital markets sector, in cooperation with specialists from the World Bank and other international institutions such as the European Bank for Reconstruction and Development that expressed its major interest to activate the Lebanese capital markets. The EBRD has on several occasions mentioned that they seek to support the capital markets by making direct investments in the sector's infrastructure or intervening in the markets as to ensure liquidity and motivate investors Lebanese securities and bonds.

At the level of the Arab region, the CMA hopes to reinforce cooperation with the UASA, by hosting the annual conference in the first half of 2018. This conference is a first step to revive the economic liaison between the Arab region and Lebanon, starting from Beirut.

This was a quick overview of the Authority's expectations in the upcoming period with the hope, that 2018 would witness major positive developments at the financial and economic levels in Lebanon.

4.1 Organizational structure

Following the latest modifications to its structure, the CMA is now composed of three main units: the General Secretariat, the Financial Control Unit and the Sanctions Committee; in addition to the following departments: Legal Affairs Department, Human Resources and Administration Department, the IT Department, the Communication and Research Department, the Internal Audit Department, Security and Services Department.



4.2 Chairman and Executive Board Members

The management of the Capital Markets Authority is entrusted to a Board formed of seven members and chaired by the BDL Governor. The Board comprises three full-time members experts in banking and financial affairs, and three part-time members representing ministries and departments directly involved in the work of the CMA: the Director General of the Ministry of Finance, the Director General of the Ministry of Economy and Trade and the Chairman of the Banking Control Commission.

The Board has extensive powers that may enhance investor protection and promote investment in the financial markets. It has the power to establish general regulations concerning the establishment and management of stock exchanges, the regulations concerning the establishment and functioning of financial intermediation institutions which manage investment funds for the public. It also sets the code of conduct to be followed by stock exchanges and their users, as well as by financial service providers and their users. The Board of Directors has the power to establish regulations related to transparency and governance, and that encompass, but are not limited to, the obligations to publish and disclose to the public all information that could affect, either directly or indirectly, the prices of financial instruments.

In the same context, the Board has the power to license the establishment and functioning of financial intermediation institutions, and securitization; ratify (or cancel previous ratification of) the decisions taken by the administration of each stock exchange concerning the registration of securities and financial instruments; and approve the regulations set by the administrations of stock exchanges concerning the transactions undertaken on such stock exchanges. At the advising level, the Board of Directors gives its opinion in the draft laws and decrees related to the work and development of the capital markets, as being mandated by law to be in charge of the functioning and developments of financial markets.

4.3 General Secretariat

The role of the General Secretariat is to facilitate communication and work between the CMA's units and departments, and to follow up the implementation of the decisions taken by the Board. It suggests as well to the Board to initiate investigations and conduct surveys regarding violations of the provisions of Law no 161 or the provisions contained in the general or individual regulations or instructions issued by the Board, by virtue of the said law.

The powers of the Secretariat shall also transmit the complaints to the Board, while communicating to the Board the decisions taken by the Sanction Committee, and notify these decisions to the concerned parties. It shall submit all the reports issued by the Authority to the Board and publish its regulatory decisions and general directives or instructions are published. The Secretariat shall also suggest to the Board the establishment or amendment of the provisions and regulations relating to capital markets.

4.4 Financial Control Unit

The Financial Control Unit (FCU) monitors the respect of the implementing regulations, to the and ensures that financial institutions are abiding by the set regulations, decisions and instructions, and that the trading conditions provided for by the law are applied. The Financial Control Unit may request from the external auditors of the concerned institutions, or from independent experts, to further audit and analyze the operations of these institutions, and to perform compliance investigations and collect evidence for detecting violations detrimental to the functions of a sound capital market.

It ensures that the companies and institutions whose securities and financial instruments are traded on stock exchanges follow the publishing procedures, according to the procedures stipulated in applicable laws and regulations. It also verifies the accuracy and validity of the published information, or that information that could considerably affect the price of such traded financial instruments. The control unit may require that companies and authorities to provide additional information, and make amendments deemed necessary to the information published, if it finds that the information published is incomplete or inaccurate.

Supervising the activities of institutions that deal with public finances is an area that constitutes the backbone of the functions of the Authority. In this regard, it secures the proper functioning of financial institutions and imposes transparency that protects the investor, through adopting the best international standards in this area.

4.5 The Sanctions Committee

The Sanctions Committee is expected to be formed in the near future so that the CMA can take necessary measures against anyone who violates the laws and regulations that govern the functioning of CMA. The Sanctions Committee shall examine violations transmitted by the Board, and take the necessary decisions. It shall have the authority to impose administrative sanctions and monetary penalties on all parties, entities and natural persons who deal with financial instruments and services.

Parties subject to the supervision and control of the CMA

- Licensed individuals
- Companies listed on the Lebanese Stock Exchange
- Lebanese stock exchanges or institutions whose objective is to manage and conduct the business of stock exchanges, provided such institutions are established as Lebanese joint-stock companies
- Financial companies or licensed institutions and bodies including:
 - Collective investment schemes dealing in securities and other financial instruments
 - Investment schemes in securitization operations
 - Islamic investment and securitization schemes
 - Financial consultants and all other institutions providing services related to financial instruments
 - Financial Rating Agencies

Financial instruments and services subject to the supervision and control of the CMA

- Stocks, bonds or shares issued by a public or private company or entity.
- Debenture bonds, stocks, bonds, certificates of deposit, depositary receipts or treasury bills and bonds.
- Financial rights, options, futures, and all derivatives or structured financial products.
 - Investment and Securities Brokerage services
 - Portfolio Management and Book Keeping
 - Securities Custody
 - Underwriter
 - Underwriting process

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