

BANQUE DU LIBAN

Basic Circular No 83

Addressed to Banks and Financial Institutions

Attached is a copy of Basic Decision¹ No. 7818 of 18 May 2001 and the Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing (AML/CFT)² attached thereto.

Beirut, 18 May 2001

The Governor of Banque du Liban

Riad Toufic Salamé

Old Number: 1912

¹- Pursuant to the provisions of Article 2 of Intermediate Decision No 8488 of 17 September 2003 (Intermediate Circular No 35), banks and financial institutions must communicate this Decision and the attached Regulations to their external auditors.

²- The title of these Regulations was modified pursuant to Intermediate Decision No 10622 of 30 December 2010 (Intermediate Circular No 241), while it read initially: "Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering".

Basic Decision No 7818

Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing (AML/CFT)¹

The Governor of Banque du Liban,

Pursuant to the provisions of Law No 318² of 20 April 2001 (Fighting Money Laundering), in particular Article 5 thereof, and

Pursuant to the Decision of the Central Council of Banque du Liban, taken in its meeting of 16 May 2001,

Decides the following:

Article 1:

The “Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing”¹ attached to this Decision shall hereby become effective.

Article 2:

The following shall be repealed:

- 1- Paragraph 2 of Article 1 of Basic Decision No 6349 of 24 October 1996, attached to Basic Circular No 29 of 24 October 1996 to banks and financial institutions.
- 2- Decision No 7511 of 21 January 2000, attached to Circular No 1792³ of 21 January 2000 to banks.

Article 3:

This Decision and the attached Regulations shall come into force upon their issuance.

Article 4:

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

Beirut, 18 May 2001

The Governor of Banque du Liban

Riad Toufic Salamé

¹- The title of these Regulations was modified pursuant to Intermediate Decision No 10622 of 30 December 2010 (Intermediate Circular No 241), while it read initially: “Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering”.

²- This Law shall be deemed replaced pursuant to Law No 44 of 24 November 2015.

³- The number of the Circular is given according to the old numbering system.

Regulations on the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing (AML/CFT)¹

Article 1:

These Regulations are set under the provisions of Law No 318² of 20 April 2001 on Fighting Money Laundering.

Banks must control their operations with customers in order to avoid any involvement in money laundering or terrorist financing operations, by following at least the rules set out in these Regulations.

Section I: Relationship with foreign correspondent banks abroad

Article 2³:

The bank shall not enter in, or pursue a correspondent banking relationship with a shell bank. When establishing a relationship with a correspondent bank abroad, the bank must ascertain that the correspondent bank really exists, based on submitted documentary evidence, that it does not deal with shell banks, has a good reputation, is subject to a sound control, and implements sufficient and effective procedures to fight money laundering and terrorist financing.

In addition to the foregoing, the bank must implement the following measures:

- 1- Obtain the approval of the Senior Executive Management prior to establishing new correspondent relationships.
- 2- Verify the nature of the business of the foreign respondent bank.
- 3- Determine the respective responsibilities of both the bank and the foreign respondent bank.
- 4- With regard to payable-through accounts opened by foreign correspondent banks, to take adequate steps to be satisfied that these banks have conducted the due diligence measures towards customers having direct access to the accounts of the correspondent bank, and to verify that these banks are able to provide, upon request, the relevant due diligence information.

¹- These Regulations were replaced pursuant to Article 1 of Intermediate Decision No 10622 of 30 December 2010 (Intermediate Circular No 241).

²- This Law shall be deemed replaced pursuant to Law No 44 of 24 November 2015.

³- The last amendment to this Article was made pursuant to Article 1 of Intermediate Decision No 13093 of 7 August 2019 (Intermediate Circular No 523).

Section II: Relationship with customers and due diligence measures

Article 3:

- 1- ¹ The following expressions shall mean:
- **Customer**: any natural or legal person, whether a company or a partnership 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 a transaction is 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.

- 2- As far as each is concerned, banks must refrain from keeping anonymous accounts or accounts in fictitious names. They must adopt clear procedures for account opening and conduct due diligence measures, such as verifying the identity of their permanent and transient customers, whether resident or non-resident, and identifying the nature of their business, understanding the ownership structure and/or control over the legal person, understanding the purpose and nature of the business relationship and/or the account opening, identifying the Beneficial Owner and the source of funds, and monitoring operations on a continuous basis, particularly in the following cases²:
- Prior to, or when dealing with a customer or opening any kind of account, including fiduciary accounts and numbered accounts.
 - Lending operations.
 - The conclusion of contracts for leasing bank safes.
 - Electronic funds transfers.
 - Cashier's operations totaling or exceeding USD 10,000 or its equivalent in any other currency.

