

**BANQUE DU LIBAN**

**Basic Circular No 113**

**Addressed to Banks**

Attached is a copy of Basic Decision No 9763 of November 9, 2007, on Compulsory Cash Reserve and Minimum Required Special Reserve of Islamic Banks and their Required Investments.

Beirut, November 9, 2007

The Governor of the Banque du Liban

Riad Toufic Salamé

# BANQUE DU LIBAN

## Basic Decision No. 9763

### On Compulsory Cash Reserve and Minimum Required Special Reserve of Islamic Banks and their Required Investments

The Governor of the Banque du Liban,

Pursuant to the Code of Money and Credit, particularly the provisions of Article 70, 76, 77, 78 and 174 thereof,

Pursuant to the provisions of Article 4 of Law 575 of February 11, 2004 on the Establishment of Islamic Banks in Lebanon, and

Pursuant to the Decision of the Banque du Liban Central Council taken in its meeting of November 7, 2007,

Decides the following:

#### **I- Compulsory cash reserve against Islamic banks' liabilities in Lebanese pound**

##### **Article 1:**

Islamic banks operating in Lebanon must build a compulsory cash reserve at the Banque du Liban against their total liabilities in Lebanese pound, as specified in the attached Form RO-21. The reserve ratio shall be as follows:

- a- 25% of the weekly average of total sight liabilities.
- b- 15% of the weekly average of total time liabilities.

##### **Article 2:**

Islamic banks operating in Lebanon must provide the BDL Statistics and Economic Research Department weekly with a statement on the average of their Lebanese-pound-denominated liabilities subjected to compulsory reserve. Prepared according to the afore-mentioned Form RO-21, this statement shall cover a weekly computing period from Thursday to the next Wednesday included, and shall be submitted by the Saturday that follows this period.

#### **II- Minimum ratio of required special reserve for restricted investment accounts at Islamic banks in Lebanese pound:**

##### **Article 3:**

Islamic banks operating in Lebanon must build a special cash reserve at the Banque du Liban, at a minimum ratio of 15% of the weekly average of their total time-restricted investment accounts.

**Article 4:**

Islamic banks are required to provide, each week, the BDL Statistics and Economic Research Department with a statement on the weekly average of their total time-restricted investment accounts. Prepared according to the attached Form RO-21, this statement must be submitted by Saturday, following the Wednesday that ends the computing period.

**III- Required investments in foreign currencies by Islamic banks at the Banque du Liban:**

**Article 5:**

Islamic banks operating in Lebanon must deposit at the Banque du Liban 15% of their foreign-currency-denominated items, specified in the attached Form RO-20.

**Article 6:**

Islamic banks are required to provide, each week, the BDL Statistics and Economic Research Department with the Form RO-20 mentioned in Article 5 above. This Form must be submitted by the Saturday following the Wednesday that ends the computing period.

**Article 7:**

For each of the seven major foreign currencies specified in Form RO-20, the weekly average of the items specified in Article 5 above shall be computed according to the BDL official closing price on Wednesday, end of the computing period.

**Article 8:**

The 15% proportion, specified in Article 5 above, may be deposited in any of the seven major foreign currencies mentioned in Form RO-20.

**IV-Miscellaneous Provisions:**

**Article 9:**

The ratios stipulated in this Decision shall be computed according to the time limits and the computing method applied to compulsory cash reserves in Lebanese pound, as stipulated in Article 4 of Basic Decision 7835 of June 2, 2001.

**Article 10:**

In case actual reserves fall below the required level, the provisions of Article 6 of Basic Decision 7835 of June 2, 2001 shall apply to Islamic banks.

**Article 11:**

In case required investments fall under the ratios specified in Articles 3 and 5 above, the provisions of Articles 3 and 4 of Basic Decision 7926 of September 20, 2001 shall apply to Islamic banks.

**Article 12:**

In case the situation of any Islamic bank requires special measures, the Banque du Liban may apply rules other than those stipulated in this Decision.

**Article 13:**

Islamic banks must obtain from the BDL Banking Department a diskette including all forms of statements and tables specified in this Decision.

**Article 14:**

In addition to the provisions of this Decision, Islamic banks are governed, unless otherwise provided for, by all provisions, regulations and principles applicable to non-Islamic banks.

**Article 15:**

This Decision shall enter into force on Thursday, January 3, 2008.

**Article 16:**

This Decision shall be published in the Official Gazette.

Beirut, November 9, 2007

The Governor of the Banque du Liban

Riad Toufic Salamé

Islamic banks' liabilities in foreign currencies subjected to Basic Decision No -----

Bank's Number: .....

Bank's Name: .....

**Form RO-20 - Average of the accounting week ending on .../.../...**

Account number in Islamic banks' balance sheet (Form 3010)		Valued in thousands of USD								
		US Dollar	Euro	British Pound	Swiss Franc	Canadian Dollar	Australian Dollar	Japanese Yen	Other Currencies	Total
201000	Issuing institutions- Non-resident									
202000	Including: non-resident banks- resident and non-resident financial institutions (1)									
203000	Branches abroad									
204000	Parent institution, resident and non-resident sister companies and subsidiaries, except for resident banks									
205000	Public sector accounts									
206000	Investment accounts- clients- resident and non-resident									
207000	Partners' credit accounts- resident and non-resident									
207900	Less: accounts for covering losses from receivables									
209000	Issued financial instruments- resident and non-resident									
209800	Less: non accrued current charges									
211000	Payables-resident and non-resident									
212110	Various creditors, private sector-resident and non-resident									
212300	Payable financial instruments-resident and non-resident									
322000	Liabilities of restricted investment accounts									
999999	<b>TOTAL</b>									

1-This amount represents a portion of the amount included in Item 202000 - banks and financial institutions- Form 3010

Officer's name: ..... Signature: .....

Fax No: .....

**Islamic banks' liabilities in Lebanese pound subjected to Basic Decision No -----**

**Bank's Number:** .....

**Bank's Name:** .....

**Form RO-21 - Average of the accounting week ending on .../.../...**

Islamic banks' liabilities in Lebanese pound subjected to compulsory cash reserves

Account No in banks' position (Form 3010)		In thousands of LBP		
		Sight liabilities	Term liabilities	TOTAL
201000	<b>Issuing institutions- Non-resident</b>			
202000	<b>Including: non-resident banks-resident and non-resident medium and long-term credit banks-resident and non-resident financial institutions (1)</b>			
203000	<b>Branches abroad</b>			
204000	Parent institution, resident and non-resident sister companies and subsidiaries, except for resident commercial banks			
205000	<b>Public sector accounts</b>			
206000	<b>Investment accounts- clients- resident and non-resident</b>			
207000	<b>Partners' credit accounts- resident and non-resident</b>			
207900	Less: accounts for covering losses from receivables (2)			
209000	<b>Issued financial instruments- resident and non-resident</b>			
209800	Less: non accrued current charges			
211000	<b>Resident and non-resident payables</b>			
212110	<b>Various creditors, private sector-resident and non-resident</b>			
212300	<b>Payable financial instruments-resident and non-resident</b>			
299999	<b>Total liabilities (in thousands of LBP)</b>			

**Restricted investment accounts in Lebanese pound subjected to the minimum ratio of special reserve**

<b>322000</b>	Liabilities of restricted investment accounts			
<b>999999</b>	<b>Total liabilities and restricted investment accounts (in thousands of LBP)</b>			

1-This amount represents a portion of the amount included in item 202000- banks and financial institutions- Form 3010

2- Account No 207900 is reduced of the time liabilities.

Officer's name: ..... Signature: .....

Fax No: .....