

BANQUE DU LIBAN

Basic Circular 2

**Addressed to the Persons governed by the Provisions of Articles 183 and 184 of the
Code of Money and Credit “Specialized Lending Entities or Comptoirs”**

Attached is a copy of Basic Decision 12174 of 21 January 2016 (Conditions for Conducting Lending Operations as per the Provisions of Articles 183 and 184 of the Code of Money and Credit).

Beirut, 21 January 2016

The Governor of Banque du Liban

Riad Toufic Salamé

BANQUE DU LIBAN

Basic Decision 12174

Conditions for Conducting Lending Operations

as per the Provisions of Articles 183 and 184 of the Code of Money and Credit

The Governor of Banque du Liban,

Pursuant to the Code of Money and Credit, notably Articles 70, 79, 183, 184, and 200 thereof;

Whereas Article 184 of the Code of Money and Credit imposes on the institutions mentioned in Article 183 to comply with credit measures taken by Banque du Liban, particularly those relating to the operations covered by Article 79, and also with BDL instructions concerning their management;

Pursuant to Basic Decision 11948 of 12 February 2015 (Requesting Information on the Persons governed by the Provisions of Articles 183 and 184 of the Code of Money and Credit); and

Pursuant to the Decision of the Central Council of Banque du Liban, taken in its meeting of 14 January 2016,

Decides the following:

Article 1:

It is prohibited for the persons governed by the provisions of Articles 183 and 184 of the Code of Money and Credit (CMC), hereafter "Specialized Lending Entities", to carry out lending operations, unless they comply with the conditions and rules specified in this Decision.

Article 2:

The object of Specialized Lending Entities shall be limited to lending operations.

Article 3:

The minimum capital for any Specialized Lending Entity operating in Lebanon is set at two billion Lebanese pounds, to be paid in full in one-time payment at Banque du Liban.

Article 4¹:

Specialized Lending Entities must conduct their activities solely through their head office. They may not open any branch without BDL prior approval and provided private funds equalling one billion Lebanese pounds are available for each branch.

Article 5:

Specialized Lending Entities are required, upon their establishment, to submit immediately to Banque du Liban a duly signed statement, along with three copies, one of which is an original, of the documents below:

a- For joint-stock companies:

- 1- A document evidencing the identity of each of the shareholders (ID card, or passport, or extract of Civil Status, or a copy of the registration file at the Commercial Register, if any shareholder is a legal entity).
- 2- Minutes of meeting and attendance sheet of the Constituent General Assembly during which the members of the Board of Directors were elected and the external auditor appointed, to be registered at the Secretariat of the Commercial Register.
- 3- Minutes of the first Board of Directors' meeting in which the Board Chairman was elected and his/her assistant general director appointed, if any, to be registered at the Secretariat of the Commercial Register.
- 4- A police record issued within the last three months, for each of the natural persons and representatives of legal entities mentioned above.
- 5- A statement that includes material and moral information on each of the shareholders and assistant general directors, and an accurate assessment of their net worth.

¹- This Article was amended pursuant to Article 1 of Intermediate Decision 12800 of 2 May 2018 (Intermediate Circular 490).

- 6- The company's registration application to the Secretariat of the Commercial Register.
- 7- The company's registration certificate issued by the Secretariat of the Commercial Register.
- 8- A circular certified by the Secretariat of the Commercial Register.
- 9- The company's duly signed and certified bylaws.

b- For partnerships limited by shares:

- 1- A document evidencing the identity of each of the active partners and limited partners (an ID card, a passport, an extract of Civil Status, or a copy of the registration file at the Commercial Register if any of the partners is a legal entity).
- 2- Minutes of meeting and attendance sheet of the General Assembly in which the external auditor or the director was appointed, to be both certified by the Secretariat of the Commercial Register and approved by all the active partners, when necessary, if the Assembly has appointed the manager.
- 3- A police record issued within the last three months, for each of the natural persons and representatives of legal entities mentioned above.
- 4- A statement that includes material and moral information on each of the partners and directors, and an accurate assessment of their net worth.
- 5- The company's registration application to the Secretariat of the Commercial Register.
- 6- The company's registration certificate issued by the Secretariat of the Commercial Register.
- 7- A circular certified by the Secretariat of the Commercial Register.
- 8- The company's duly signed and certified bylaws.

c- For limited partnerships and general partnerships:

