

LAW No 192 of January 4, 1993

ON FACILITATING BANK MERGER ¹

Article 1:

The merged bank is hereby defined as the bank that ceases to exist under the procedures specified in this Law, in which case all its assets, rights, liabilities and obligations shall be added to the assets, rights, liabilities and obligations of another bank called the merging bank.

Article 2:

Any merger between two banks or more shall be contingent upon the approval of the Central Council of the Banque du Liban (BDL). To obtain this approval, the following procedures must be followed:

- 1- The decision of the Board of Directors of each bank concerned with the merging operation, in which the Board requests the approval of the merger contract signed by the concerned banks, must be notified to the Central Council through its Chairman.

The following documents must be attached to the approval request:

- The provisional merger contract that has to be approved.
 - The balance sheet of each concerned bank for the last fiscal year.
 - The auditors' report on the revaluation of the said balance sheet's items.
 - The financial position of each concerned bank as of the end of the month preceding the merger request, signed by the Board Chairman on his/her own responsibility.
- 2- Within sixty days from receiving the approval request and the attachments specified in the previous paragraph, the Central Council shall take, after consultation with the Banking Control Commission, a provisional decision on approving or rejecting the merger. In case of approval, the Central Council shall specify the conditions, deadlines and guarantees required for its final decision.
 - 3- The Central Council shall take a final decision on the merger within thirty days from the submission date of documents that prove the fulfillment of conditions and guarantees required by the Council, including the minutes of the extraordinary shareholders' meetings of the concerned banks. In case of approval, the Council's final decision must be justified, specifying that the merged bank is stricken off the List of Banks. The Council's final decision shall not be subjected to any ordinary or extraordinary form of administrative or judicial appeal, including annulment for excess of power.
 - 4- In case, after the sixty-day and thirty-day deadlines stipulated in Paragraphs 2 and 3 of this Article, the Central Council has not taken a final decision on the matter, this shall be construed as an implicit decision of rejecting the merger request as submitted. This implicit decision shall not be subjected to any ordinary or extraordinary form of administrative or judicial appeal, including annulment for excess of power.

¹ This Law was reinstated by Article 1 of Law No 675 of February 14, 2005 (Official Gazette No 8 of February 24, 2005).

Article 3:

Subject to prior approval by the Governor of the Banque du Liban, the chairmen of the banks intending to merge, or their duly designated representatives, may communicate strictly and solely to each other relevant information and other issues concerning their clients' accounts. And whether the merger is effected or not, the officials of both negotiating banks, the merged and the merging, are bound by the provisions of the Banking Secrecy Law.

Article 4:

- 1- When the Central Council of the Banque du Liban issues a final decision approving the merger, the merging bank shall immediately replace by law the merged bank (s) regarding rights and obligations towards third parties, with no need to notify or obtain the approval of the holders of these rights and obligations, namely concerning lease contracts, ongoing lawsuits, deposits, as well as related loans and guarantees, whether personal guarantees or pledges of real property, and also employment contracts.
- 2- Within one month from the Central Council's final decision approving the merger, the merging bank must publish in the Official Gazette, and in two local newspapers at least, a summary of the merger decisions taken by the extraordinary shareholders' meetings of the concerned banks, together with the BDL Central Council's final decision.
- 3- Within a six-month period from the Council's final decision, employment contracts of some employees in the merged bank may be terminated under the following conditions:
 - a- Termination of some employment contracts is effected at one time through a single decision, in which it is clearly stated that termination is caused by the merger.
 - b- Laid-off employees enjoy all rights and benefits stipulated by laws and regulations in force, in addition to all rights and benefits specified in collective work contracts concluded between the Association of Banks in Lebanon and the Union of the Syndicates of Banks' Employees in Lebanon.
 - c- Beside the aforementioned rights and benefits, each of these employees will be exceptionally entitled to an additional compensation equivalent to a separation pay, provided the amount equals, at least, a six-month salary but does not exceed total salaries received during the last three years.

The rights of laid-off employees are limited to the compensation stipulated in this Article, and this additional compensation is exempted from any income tax.

Article 5:

- 1- In case the situation of merging bank becomes, as a result of the merger, inconsistent with the provisions of Articles 152, 153 and 154 of the Code of Money and Credit or with those of BDL Circulars, the BDL Central Council may grant the said bank a period for regularizing its situation, provided the time limit is three years at least concerning the implementation of Article 154 of the Code of Money and Credit.