Cashier's operations include cash payments made by the customer at the bank's counters (deposit of funds, exchange of currencies, purchase of precious metals, purchase of financial instruments in cash, cash subscription to vouchers at the counter, purchase of checks in cash, including traveler's checks, etc.).

¹- The last amendment to this Paragraph was made pursuant to Article 1 of Intermediate Decision No 12826 of 13 June 2018 (Intermediate Circular No 498).

²- The last amendment to the beginning of this Paragraph was made pursuant to Article 2 of Intermediate Decision No 13093 of 7 August 2019 (Intermediate Circular No 523).

2 bis- ¹Upon the identification of the Beneficial Owner, the same Due Diligence measures applicable to Customers shall apply, including those issued by the Special Investigation Commission.

3- ²The employee in charge of executing the operation must conduct the due diligence measures, including the verification of the customer's identity, regardless of the amount involved, if he/she notices that, on the same account or on multiple accounts held by the same person, several operations are being carried out for amounts that are separately less than the threshold specified in Paragraph (2) of this Article but whose aggregate value totals or exceeds USD 10,000 or its equivalent. The same identity verification must take place if the employee suspects a customer of attempting a money laundering or terrorist financing operation.

4- In order to verify the customer's identity, the employee in charge of executing the operation must request the following documents from the customer:

- a) In case the customer is a natural person: a passport, an identity card, an extract from the Civil Status Register, or a residence permit.
- b) In case the customer is a legal person: duly authenticated documents regarding its by-laws, registration certificate, and ownership structure, a list showing the distribution of equities or shares (directly or indirectly), the list of authorized signatories, in addition to a copy of the identity of its legal representative, directors, and natural persons holding directly or indirectly an interest that enables them to have effective control over the company.
- c) In case 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 identity documents of both the customer and the proxy. The due diligence measures specified in Paragraph 2 of Article 3 above shall also apply to the non-professional proxy.
- d) In case the operation is carried out by correspondence: an official authentication of the customer's signature on the same document or on a separate certificate. If the customer resides abroad, his/her signature authentication or identity verification may take place through a correspondent bank or affiliated bank, or through a branch or representative office of the concerned bank, or through another bank whose authorized signatures can be verified, provided that bank is subject to a sound control and adopts sufficient and effective AML/CFT procedures, and provided the first account-related operation is connected to an account held by the customer at a bank that is also subject to a sound control and implements sufficient and effective AML/CFT procedures.

The bank shall be liable for the accuracy of statements or information when it relies on a third party to identify customers and verify their identity.

¹- This paragraph was added pursuant to Article 3 of Intermediate Decision No 12826 of 13 June 2018 (Intermediate Circular No 498).

²- The last amendment to this paragraph was made pursuant to Article 3 of Intermediate Decision No 13093 of 7 August 2019 (Intermediate Circular No 523).

- 5- ¹The bank must keep information on the customer and the beneficial owner, in particular the full name, residential address, occupation and financial status, in addition to copies of all the documents used to verify the above-mentioned information and to the accounts files, for at least five years after closing the account or ending the business relationship. It must also keep all operations-related documents, including business correspondence and the results of any conducted analysis, for at least five years after performing the operation, in a way that these records constitute evidence, when needed, in case of prosecution for criminal act.
- 6- When the due diligence measures specified in Paragraph 2 of Article 3 cannot be applied to customers and beneficial owners in a satisfactory way, no account must be opened or relationship started or operation performed. The bank must also consider notifying the Special Investigation Commission (SIC) established pursuant to Law No 318² of 20 April 2001.
- 7- ³When opening numbered deposit accounts for their customers, in accordance with Article 3 of the Banking Secrecy Law of 3 September 1956, banks must exclusively utilize numbers and/or letters to identify these accounts, and refrain from utilizing pseudonyms; they must also conduct all relevant due diligence measures.

Article 4:

In case the bank suspects that the customer is not the beneficial owner or if the customer states that the beneficial owner is a third party, the bank must request from the customer a written statement that identifies the beneficial owner, particularly the latter's full name, residential address, occupation and financial status. The bank must keep a copy of this statement and of the beneficial owner's identity throughout the period indicated in Paragraph 5 of Article 3 above.

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 relationship between the customer and the proxy justifies that power of attorney.
- b) When the business relationship is conducted through numbered accounts or through front institutions/companies.
- c) When the customer's financial status is known to the employee executing the operation and the amount of the intended operation is inconsistent with the said financial status.
- d) When any other indicator draws the attention of the bank during the course of its business.