- 1- A document evidencing the identity of each partner (an ID card, a passport, an extract of Civil Status, or a copy of the registration file at the Commercial Register if any of the partners is a legal entity).
- 2- The decision to appoint the external auditors or the internal auditor, as the case may be.
- 3- A police record issued within the last three months, for each of the natural persons and representatives of legal entities mentioned above.
- 4- A statement that includes material and moral information on each of the partners, and an accurate assessment of their net worth.
- 5- The company's registration application submitted to the Secretariat of the Commercial Register.
- 6- The company's registration certificate issued by the Secretariat of the Commercial Register.
- 7- A circular certified by the Secretariat of the Commercial Register.
- 8- The company's duly signed and certified partnership agreement.

d- For sole proprietorship:

- 1- A document evidencing the identity of the owner of the sole proprietorship (an ID card, a passport, or an extract of Civil Status).
- 2- The decision to appoint the internal auditor.
- 3- A police record issued within the last three months, for the owner of the sole proprietorship and the internal auditor.
- 4- A statement that includes material and moral information on the owner of the sole proprietorship, and an accurate assessment of his/her net worth.
- 5- The company's registration application submitted to the Secretariat of the Commercial Register.
- 6- The company's registration certificate issued by the Secretariat of the Commercial Register.
- 7- A circular certified by the Secretariat of the Commercial Register.

Article 6:

Specialized Lending Entities must constantly prove that their assets exceed their liabilities toward third parties, by an amount equivalent at least to their capital or the amounts allocated to their business.

Specialized Lending Entities may neither reduce their capital nor recover any portion thereof.

In case Specialized Lending Entities incur losses, they must reconstitute their capital before 30 June of the fiscal year following the year that registered these losses.

Article 7:

Specialized Lending Entities must select among reputable firms, their principal external auditor or internal auditor, as the case may be.

Article 8:

Specialized Lending Entities must inform Banque du Liban of:

- Any amendment to the company's bylaws or partnership agreement.
- Any transfer of the Specialized Lending Entity or of its shares or equities, as the case may be, and any change in the address of its head office or any of its branches; they must also provide BDL with the documents evidencing the new address.
- Any funds that the owner of the sole proprietorship, or the shareholders or partners, as the case may be, put at the disposal of the Specialized Lending Entity, in order to perform its business, provided that the sources of these funds are accurately indicated.
- Any issuance of debenture bonds by Specialized Lending Entities established in the form of joint-stock companies.

Article 9:

In light of the capacity and material and moral competence required for the owner of the sole proprietorship or the shareholders or partners or the members of the Board of Directors or the directors, the Central Council of BDL may object to:

- 1- Any transfer of the Specialized Lending Entity or of its shares or equities.

- 2- The election of the Chairman or any other member in the Board of Directors or the appointment of a director, in any Specialized Lending Entity; or object to any of them continuing his/her activities.

The objections of BDL in this respect shall be binding to Specialized Lending Entities and to the concerned persons.

Article 10¹:

First: The ceiling of the total facilities granted by any Specialized Lending Entity operating in Lebanon to a single person, whether natural or legal or belonging to an interconnected group of debtors, as per the definition mentioned in BDL regulatory texts, shall be set at 5% of the concerned Entity's private funds or at LBP 150,000,000, whichever is lower, provided that the customer's total monthly payments for all the loans obtained from banks, financial institutions, and all other lending institutions does not exceed 35% of the income of the family comprising the husband and wife.

Second: Notwithstanding the provisions of Paragraph "First" of this Article, the Specialized Lending Entity may, at its own responsibility, neither abide by the provisions of said Paragraph "First" nor by those of Article 11 (5) below, if the following conditions are met:

- The customer does not benefit for more than once from the provisions of this Paragraph "Second".
- The customer has never borrowed from any other Specialized Lending Entity as per the provisions of this Paragraph "Second".
- The value of the loan granted by the Specialized Lending Entity to the customer (a natural or legal person or belonging to an interconnected group of debtors) does not exceed LBP 100,000,000.

¹- This Article was amended pursuant to Article 2 of Intermediate Decision 12800 of 2 May 2018 (Intermediate Circular 490).

- The property-related register is not encumbered by any insurance restriction or any other burden, when the borrower's main residence is given as a guarantee for the granted loan, which must be evidenced on the responsibility of the concerned Specialized Lending Entity.

Article 11:

Specialized Lending Entities are prohibited from:

- 1- Starting their activities before obtaining a registration notice from Banque du Liban and its publication in the Official Gazette.
- 2- ¹Borrowing, directly or indirectly, from banks and financial institutions operating in Lebanon.
- 3- Using for their activities, the personal bank accounts owned by the owner of the sole proprietorship, or by the shareholders or partners, as the case may be.
- 4- Granting loans whose total rise above the quadruple of their private funds, for Specialized Lending Entities established as joint- stock companies in Lebanon, and twice their private funds for all other Specialized Lending Entities.
- 5- Granting their customers loans whose value is 60% below of the value of the given guarantee.
- 6- Collecting fees from customers for opening a credit file.
- 7- Obtaining from their customers, as a guarantee for the loans granted, irrevocable proxies or sales proxies in their favor or in their name, or in the favor or name of any directly or indirectly affiliated third party.