2- The merging bank and its shareholders shall not be bound by the provisions of Legislative Decree No 87 of September 16, 1983, and its amendments, in case their situation becomes, as a result of the merger, inconsistent with the said Legislative Decree, provided its provisions are implemented in any assignment operation that follows the merger.

Article 6:

If needed, the BDL Central Council may grant the merging bank soft loans, to be agreed upon by contract between the Banque du Liban and the merging bank.

The mechanism and criteria governing the soft loans shall be determined by regulations to be issued by Decree of the Council of Ministers, upon proposal by the Minister of Finance, in consultation with the BDL Central Council, knowing that the latter is the only entity entitled to implement those mechanism and criteria. However, in exceptionally urgent cases resulting from a bank's sudden default, and requiring swift action for maintaining the stability of the financial and banking systems, the Central Council may adopt other occasional criteria, provided they are justified and immediately notified to the Council of Ministers.¹

Notwithstanding any other text and no right to invoke against it banking secrecy as stipulated in Article 151 of the Code of Money and Credit, the Banque du Liban may sue directly the officials of the merged bank before competent courts in case it notices any breach of the laws in force, notably the provisions of Articles 166 and 167 (Par. 2) of the Code of Land Trade.¹

Article 7:

During the year that follows the year in which the Central Council took its final decision on approving the merger, the Council may exempt the merging bank from income tax for an amount equivalent to taxes due on a portion of its profits, provided this portion does not exceed the cost of the merging operation and a ceiling of two billion Lebanese pounds. This exemption shall be contingent upon approval by the BDL and the Banking Control Commission, provided the competent Departments of the Ministry of Finance verify that the value of those exemptions will be immediately added to the capital of the bank that results from the merger. In case this capital increase does not occur within six months from the date of the Central Council's approval, the exemptions shall be automatically repealed.

The merged bank (s) shall also be exempted from the tax stipulated in Article 45 of the Income Tax Code, in case of approval of the revaluation of its (their) fixed assets.

Article 8:

All formalities and procedures required by the merging operation, including the issuance of new shares, shall be exempted from stamp, transfer and notary public fees, and from all registration fees with public administrations.

¹- This paragraph was added by virtue of Article 2 of Law No 675 of February 14, 2005 (Official Gazette No 8 of February 24, 2005).

- See the regulation on the mechanism and criteria of granting soft loans, issued under Article 6 of Law 192 of January 4, 1993, and its amendments, on the Facilitation of Bank Merger, promulgated by Decree 1423 of February 23, 2009.

Article 9:

Concerning any matter not stipulated by this Law, or being inconsistent with its provisions, all provisions of laws in force shall remain applicable, especially those of the Code of Commerce, the Code of Money and Credit, as well as banking laws and regulations.

Article 10:

The provisions of this Law shall govern any bank that purchases all assets and rights and assumes all liabilities and obligations of another bank that intends to liquidate itself and be stricken off the List of Banks.

Article 11¹:

This Law shall be published in the Official Gazette and come into force on January 1, 2005².

Beirut, January 4, 1993

Signed: Elias Harawi

Promulgated by the President of the Republic

The President of the Council of Ministers

Signed: Rafiq Hariri

The President of the Council of Ministers

Signed: Rafiq Hariri

¹- This Article was amended by Article 3 of Law No 675 of February 14, 2005 (Official Gazette No 8 of February 24, 2005), which reinstated Law 192 dated 4/1/1993

²- Article 11 as initially stipulated:

“This Law shall be published in the Official Gazette and shall remain in force for a five-year period starting from its publication date”.

- the effect of this Law has been extended for five years pursuant to Law No 679 of March 16, 1998, which reads as follows:

Article 1: the effect of the provisions of Law No 192 of January 4, 1993 on the facilitation of banks' merger is extended for an additional five-year period, until January 14, 2003.

Article 2: this Law shall enter into force upon its publication in the Official Gazette.

Baabda, March 16, 1998

Signed: Elias Harawi

Promulgated by the President of the Republic

The President of the Council of Ministers

Signed: Rafiq Hariri

The President of the Council of Ministers

Signed: Rafiq Hariri