

Banque du Liban

Basic Circular No 109 addressed to Banks, and to Financial Institutions and Lebanese or Foreign Institutions and Companies that are authorized to issue credit, debit or charge cards

Attached is a copy of Basic Decision 9668 of August 9, 2007 relating to the Electronic Settlement System of credit, debit, or charge cards issued on the Lebanese market and used on the devices of local points of sale.

Beirut, August 9, 2007

The Governor of the Banque du Liban

Riad Toufic Salamé

BANQUE DU LIBAN

Basic Decision No 9668

**Electronic Settlement System of credit, debit, or charge cards,
issued on the Lebanese market and used on the devices of local points of sale**

**The Governor of the Banque du Liban,
Pursuant to the Code of Money and Credit, particularly Articles 70 and 174 thereof,
Pursuant to Law 133 of October 26, 1999, on the tasks of the Banque du Liban,
Pursuant to Basic Decision No 7299 of June 10, 1999 and its amendments, relating to
ATMs, credit and debit cards, particularly Article 5 thereof, and
Pursuant to the Decision of the Central Council of the Banque du Liban, taken in its
meeting of August 8, 2007,**

Decides the following:

Article 1:

The Regulations that are attached to this Decision and that govern the Electronic Settlement System established at the Banque du Liban, for credit, debit and charge cards issued on the Lebanese market and used on the devices of local points of sale, shall hereby become effective.

Article 2¹:

This Decision and the attached Regulations shall be enforced as of January 1, 2008.

Article 3:

This Decision and the attached Regulations shall be published in the Official Gazette.

Beirut, August 9, 2007

The Governor of the Banque du Liban

Riad Toufic Salamé

¹- This Article was amended by Article 1 of Intermediate Decision 9750 of November 3, 2007 (Intermediate Circular 151).

**Regulations governing the Electronic Settlement System of credit, debit, or charge cards,
issued on the Lebanese market and used on the devices of local points of sale (POS)**

Definitions: For the purpose of implementing these Regulations, the following expressions shall be construed as:

Card: A credit, debit or charge card issued on the Lebanese market.

Delegated

Institution: An institution that may be delegated by any company issuing credit, debit or charge cards, for transmitting the below-mentioned electronic payment messages and ensuring that the debit balance resulting from the settlement transaction is covered in case of a participant's failure, provided the said institution is authorized to open accounts at the Banque du Liban.

Participants: Banks, financial institutions, or any Lebanese or foreign institution authorized to issue cards, according to the provisions of the laws and regulations in force.

Article 1:

The Electronic Settlement System is established at the Headquarters of the Banque du Liban. Participants' accounts are settled through this System, following the use of cards on the devices of local points of sale.

Article 2:

The settlement mentioned in Article 1 above and regulated by the provisions of this Decision is mandatory for companies issuing credit, debit or charge cards, and for participants.

Article 3:

Companies issuing credit, debit or charge cards are required:

- a- To take all technical measures needed to complete the transactions specified in Article 1 above.
- b- To submit a mandate granted by each participant to the Banque du Liban for recording all necessary entries concerning the settlement transactions specified in Article 1 above, in accordance with the attached Annex.

Article 4:

The settlement specified in Article 1 above shall be carried out through credit deposit accounts held by the participants and opened in Lebanese pounds and US dollars in the books of the BDL Headquarters in Beirut.

Article 5:

In order to carry out the settlement specified in Article 1 above, companies issuing credit, debit or charge cards must communicate electronic payment messages for each currency separately, either directly to the Banque du Liban or through the delegated institution, provided these companies remain accountable for the veracity and accuracy of the information contained in the said messages.

Article 6:

The Banque du Liban shall receive, before 11:00 a.m. on working days, the electronic payment messages specified in Article 5 above, as carried out in Lebanese pounds and US dollars. Based on these messages, the settlement shall be effected the same day at noon.

Article 7:

In case of any defect or sudden failure preventing the transmission of electronic payment messages, these shall be communicated before 11:30 a.m. to the Banque du Liban's Department of Current Operations, through any of the secure electronic means previously agreed upon with the Banque du Liban. In all cases, the settlement transaction must be carried out by 12:a.m at the latest.

Article 8:

Companies issuing credit, debit or charge cards, or the delegated institution must:

- 1- Request the opening of an account at the Banque du Liban for the settlement currencies.
- 2- Freeze in their accounts at the Banque du Liban, for each settlement currency, a designated amount to cover any debit balance resulting from the settlement specified in Article 1 above, in case participants fail to pay such balance.

The Banque du Liban shall determine the amount to be frozen by each company issuing credit, debit or charge cards, or by the delegated institution, provided the said amount is reconstituted at the end of each working day in case it falls below the limit set by the Banque du Liban.

- 3- Pay the operating costs and expenses incurred by the Banque du Liban for executing, according to the rules it sets, the settlement operations stipulated in Article 1 above, based on the number of received electronic payment messages.

Article 9:

- 1- Participants must, on each working day before 10:00 a.m., constitute a full reserve in their LBP and USD accounts that are used in the Electronic Settlement System and opened for that purpose.
- 2- In case participants fail to provide a sufficient reserve to cover the debit balance in Lebanese pound or US dollar, the said balance is deducted from the amount frozen as a security and specified in Article 8, Par. 2.

However, in all cases, companies issuing credit, debit or charge cards remain liable towards the Banque du Liban in case the participants or the delegated institution fail to cover the debit balance.

Article 10:

Companies issuing credit, debit or charge cards, or the delegated institution, must provide the Banque du Liban's Department of Current Operations with the names, positions, and phone numbers of the coordinators, users and persons in charge of the settlement operations specified in Article 1 above, and must, in due time, notify the said Department of any change in this information.

Article 11:

When converting an amount from and into Lebanese pounds, the adopted exchange rate shall be the prevailing rate on the Lebanese market plus one Lebanese pound (LBP 1.00) on the day the card payment has been carried out on the POS device in Lebanon.

Article 12:

In case a participant and the delegated institution fail to fulfill the obligations imposed by these Regulations, they may be subjected to the administrative penalties stipulated in Article 208 of the Code of Money and Credit.

Banque du Liban

Electronic Settlement System for POS Transactions (ESPT)

Annex to

Basic Decision Noof

Mandate to operate an account

To the Banque du Liban

Through: (Name of the company issuing credit, debit or charge cards)

The bank (name of the Bank) grants you, on its full responsibility, an irrevocable mandate to record in its accounts opened in any currency at your institution, and after computing the exchange rate where applicable, any amount owed to or due by it in any currency and indicated on the electronic payment messages sent by the companies issuing credit, debit or charge cards, or by the delegated institution, as a result of or in relation to using the card in local points of sale in accordance with the provisions of Basic Decision No.....of.....

In certification of the accuracy of the above-mentioned information

Chairman of the Board	Seal