Article 12:

Specialized Lending Entities must abide by the legal, regulatory and implementing regulations issued by Banque du Liban and the Banking Control Commission of Lebanon

¹- This clause was amended pursuant to Article 3 of Intermediate Decision 12800 of 2 May 2018 (Intermediate Circular 490).

(BCCL) in all matters that are not at variance with the provisions of this Decision, in particular in relation to:

- The rules and conditions of lending and its transparency, and the principles for conducting operations with customers.
- The actual interest rates collected from customers, and their explicit calculation method.
- Combating money laundering and terrorist financing, of which defining and identifying the beneficial owner¹.

Article 12 bis²:

First: The following expressions shall mean:

- Customer: Any natural or legal person, whether a company or an institution of any type, or any legal arrangement (e.g. a trust), or any body, organization or non-profit organization (mutual funds, cooperatives, welfare centers, charities, clubs, etc.).
- Beneficial Owner: Any natural person who ultimately owns or who exercises ultimate effective control, whether directly or indirectly, over the customer and/or the natural person on whose behalf operations are carried out. Indirect ownership and/or control include the situations where the ownership and/or control is exercised through a chain of ownership or by means of control other than direct control.

Second: As far as each is concerned, Specialized Lending Entities must refrain from keeping anonymous accounts or accounts in fictitious names, must adopt clear procedures for account opening, and must apply to customers and beneficial owners, regardless of the value of the operation, due diligence measures which include verifying the identity of their permanent and occasional customers, whether resident or non-resident, determining the nature of their business,

¹- This clause was amended pursuant to Article 10 of Intermediate Decision 12826 of 13 June 2018 (Intermediate Circular 498).

²- This Article was amended pursuant to Intermediate Decision 13387 of 23 December 2021 (Intermediate Circular 604).

understanding the ownership structure and/or control over the legal person, understanding and identifying the purpose and nature of the business relationship and/or the account opening, obtaining data on that purpose when needed, identifying the beneficial owner and the source of funds, and conducting ongoing monitoring of operations, particularly in the following cases:

- Before or when starting the business relationship or opening accounts of all kinds.
- When carrying out a single operation or several linked operations, whose total is equal to, or above 10,000 USD or its equivalent, on the same account or on several accounts held by the same person.
- Whenever a customer is suspected to attempt a money laundering or terrorist financing operation.

Third: Upon the identification of the beneficial owner:

- 1- With respect to the customer that is a legal person, the beneficial owners shall be identified and reasonable measures taken to identify them in the following manner:
 - a- To identify each natural person who holds, whether directly or indirectly, 20% or more of the capital of the legal person.
 - b- In case of doubt as to whether the natural person(s) identified as per Subparagraph (a) above is (are) the beneficial owner(s), or when no natural person holds 20% or more of the customer's capital, it is required to identify the natural persons who exercise control over the legal person through other means (e.g. holding a majority of voting rights or the rights to appoint or dismiss the majority of the administrative or regulatory body at affiliated entities...).
 - c- When no natural person is identified as per Subparagraphs (a) and (b) above, reasonable measures must be taken in order to identify and verify the identity of the persons holding senior management positions.
- 2- With respect to customers that are legal arrangements, the beneficial owners shall be identified and reasonable measures taken to identify them in the following manner:

- a- For trusts, each of the persons below shall be identified:
- The Settlor
 - The Trustee
 - The Protector
 - The Beneficiary; and if the latter's identity is not determined or verified, then the class of beneficiaries in whose favor the legal arrangement was established.
 - Any other natural person who exercises an effective control over the trust through direct or indirect ownership or through other means.

The definitions included in the glossary of the FATF 40 Recommendations shall be adopted to identify the persons mentioned in this Subparagraph (a).

- b- For other types of legal arrangements, including those arrangements similar to trusts, the persons holding positions similar to the positions specified in Paragraph 2, Subparagraph (a) above, must be identified.
- 3- Upon the identification of the beneficial owner, it is required to conduct the same due diligence measures applicable to customers, including those issued by the SIC.

