

BANQUE DU LIBAN

Basic Circular No 1 to Financial Intermediation Institutions

Attached is a copy of Basic Decision 7551 of March 30, 2000 on Licensing Documents, Annual Statements, and Miscellaneous Provisions concerning Financial Intermediation Institutions.

Beirut, March 30, 2000

The Governor of the Banque du Liban

Riad Toufic Salameh

Basic Decision No 7551

On Licensing Documents, Annual Statements and Miscellaneous Provisions Concerning Financial Intermediation Companies

The Governor of the Banque du Liban,

**Pursuant to the Code of Money and Credit, notably Article 70 thereof,
Pursuant to the provisions of Basic Decision No 6213 of June 28, 1996 on Financial
Intermediation Institutions, notably Articles 3, 8 and 9 thereof, and
Pursuant to the Decision of the Central Council of the Banque du Liban taken in its
meeting of March 29, 2000,**

Decides the following:

Section I – Licensing Documents

Article 1

The application for a license to establish a Lebanese financial intermediation company must be submitted, signed by the founders, to the Banque du Liban. An original and three copies of the following documents must be attached to the said application:

- 1- A document certifying the identity of the founders, the persons willing to participate in the subscription to and payment of the company's capital, and the persons to hold senior managerial positions (individual extract from the Civil Register/ identity card/ passport/ registration certificate from the Commercial Register if any of the founders or the shareholders is a legal entity).
- 2- Statements signed by each of the above-mentioned persons, including their curriculum vitae (degrees, experience, and other information on their financial and moral status), and a precise evaluation of their net worth.
- 3- When legally available, an official police record for each of the above-mentioned persons, issued within the last three months.
- 4- A statement specifying the percentage of participation of subscribers in the capital of the company, including the categories of shares, and their distribution among Lebanese and non-Lebanese, residents and non-residents.
- 5- An economic feasibility study on the establishment of the company, covering a three-year period and showing in detail:
 - a- The company's financing sources and investment purposes.
 - b- The projected profit and loss account.
 - c- The budgetary estimates.
 - d- The projected cash flow.
- 6- A statement on any existing, direct or indirect, relationship between the company to be established and any economic institution, or any economic group or groups, whether in Lebanon or abroad.

- 7- Draft texts of:
 - a- The company's bylaws
 - b- The organization chart to be adopted
 - c- The basic rules for internal control and auditing

Article 2

The application for a license to establish a branch of a foreign financial intermediation company must be submitted, duly signed, to the Banque du Liban. An original and three copies of the following documents must be attached to the said application:

- 1- A duly certified copy of the foreign company's bylaws.
- 2- The documents and statements specified in Article 1 of this Decision, Paragraphs 1, 2 and 3, regarding the company's representative in Lebanon and, when applicable, the persons to hold high managerial positions.
- 3- The company's registration certificate in the country of origin or the license granted to it by the competent authorities for undertaking mainly financial intermediation operations, both documents being duly authenticated (certified).
- 4- A duly certified copy of the decision taken by the Board of directors of the foreign company:
 - a- approving the establishment in Lebanon of a branch whose main purpose is to undertake financial intermediation operations
 - b- appointing the company's representative in Lebanon and defining his/her mandate.
- 5- The statements and documents specified in Article 1 of this Decision, Paragraphs 5 and 6, and Paragraph 7, sub-paragraphs (b) and (c).
- 6- The audited annual statements on the company's activities during the last three years, including the balance sheet and the profit and loss account for each of these years.

Section II – Annual Statements

Article 3

Lebanese financial intermediation companies are required, as soon as possible after their annual shareholders' meeting and before the end of September of each year, to submit to the Legal Department of the Banque du Liban, three copies of the following documents, of which one duly signed original copy:

- 1- The annual report submitted by the Board of Directors to the annual ordinary shareholders' meeting.

