



Intermediate Circular No 411

Addressed to Banks, Financial Institutions, Exchange institutions and Leasing Companies

Attached is a copy of Intermediate Decision No 12194 of February 29, 2016 amending the following texts:

- Basic Decision No 7776 of February 21, 2001 (Operations relating to Credit, Investment, Shareholding and Participation), attached to Basic Circular No 81.
- The Implementation Regulations on Lebanese Banks Shares Issuing and Trading, attached to Basic Decision No 7814 of May 11, 2001, notified by Basic Circular No 82.
- Basic Decision No 7136 of October 22, 1998 (the Conditions for Establishing and Operating Financial Institutions), attached to Basic Circular No 2 addressed to Financial Institutions.
- The Implementation Rules of the Law Regulating the Money Changer Profession, attached to Basic Circular No 7933 of September 27, 2001, notified by Basic Circular No 3 addressed to Exchange Institutions.
- Basic Decision No 7540 of March 4, 2000 (the Conditions for Establishing and Operating Leasing Companies) attached to Basic Circular No 1 addressed to Leasing Companies.

Beirut, February 29, 2016

The Governor of Banque du Liban

Riad Toufic Salamé

Intermediate Decision No 12194

**Amending Basic Decision No 7776 of February 21, 2001
Basic Decision No 7814 of May 11, 2001
Basic Decision No 7136 of October 22, 1998
Basic Decision No 7933 of September 27, 2001
Basic Decision No 7540 of March 4, 2000**

**The Governor of Banque du Liban,
Pursuant to the Code of Money and Credit, namely the provisions of Articles 70, 174, and 182 thereof;
Pursuant to Law No 308 of April 3, 2001, on the Issuing and Trading of Lebanese Banks Shares, and the Issuing of Bonds and Acquisition of Real Estate by Banks, notably Article 13 thereof;
Pursuant to Law 347 of August 6, 2001, on Regulating the Money Changer Profession in Lebanon, notably Article 13 thereof;
Pursuant to Law No 160 of December 27, 1999, on Regulating Leasing Operations, notably Article 13 thereof;
Pursuant to Law No 44 of November 24, 2015, on Fighting Money Laundering and Terrorist Financing, notably Article 4 thereof;
Pursuant to Basic Decision No 7776 of February 21, 2001 and its amendments, on Operations relating to Credit, Investment, Shareholding and Participation;
Pursuant to Basic Decision No 7814 of May 11, 2001 and its amendments, relating to the Implementation Regulations on Lebanese Banks Shares' Issuing and Trading;
Pursuant to Basic Decision No 7136 of October 22, 1998 and its amendments, relating to the Conditions for Establishing and Operating Financial Institutions;
Pursuant to Basic Decision No 7933 of September 27, 2001 and its amendments, relating to the Implementation Rules of the Law Regulating the Money Changer Profession;
Pursuant to Basic Decision No 7540 of March 4, 2000 and its amendments, relating to the Conditions for Establishing and Operating Leasing Companies; and
Pursuant to the Decision of the Central Council of Banque du Liban, taken in its meeting of February 24, 2016,**

Decides the following:

Article 1:

The following Paragraph 7 shall be added to Article 1 of Basic Decision No 7776 of February 21, 2001, and shall read as follows:

7- Banks and financial institutions are prohibited from performing any kind of banking or non-banking or financial or non-financial operations, whether recorded in or off-balance sheet, with companies or mutual funds whose stocks and shares are totally or partially issued in bearer form, or with companies or mutual funds that are directly or indirectly owned by companies or mutual funds whose stocks and shares are totally or partially issued in bearer form.

Article 2:

The following paragraph shall be added to Article 4 of the Implementation Regulations on Lebanese Banks Shares Issuing and Trading, attached to Basic Decision No 7814 of May 11, 2001, and shall read as follows:

- When the assignee is a company or a mutual fund, a duly certified copy of their respective by-laws or Articles of Association, stating explicitly that all their shares are in registered form, and are fully and continuously owned, whether directly or indirectly, by natural persons or companies whose shares are in registered form.