Fourth: To verify the identity of the customer and of the beneficial owner, the employee in charge of executing the operation must request from the customer the official documents or data below:

- 1- For a natural person, a copy of the passport, ID card, extract of Civil Status, or residence permit.
- 2- For a legal person, whether a company or an institution or a legal arrangement, a duly authenticated copy of the bylaws, the registration certificate, the ownership structure, the list showing the distribution of equities or shares (directly or indirectly), the list of authorized signatories, in addition to a copy of identity for the legal representative, the managers, and the natural persons who own, directly or indirectly, a controlling interest in the company's management.

3- If the operation is carried out through a proxy, the original power of attorney or a certified copy thereof, in addition to a copy of the identification documents of both the customer and the proxy. The due diligence measures specified in Paragraph Second of this Article must also be applied to the non-professional proxy.

Fifth: Specialized Lending Entities must maintain information on the customer and the beneficial owner, in particular the full name, residential address, the address of the registered office for the legal entity, or, if different, the principal place of business, the occupation and financial situation, with copies of all the documents used to verify the foregoing, and the account files, for at least five years after the account is closed or the business relationship is ended, and all the records of operations, including business correspondence and the results of any analysis undertaken, for at least five years after the date of the operation, in a way that the content of these records may constitute, if necessary, evidence for legal action and prosecution in case of criminal activity.

Sixth: Whenever the due diligence measures specified in Paragraph Second of this Article, cannot be satisfactorily conducted on customers and beneficial owners, then no account should be opened or relationship started or operation performed, or the existing business relationship should be terminated; and notifying the SIC should be considered.

Seventh: Specialized Lending Entities must conduct continuous due diligence measures on all their customers, in order to modify or add to the adopted KYC Form, any information resulting from any changes in the customer's situation, especially if there are doubts about the veracity or adequacy of previously obtained data, or in case there are subsequent changes in the identity of the customer or beneficial owner. Therefore, each Specialized Lending Entity is required to prepare an action plan with precise dates to fulfill these obligations.

Eight: Specialized Lending Entities are required:

- 1- In case they suspect that the customer is not the beneficial owner or if the customer states that the beneficial owner is a third party, to request from the customer a written statement that identifies the beneficial owner, particularly the latter's full name, residential address, occupation, and financial situation, and to keep a copy of this statement and of the beneficial owner's identity throughout the period mentioned in Paragraph Fifth of this Article. Doubts about the beneficial owner's identity arise in instances that include, but are not limited to, the following:
 - a- When a power of attorney is given to a non-professional person (e.g. other than a lawyer or a fully authorized representative or a financial intermediary) and no apparent relationship between the customer and the proxy justifies that power of attorney.
 - b- When the business relationship takes place through front institutions/companies.
 - c- When the customer's financial situation is known to the employee executing the operation, and the amount of the intended operation is inconsistent with that financial situation.
 - d- When any other indicator draws the attention of the Specialized Lending Entity in the course of its business.
- 2- To notify promptly the Governor of Banque du Liban in his capacity as Chairman of the Special Investigation Commission, whenever they suspect or believe, based on reasonable or objective grounds, that the executed or attempted operation is related to money laundering or associated predicate offences, or to terrorist financing, terrorist acts, or terrorist organizations. Additionally, if a money laundering or terrorist financing operation is suspected, and if they reasonably believe that performing the CDD measures will tip off the customer, it is then permitted not to pursue the CDD process and the SIC should be notified without delay.

Ninth: Specialized Lending Entities are required:

- 1- To take appropriate steps to identify, assess and understand their ML/FT risks, and to apply, based on risk understanding, a risk-based approach to classify customers and operations according to the level of risk (low, medium, and high risk).
For indicative purposes only, customer risk, country risk, and service risk are taken into account.
- 2- To put in place risk-based control measures and procedures, and at least to adopt for customers and beneficial owners, for PEPs as per FATF definition and their family members and close associates, and for operations classified as “high risk” according to risk scoring, the enhanced measures and procedures below for the purpose of risk management and mitigation:
 - a- To increase and prioritize control, and to conduct enhanced ongoing monitoring of the business relationship.
 - b- To obtain more detailed information on customers and beneficial owners (Increased KYC Levels), in particular to determine the source of their wealth.
 - c- To obtain the approval of the Senior Management for entering into, or continuing, a business relationship with customers, and for executing operations, in a way that is commensurate to the specified level of risk.
 - d- To review periodically the relationship with customers.
 - e- To make continuous peer comparisons.
 - f- To set up an adequate system so as to determine whether the customer or beneficial owner is a PEP.
- 3- To take into account the duration and the soundness of the business relationship with the customer.
- 4- To use software programs in order to conduct the controls needed as per the adopted scoring.

