

BANQUE DU LIBAN

Basic Circular 163

Addressed to Banks

Attached is a copy of Basic Decision 13439 of 27 May 2022, on Monitoring Civil Servants' Accounts.

Beirut, 27 May 2022

The Governor of Banque du Liban

Riad Toufic Salamé

Basic Decision 13439

Monitoring Civil Servants' Accounts

The Governor of Banque du Liban,

Pursuant to the Code of Money and Credit, particularly Articles 70 and 174 thereof;

Pursuant to the provisions of Law 44 of 24 November 2015 on Fighting Money Laundering and Terrorist Financing,

Pursuant to Law 175 of 8 May 2020 on Fighting Corruption in the Public Sector and Establishing the National Anti-Corruption Commission;

Pursuant to Law 189 of 16 October 2020 on the Declaration of Assets and Interests and the Punishment of Illicit Enrichment;

Pursuant to SIC Circular 25 of 18 September 2019 on the National ML/TF Risk Assessment which shows that corruption is first on the list of risks threatening both the economy and the society; and

Pursuant to the Decision of the Central Council of Banque du Liban, taken in its meeting of 20 May 2022,

Decides the following:

Article 1:

For the purposes of implementing the provisions of this Decision, the definition of “civil servant” mentioned in Article 1 (1) of Law 189 of 16 October 2020 shall be adopted.

The provisions of this Decision shall apply to the “civil servant”, and to the employees of each of the Ministry of Finance, Customs, Directorate of Land Registry and Cadastre, Traffic and Vehicles Management Authority, as well as to the Chairman, members, employees and staff of administrative committees and independent and regulatory bodies established by laws, all grades and categories included, if the latter are entrusted with financial duties.

These provisions shall apply neither to employees of fourth-grade and below or the equivalent thereof, who are not assigned higher-level duties, nor to the teaching staff at the Lebanese University, public schools and institutes.

Article 2:

Regardless of their ranking, according to the risk-based approach for the risk level of the customer who falls under the text and content of Article 1 above, banks are required to apply to salary domiciliation accounts, without prejudice to other measures adopted and implemented as per BDL decisions, particularly Basic Decision 7818 of 18 May 2001 notified by Basic Circular 83 to banks, if these accounts register an activity not deriving from the job (deposits or transfers from real estate or commercial investments or from sources other than job income), enhanced due diligence measures that include:

- Increasing control of accounts and operations, and conducting ongoing monitoring of the business relationship.
- Obtaining the approval of the Senior Management for a business relationship and for executing operations.
- Reviewing periodically the business relationship.
- Obtaining more detailed information on the customer and the beneficial owner.

A subaccount should also be opened to record operations that are not related to the job; this subaccount should be subject to enhanced due diligence measures and ongoing monitoring.

The KYC Form should include all the information specified in SIC Circular 13, as well as information on the civil servant's work or job, in particular his/her employing institution, grade, salary, benefits, etc., in addition to all information on sources of income other than his/her job, on condition that the related data and evidencing documents are maintained and periodically updated.

Article 3:

Upon the emergence of any corruption indicator, the generally acknowledged corruption indicators shall be taken as reference, including but not limited to those below:

- The wealth and source of funds are inconsistent with the date of employment, experience, or age.
- High-balance accounts are maintained, while no supporting documents are submitted for justification.
- Unjustified and unusual high-value cross-border transfers are performed, particularly to tax haven jurisdictions.
- Unusual high-value cash operations are performed, while no supporting documents are submitted for justification.
- Payments are received from companies, individuals, or non-governmental entities that have benefited or benefit from public contracts/procurements.
- Checks issued by public entities are cashed and their value deposited in private accounts.
- Multisource and matching negative reports relating to bad reputation, unethical or illegal behavior, are issued by media outlets.
- Convictions or formal ongoing or previous investigations related to corruption.
- Illegal payments are received or loans are repaid by a third party without justification.
- High-value international transfers are received from companies' accounts and/or personal accounts without justification.

- Funds are received in bank accounts held by persons or legal entities known to be under the control of, or related to the civil servant, with no justification submitted.
- Representatives or proxies (e.g. lawyer, accountant, or a third party) perform banking operations on behalf of a civil servant with the intention of dodging due diligence procedures.

Article 4:

The existence of one or more indicators does not mean in itself the existence of corruption acts, and if any, available information on the relevant operations, or customer's data and account movement should be reviewed and assessed, and the required decision taken as to whether or not to file a Suspicious Transaction Report (STR) to the SIC, pursuant to the provisions of Law 44 of 24 November 2015. In case of any suspicion or doubt about an operation or accounts linked to corruption acts, the related STR must include at least:

- a- Red flag indicators: by mentioning one or more of the above-mentioned indicators on the basis of which the report was filed.
- b- Suspicious operations or accounts: by identifying the inconsistencies between the concerned operations and the KYC Form data, or those for which the employee refrained from giving the bank any additional clarifications.

Article 5:

Enhanced due diligence measures shall also apply to any of the bank's customers who are found to have important banking operations with, or in relation to the civil servant, in order to make sure that such operations are justified.

Article 6:

The provisions of Article 13 of Law 44 of 24 November 2015 shall apply to banks violating the provisions of this Decision.

Article 7:

This Decision shall come into force upon its issuance.

Article 8:

This Decision shall be published in the Official Gazette.

Beirut, 27 May 2022

The Governor of Banque du Liban

Riad Toufic Salamé