Article 3:

The text of Article 9 of Basic Decision No 7136 of October 22, 1998 shall be repealed and replaced by the following text:

- 1- Subscription to, and trading of financial institutions' shares are subject to BDL Central Council prior approval, in the following cases:
 - a- If it leads directly or indirectly to the acquisition by the subscriber or the assignee of more than 10% (ten percent) of the financial institution's total shares.
 - b- If the subscriber or the assignee holds, at the time of the assignment, 10% or more of the financial institution's total shares.
 - c- If the subscriber or the assignor or the assignee is a current or elected member of the Board of Directors, regardless of the number of assigned shares.The stake of the spouse, minor children, and any economic group, shall be computed as part of the 10% mentioned in Sub-Paragraphs (a) and (b) above.
- 2- The provisions of Articles 5 and 5 bis of the Implementation Regulations on Lebanese Banks Shares Issuing and Trading, attached to Basic Decision 7814 of May 11, 2001, shall apply to companies and mutual funds participating in the capital of any Lebanese financial institution, provided a percentage of 10%, instead of 5%, is adopted.
- 3- Financial institutions must notify Banque du Liban of any assignment of shares that leads to the acquisition by the assignee of 10% or less of their capital.

The concerned financial institutions shall check, on their own and full responsibility, the fulfilment of all the legal and regulatory conditions (shareholders' preemptive right, Board of Directors' approval...) concerning the assignment of shares mentioned in this Paragraph (3), as well as the accuracy of the information they communicate to Banque du Liban. They shall also verify that the by-laws or Articles of Association of the assignee companies and mutual funds explicitly state that all the shares of these companies or funds are in registered form, and are fully and continuously owned, whether directly or indirectly, by natural persons or companies whose shares are in registered form.

4- The Banking Control Commission shall:

- a- Verify the implementation of the provisions of this Article and monitor the accurate calculation of the percentage of shares, participations and indirect subscriptions.
- b- Verify, on-site, the authenticity of the documents related to the assignment of shares, as well as the accuracy of submitted information, and immediately notify the Governor of Banque du Liban about any violation.

5- Under this Article, the transfer of shares/stocks through inheritance or will shall not be considered as an assignment.

Article 4:

The following paragraph shall be added to Article 6 of the Implementation Rules of the Law Regulating the Money Changer Profession attached to Basic Decision No 7933 of September 27, 2001, and shall read as follows:

- When the assignee is a joint-stock company, a duly certified copy of the company's by-laws, stating explicitly that all its shares are in registered form, and are fully and continuously owned, whether directly or indirectly, by Lebanese natural persons or Lebanese companies whose shares are in registered form.

Article 5:

The text of Article 7, Part Fourth, Paragraph 2, Subparagraph (a) of the Implementation Rules of the Law Regulating the Money Changer Profession, attached to Basic Decision No 7933 of September 27, 2001, shall be repealed and replaced by the following text:

- a- A duly certified copy of the company's by-laws, stating explicitly that all the shares are in registered form, and are fully and continuously owned, whether directly or indirectly, by Lebanese natural persons or Lebanese companies whose shares are in registered form.

Article 6:

The following text shall be added to Article 13 of the Implementation Rules of the Law Regulating the Money Changer Profession, attached to Basic Decision No 7933 of September 27, 2001, and shall read as follows:

- 3- Exchange institutions are prohibited from performing any kind of exchange or non-exchange operation, whether recorded in or off-balance sheet, with companies or mutual funds whose stocks or shares are fully or partially issued in bearer form, or that are directly or indirectly owned by companies or mutual funds whose stocks and shares are fully or partially issued in bearer form.

Article 7:

The text of Article 7, Paragraph 2, of Basic Decision No 7540 of March 4, 2000, shall be repealed and replaced by the following text:

- 2- Joint-stock companies participating in the capital of leasing companies, must explicitly state in their by-laws that all their shares are in registered form, and are fully and continuously owned, whether directly or indirectly, by natural persons or companies whose shares are in registered form.

Article 8:

The text of Article 10 of Basic Decision No 7540 of March 4, 2000, shall be repealed and replaced by the following text:

First: Leasing companies shall comply with the provisions of Law No 44 of November 24, 2015, on Fighting Money Laundering and Terrorist Financing, and with BDL relevant regulatory texts.

Second: Leasing companies are prohibited from performing any kind of financial or non-financial operations, whether recorded in or off-balance sheet, with companies or mutual funds whose stocks and shares are totally or partially issued in bearer form, or with companies or mutual funds that are directly or indirectly owned by companies or mutual funds whose stocks and shares are totally or partially issued in bearer form.

Article 9:

Banks and financial institutions whose situation is inconsistent with the provisions of Articles 1, 2 and 3 of this Decision, must adjust their situation within two years from its issuance date.

Article 10:

This Decision shall enter into force upon its issuance.

Article 11:

This Decision shall be published in the Official Gazette.

Beirut, February 29, 2016

The Governor of Banque du Liban

Riad Toufic Salamé