- 5- To have the Senior Management adopt a special policy that is based on the requirements specified in this Article, in order to classify and manage risks and determine the control measures to be applied by the concerned parties.
- 6- To document and keep the risk assessment findings, to update the assessment when necessary, and to provide it to the supervisory authorities when needed.

Tenth: Specialized Lending Entities are required to put in place and adopt an efficient internal control system that includes the appointment of a Compliance Officer at the management level, who has sufficient AML/CFT expertise, and whose mission consists in:

- 1- Establishing and, if necessary, developing AML/CFT guidelines that take into account the obligations mentioned in this Decision, with consideration to the structure and departments of the Specialized Lending Entity, and establishing as well the KYC Form mentioned in Paragraph seventh above, and submitting them both to the Senior Management for approval and adoption.
- 2- Conducting scrutiny of operations undertaken throughout the course of the relationship with customers to ensure that the operations performed are consistent with the Specialized Lending Entity's knowledge of the customers, their business and risk profile, including, where necessary, the source of funds.
- 3- Ensuring that documents, data, or information collected under the CDD process are kept up-to-date and are appropriate, by reviewing the existing records, particularly for high-risk categories of customers; and documenting his/her work in the necessary periodic reports to be submitted to the Senior Management.
- 4- Conducting due diligence measures on existing business relationships in a timely manner, and on the basis of materiality and risk, taking into account whether and when these measures have previously been undertaken, and the adequacy of data obtained.

- 5- Ensuring the sound implementation and the efficiency of the procedures in place for fighting money laundering and terrorist financing, and monitoring accounts (through specialized software, if necessary, showing ML/FT indicators) in order to make sure that there are no suspicious operations, and documenting his/her work in the necessary periodic reports to be submitted to the Senior Management.
- 6- Conducting enhanced due diligence measures that are commensurate to the level of risk, on business relationships and operations performed with natural and legal persons (including financial institutions) from countries against which the FATF calls for such action, provided that the FATF website is periodically reviewed for that purpose, especially after each FATF plenary meeting.
- 7- Verifying that AML/CFT programs are implemented across the financial group and cover all branches and majority-owned subsidiaries of that group. These programs should include the following measures:
 - a- Policies and procedures for sharing information on customer due diligence and ML/FT risk.
 - b- The obligation to provide customer, account, and operation information from branches and majority-owned subsidiaries at the group level, when necessary for AML/CFT purposes, including analysis reports and reports on activities that appear unusual. Similarly, the branches and subsidiaries should receive, at the group level, such information from the Compliance Officer, as relevant and appropriate to risk, analysis of information, reports, and unusual operations.
 - c- The need to put in place adequate safeguards on the confidentiality and use of information exchanged, of which to prevent informing or tipping off the customer.

Eleventh: Specialized Lending Entities must set and keep up-to-date a centralized data repository for the information collected on money laundering and terrorist financing operations, which includes, at least, the names circulated by the SIC,

and those of the holders of suspicious accounts reported by the Specialized Lending Entity.

Twelfth: Specialized Lending Entities are required, as far as each is concerned:

- 1- To review constantly, through available software, any update on the website of the General Directorate of Internal Security Forces (www.isf.gov.lb) in relation to the names designated on the national list of natural persons, legal persons, and entities involved in terrorism or terrorist financing; and to implement without delay the SIC decisions on freezing the funds or accounts or operations, including attempted ones, relating to these names, or other assets that are owned or controlled (directly or indirectly, jointly...) by these names; and to provide the SIC, within 48 hours at most, with evidence on this action, and with the information available in this respect.
- 2- To notify the SIC in case of similarity between the name of a customer and any designated name and details included in the national list mentioned in this Subparagraph (1) of Paragraph Twelfth.

Thirteenth: Specialized Lending Entities are required:

- 1- To impose, when hiring employees, high standards for honesty, integrity, and skills.
- 2- To provide ongoing training to employees, and to involve concerned officers and employees in seminars, workshops, and lectures, so as to keep them abreast of the latest AML/CFT methods.
- 3- To request their staff, subject to liability, not to inform customers when the SIC investigates or scrutinizes their operations, until the SIC issues a decision to this effect.
- 4- To adopt, as a minimum, for Lebanese Specialized Lending Entities' branches and majority-owned subsidiaries operating abroad, the measures specified in this Decision. In case this proves impossible due to a conflict with the provisions of the binding laws and regulations in force at the location of the branch or subsidiary, appropriate additional measures to manage ML/TF risks should be applied and the SIC informed thereof.