- 2- The auditors' annual report submitted to the annual ordinary shareholders' meeting, and prepared in accordance with Article 175 of the Code of Commerce.
- 3- The special report submitted by the Board of Directors to the annual ordinary shareholders' meeting, in accordance with Article 158 of the Code of Commerce, provided the report includes, inter alia:
 - A statement on the implementation of agreements previously concluded with the Board members.
 - A comprehensive statement of the agreements to be authorized.
- 4- The auditors' special report specified in Article 158 of the Code of Commerce.
- 5- The minutes and attendance sheet of the annual ordinary shareholders' meeting, to be duly certified by the Commercial Register Secretariat, in case the Board members are elected in the said meeting.
- 6- When applicable, the minutes of the Board's meeting, when it includes the election of the Chairman, or the confirmation or appointment of the Chief Executive Officer. This document should be certified by the Commercial Register Secretariat.
- 7- A list signed by the Board Chairman including: the names of the Board Chairman and members for the current year; the names of the major shareholders; the names of the Chief Executive Officer, the Directors and the Assistant Directors; and the following information:
 - The full name and nationality of each of these persons.
 - Any company with which any of these persons has a relationship (as Board chairman, Board member, director, major shareholder, partner, or active partner, etc.).
- 8- When legally existing, a police record issued within the last three months for each of the company's Board members, directors and auditors.

Article 4

Foreign financial intermediation companies are required to submit to the Legal Department of the Banque du Liban, before the end of September of each year, the following documents:

- 1- Two copies of the annual bulletin published by the company's Head Office, including the Board's report, the balance sheet, the decisions of the shareholders' meeting, and other relevant information.

- 2- Two copies of the decision by which the company appoints the auditor of its Lebanese branch.
- 3- When legally existing, a police record issued within the last three months for each of its representatives, directors and auditors.

Article 5

The Legal Department shall transmit to the Banking Control Commission and the Financial Markets Department a copy of each of the above-mentioned documents.

Article 5 bis¹

Financial intermediation institutions are required to provide the Statistics and Economic Research Department with a CD containing a copy of their financial statements (assets, liabilities, off-balance sheet), prepared in accordance with Form 2010 and Annex 2020 attached to Basic Decision No 7723 of December 2, 2000:

- on a monthly basis, within ten days from the closing date of these statements
- on an annual basis, within six months from the end of the fiscal year

Section III – Miscellaneous Provisions

Article 6²

Without prejudice to the provisions of Law No 234 of June 10, 2000 and those of Article 5 of Basic Decision No 6213 of June 28, 1996, the branches of financial intermediation institutions are governed by the regulations on opening and closing branches of banks operating in Lebanon, and on specifying the appropriations imposed on head offices and branches, attached to Basic Circular No 7147 of November 5, 1998.

Article 7

¹ This Article was added by Article 6 of Intermediate Decision No 7996 of December 4, 2001 (Intermediate Circular No 5)

Remark:

Article 7 of Intermediate Decision No 7996 stipulates that:

“The concerned banks and institutions must send the above-mentioned statements, closed on December 31, 2001, and prepared in accordance with Form 2010 and Annex 2020 amended pursuant to this Decision”.

² This Article was amended by Article 1 of Intermediate Decision No 9921 of June 10, 2008 (Intermediate Circular No 168), whose Article 3 reads as follows:

“**Article 3:** Financial intermediation institutions whose status is inconsistent with the provisions of this Decision are granted a time limit ending on December 31, 2008 to regularize their status accordingly”.

The financial intermediation company that has been licensed by the Central Council of the Banque du Liban must complete its establishment formalities and start effectively its activities within a time limit of six months from the date of the licensing notification. Failure to comply with this deadline will result in repealing the license.

Article 8³

Financial intermediation institutions must comply with the provisions of Law No 318 of April 20, 2001 (fighting money laundering), and with the regulatory texts issued by the Banque du Liban for that purpose.

Article 9

The financial intermediation company must clearly and publicly display, at its the head office and all branches, the Decision of the Banque du Liban to register the said company in its Official List of Financial Intermediation Companies.

Article 10

This Decision shall be effective on its issuing date.

Article 11

This Decision shall be published in the Official Gazette.

Beirut, March 30, 2000

The Governor of the Banque du Liban

Riad Toufic Salameh

³ This Article was amended by Decision No 7819 of May 18, 2001 (Circular addressed to Financial Intermediation Institutions No 2-old numbering system).