- 5- To verify, when relying on a third party, that the latter is regulated and supervised, and meets the FATF due diligence and record-keeping criteria; to ensure also that the information needed to identify the customer and the beneficial owner and to understand the nature of the business, as well as copies of identification data and other relevant documentation relating to the CDD requirements will be made available from the third party immediately and without delay. In all cases, the ultimate responsibility for CDD measures remains with the party relying on the third party, whether the third party is located inside or outside Lebanon, taking into consideration, upon such reliance, risk mitigation measures, in particular for risks associated with countries that do not or insufficiently apply the FATF Recommendations.
- 6- To identify and assess the ML/TF risks that might arise in relation to the development of new products and new business practices, including new service delivery mechanisms, and in relation to the use of new or developing technologies for both new and pre-existing products. A risk assessment should also take place prior to the launch or use of these products or business practices or technologies, and appropriate measures taken to manage and mitigate those risks.
- 7- To apply FATF Recommendation 7 in terms of conducting the necessary reviews and freezing immediately the related funds or accounts or operations, including attempted ones, or other assets; to provide the SIC, within 48 hours at most, with evidence on this action and with the information available in this respect; and in case of similarity to notify the SIC and assess the associated risks.
- 8- To provide the SIC with a copy of the annual report prepared by the external auditor, on verifying the AML/CFT measures implemented at the concerned Specialized Lending Entity, and assessing their efficiency.

Fourteenth: Specialized Lending Entities must consider for indicative purposes only, that the indicators listed below, if not justified, point out to the possible existence of ML/FT offences:

- Repaying the loan with one single payment shortly after it was obtained.
- Repaying the loan through transfers from third parties.
- The volume of the payments used to repay the loan is inconsistent with the customer's financial situation.
- The type and value of the loan are inconsistent with the customer's needs or are different from other loans previously granted at the customer's request.
- Requesting to transfer the loan to accounts outside Lebanon.
- No apparent relationship between the loan's beneficial owner and the applicant.
- The sources of the loan payments are unclear.
- The customer's readiness to pay unusual expenses to obtain the loan.
- The customer makes unjustified inquiries, particularly on the controls in place.
- Cancelling the loan request as soon as additional documents or information are requested from the customer.

Article 13:

Specialized Lending Entities must verify, on a periodical basis, the qualifications and ethics of their employees, and enroll them in ongoing training sessions related to credit, or verify that they obtain specialized certificates in this respect such as the certificates required for employees working in the area of credit and retail loans, specified in BDL Basic Decision 9286 of 9 March 2006 attached to Basic Circular 103.

Article 14:

Specialized Lending Entities must submit to the Money Services Businesses Department at Banque du Liban and the Banking Control Commission, on a CD, as per the Forms to be issued later on, a copy of:

- Their financial statements, on a quarterly basis, within ten days from their closing date.
- The Profit and Loss Statement, on an annual basis, within six months from the end of the fiscal year.

Article 14 bis¹:

Specialized Lending Entities shall submit, on a half-yearly basis:

- To the Money Services Businesses Department at Banque du Liban, a soft copy on a CD by using the software provided by that Department, in addition to a hard copy of the position of outstanding loans prepared as per Annex 1 to this Decision, within 15 days from their closing date.
- To the Banking Control Commission (BCC), a hard copy of Annex 1.

Article 15:

Specialized Lending Entities are required:

First: To submit to the Legal Department at Banque du Liban, annually and by the end of April, a duly signed original copy, and also to the Banking Control Commission and the Money Services Businesses Department, a copy of the documents below:

a- For joint-stock companies:

- 1- The annual report of the Board of Directors submitted to the annual Shareholder's Ordinary General Assembly.
- 2- The annual report of the external auditors submitted to the same Assembly and prepared as per Article 175 of the Code of Commerce.
- 3- The Board of Directors' special report submitted to the General Assembly as per Article 158 of the Code of Commerce, and which should include, inter alia:
 - An overview of how to implement the agreements previously concluded with the members of the Board.
 - A comprehensive overview of the agreements requiring an authorization.
- 4- The special annual report of the external auditors specified in Article 158 of the Code of Commerce.

¹- This Article was added pursuant to Article 4 of Intermediate Decision 12800 of 2 May 2018 (Intermediate Circular 490).

- 5- The minutes of the annual Ordinary General Assembly and its attendance sheet, authenticated by the Secretariat of the Commercial Register, if it includes the election of new Board members.
 - 6- Where applicable, the minutes of the Board's meeting, authenticated by the Secretariat of the Commercial Register, if they include the election of the Board's Chairman, or the tenure or appointment of the Chairman's Assistant General Manager.
 - 7- A list, signed by the Board's Chairman, with the names of the Chairman and members of the Board for the current year, those of the major shareholders, the Chairman's Assistant General Manager, the managers, and the assistant managers, including the following information:
 - Name, surname, and nationality for each.
 - Companies of all kinds in which any of them is a partner or chairman, the type of these companies and the nature of the relationship (Board Chairman- Board member- manager- major shareholder- partner- active partner- etc.)
 - 8- A police record issued within the last three months, for each of the Board members, assistant general managers, managers, and external auditors.
 - 9- Where applicable, a declaration signed by the Board Chairman and members elected for the first time, stating that they have read the provisions of Articles 166 to 171 of the Code of Commerce relating to the Board members' individual or joint, civil or criminal liability.
- b- For partnerships limited by shares:
- 1- All the documents specified in subparagraphs 1, 2, 3 and 4 of Paragraph (a) above, provided the expression "Board of Directors" is replaced, wherever stated, with "partner or active partners".
 - 2- The minutes of the annual Ordinary General Assembly and its attendance sheet, authenticated by the Secretariat of the Commercial Register, and approved by all active partners, where applicable, if the assembly included the appointment or dismissal of the manager.

- 3- A list, signed by the active partners or appointed managers, if any, with the names of all active partners, major shareholders, managers, and assistant managers, including the information specified in Paragraph (a-7) above.
 - 4- A police record, issued within the last three months, for each of the active partners, managers, and external auditors.
- c- For limited partnerships and general partnerships:
- 1- The annual budget audited by a certified public accountant (CPA) or external auditors, as the case may be.
 - 2- The decision appointing the accountants or external auditors, as the case may be.
 - 3- A police record issued within the last three months, for each of the partners in the general partnership, active partners in the limited partnership, and for managers and accountants.
 - 4- A list signed by the person in charge of managing the company, with the names of partners and managers, including the name, surname, and nationality of each.
 - 5- Where applicable, the authorization granted by the partners to the persons in charge of managing the company, in accordance with Articles 59 and 60 of the Code of Commerce.
- d- For institutions established as sole proprietorship:
- 1- The annual budget audited by a certified public accountant (CPA).
 - 2- The decision appointing the accountant.
 - 3- A police record, issued within the last three months, for the owner of the sole proprietorship, its managers and accountant.

Second: In case of change in the situation of any of the persons specified in Paragraph “First” of this Article, to provide the BDL Legal Department immediately with a duly signed original copy of the documents listed in Paragraph “First”

in relation to the concerned person, as well as a copy thereof to the Banking Control Commission and Money Services Businesses Department.

Third¹: To provide the Money Services Businesses Department, annually by the end of April, with a soft copy on a CD provided by that Department, as well as a hard copy of the following tables:

- 1- An identification card for the Specialized Lending Entity as per Annex 2.
- 2- Information on the partners as per Annex 3.
- 3- A list of the employees by responsibilities and administrative structure, as per Annex 4.

Article 16:

Specialized Lending Entities operating in Lebanon shall disclose to the Central Office for Credit Risk the facilities granted to their customers, regardless of their value, as per the provisions of Articles 2 and 3 of Paragraph “First” of the Regulations of the Central Office for Credit Risk.

To this end, and as far as each is concerned, Specialized Lending Entities are subject to the provisions, instructions, and indications specified in the Regulations of the Central Office for Credit Risk, with respect to identification cards and disclosure of obligations.

Article 17:

Specialized Lending Entities abiding by the provisions of Basic Decision 11948 of 12 February 2015, and whose situation is inconsistent with the provisions of this Decision, are granted a time limit of:

- 1- One year from the issuance date of this Decision to abide by the provisions of Articles 3, 4, and 13 thereof.
- 2- Six months from the issuance date of this Decision to abide by its remaining provisions. Any institution that is unable to abide by these provisions within the period specified in this Paragraph (2) may exceptionally refer to Banque du Liban in this regard.

¹- This Paragraph was added pursuant to Article 5 of Intermediate Decision 12800 of 2 May 2018 (Intermediate Circular 490).

Article 18:

Upon the expiration of the six-month period specified in Article 17 (2) above:

- Banque du Liban shall issue a list with the names of the Specialized Lending Entities that have received the Registration Notice specified in Article 11 above, and that abide by the provisions of Basic Decision 11948 of 12 February 2015, and the provisions of this Decision.

Banque du Liban shall publish this list in the Official Gazette in November of each year, as well as any amendment thereto.

- Banque du Liban may withdraw the Registration Notice issued to any Specialized Lending Entity that does not abide by the provisions of this Decision or that ceases to operate for twelve consecutive months, thus striking it off the aforementioned list.
- Specialized Lending Entities or any other institution that is not designated on the aforementioned list shall not be entitled to undertake lending operations, under penalty of implementing the provisions of Article 200 of the Code of Money and Credit.

Article 19:

The Banking Control Commission shall ensure the sound implementation of the provisions of this Decision.

Article 20:

This Decision shall enter into force upon its issuance.

Article 21:

This Decision shall be published in the Official Gazette.

Beirut, 21 November 2016

The Governor of Banque du Liban

Riad Toufic Salamé

Occupation					n				Method	Days of Delay
Military	Agricultural	Real estate insurance	Male	Simple	Monthly	LBP	Lebanese	Beirut	Cash	31-60 days
Private sector employee	Industrial	Vehicles	Female	Compound	Quarterly	USD	Syrian	Baabda District - Mount Lebanon Governorate	CET	61-90 days
Public sector employee	Commercial	Jewelry			Annually	Euro	Egyptian	Byblos District - Mount Lebanon Governorate	Bank Account	91-120 days
Contractual employee	Hospitalization Social (marriage, house furniture, etc.)	Personal guarantee					Palestinian	Chouf District - Mount Lebanon Governorate		121-180 days
Student		Bonds					Iraqi	Aley District - Mount Lebanon Governorate		Above 181 days
Housewife	Academic	Shares					Other	Keserwan District - Mount Lebanon Governorate		
Institution	Sports	Mortgage of equipment						Metn District - Mount Lebanon Governorate		
Retiree	Handicrafts	Mortgage of goods in storage						Zahle District - Bekaa Governorate		
Daily worker	Artistic	Unsecured Loans						Baalbeck District - Bekaa Governorate		
Liberal professional		Life insurance						West Bekaa District - Bekaa Governorate		
								Rachaya District - Bekaa Governorate		
								Hermel District - Bekaa Governorate		
								Sidon District - South Governorate		
								Jezzine District - South Governorate		
								Tyre District - South Governorate		
								Nabatieh District - Nabatich Governorate		
								Bint Jbeil District - Nabatich		

Governorate
Hsabaya District - Nabatieh Governorate
Marjaayoun District - Nabatieh Governorate
Tripoli District - North Governorate
Batroun District - North Governorate
Bsharri District - North Governorate
Zgharta District - North Governorate
Akkar District - North Governorate
Koura District - North Governorate
Menyeh-Doniyeh District - North Governorate

Annex 2¹

Specialized Lending Entities' Identification Card

No of Specialized Lending Entity on BDL List	
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	Arabic	English
Name of Specialized Lending Entity		

Phone Number		

Email		

Head office Address		
Branches Address		

Branches Phone Numbers, If Any	
Branch	Phone Number

Legal Form	
Date of Establishment	
Date of Registration	
Place of Registration	
No at Commercial Register	
Registration Notice Date	
Capital	

Partners				
Name	Position in the Company	Share %	Number of Shares	Price of Share

Lawyer	
Name	Phone Number

Compliance Officer	
Name	Phone Number/Email

	Phone Number	Email
Internal Auditor		
External Auditor		

Below are Tables with possible options for filling the cells above

¹-This Table was added pursuant to Intermediate Decision 12800 of 2 May 2018 (Intermediate Circular 490).

Annex 4¹

Information on the Company's Partners (a similar card shall be filled for each partner separately)

No of Specialized Lending Entity on BDL List	
Name of Specialized Lending Entity	
Partner's Name	
Sex	
Father's Name	
Mother's Name and Surname	
Place of Birth	
Place of Registration	
District	
Register Number	
Marital Status	Single/Married/Widowed/Divorced
Spouse Name	
Country of Residence	
Residential Address	
Phone Number 1	
Phone Number 2	
Level of Education	Location
Elementary	
Secondary	
Baccalaureate	
Bachelor's Degree	
Postgraduate	
Specializations	
PhD	
Other	

Professional Experience			
Work Location	From	To	Position

¹- This Table was added pursuant to Intermediate Decision 12800 of 2 May 2018 (Intermediate Circular 490).

Financial Status	
Movable Assets	
Banks	Cash
Real Estate	
Real Estate Number	Area
Shareholdings	

Below are Tables with possible options for filling the cells above

Below are Tables with possible options for Annexes 2-3-4

Position
Partner
Active Partner
Shareholder
Board Chairman-General Manager
Board Member
Authorized Signatory
Manager
Treasurer
HR Manager
Compliance Officer
IT
Marketing Manager
Employee