¹- The last amendment to this paragraph was made pursuant to Article 3 of Intermediate Decision No 13093 of 7 August 2019 (Intermediate Circular No 523).

²- This Law shall be deemed replaced pursuant to Law No 44 of 24 November 2015.

³- This paragraph was added pursuant to Article 4 of Intermediate Decision No 13093 of 7 August 2019 (Intermediate Circular No 523).

Article 5:

The bank must immediately notify the Governor of Banque du Liban in his capacity as Chairman of the Special Investigation Commission, whenever it holds evidence or suspects that the attempted or executed banking operation involves money laundering or the financing of terrorism or terrorist acts or terrorist organizations, particularly when:

- It has irrefutable suspicions about the veracity of the customer's written statement regarding the beneficial owner's identity, or that false or inaccurate information was given about that identity.
- It realizes that it was misled in the course of verifying the customer or beneficial owner's identity, and has persistent suspicions about the information provided by the customer.
- Transfers or checks are returned, directly or upon the request of concerned parties, particularly correspondent banks, due to forgery or to suspicions that they involve suspicious operations.
- It has reasonable grounds to believe that conducting due diligence measures will alert the customer to the bank's suspicions about the existence of a money laundering or terrorist financing operation. In this case, the bank is allowed not to pursue this process.¹

Article 5 bis²:

Banks must promptly notify the Special Investigation Commission of any procedures and measures they might take in accordance with applicable AML/CFT laws and regulations, in order to freeze or close any account held by a customer, or to refrain from dealing with that customer or from opening an account in the latter's name. Banks are also required to justify any such procedures and measures.

Article 6:

Banks must permanently conduct due diligence measures towards all customers, including the owners of accounts opened before the issuance of Law No 318³ of 20 April 2001, in order to modify or add to the adopted KYC (Know Your Customer) Form any information arising from any changes in the customer's status, especially in case of suspicions about the veracity or accuracy of previously provided information, or in case of subsequent changes in the customer or beneficial owner's identity. Therefore, in order to fulfill these obligations, each bank is required to set up working plans with precise dates.

¹- This paragraph was added pursuant to Article 5 of Intermediate Decision No 13093 of 7 August 2019 (Intermediate Circular No 523).

²- This Article was added pursuant to Intermediate Decision No 12874 of 19 September 2018 (Intermediate Circular No 508).

³- This Law shall be deemed replaced pursuant to Law No 44 of 24 November 2015.

Section III: Controlling certain operations and customers

Article 7:

- 1-¹ The bank must conduct enhanced due diligence measures, including to enquire from the customer about the source and destination of funds, the object of the operation, and the identities of both the beneficiary and the beneficial owner, when the operation is characterized by the following:
- a) The operation is carried out in exceptionally complicated circumstances. In this respect, the bank must assess the said circumstances, not only in relation to the nature and type of the operation, but also in relation to its apparent purpose.
 - b) The operation seems to have no economic rationale or legitimate purpose, especially when there is a discrepancy between the operation and the customer's occupation, or even between the operation and the customer's habits and personality.
 - c) When one of the operation's counterparties is a national or a resident of countries that do not apply or insufficiently apply the FATF Recommendations. This shall be verified through a periodic review of the FATF website, particularly after every FATF plenary meeting.

- 2-² The bank is required:

First: when accepting a cheque drawn on it by an exchange institution, or when executing a banking operation requested by an exchange institution on behalf of one of its customers, whether directly or indirectly, and if the value of the cheque or the operation is above USD 10,000 or its equivalent, to take the following measures:

- a) Ensure that it receives the notification specified in Paragraph 1, Article 9 of the Implementation Rules of the Law Regulating the Money Exchange Profession, attached to Basic Decision No. 7933 of 27 September 2001, which includes information about the cheque-related operation or the banking operation, particularly whether or not the cheque-related operation or the banking operation was executed against an amount received in cash by the exchange institution, in addition to information about the source and destination of funds, and the identity of both the beneficiary and the beneficial owner.
- b) Keep this notification for a five-year period.
- c) Request and obtain this notification directly from the concerned exchange institution, in case it has not yet received it when the check is submitted or when the banking operation is requested.

¹- The last amendment to this paragraph was made pursuant to Article 6 of Intermediate Decision No 13093 of 7 August 2019 (Intermediate Circular No 523).

²- This paragraph was amended pursuant to Article 1 of Intermediate Decision No 10792 of 22 August 2011 (Intermediate Circular No 277).

Second: when requested to execute a transfer resulting from an exchange operation or a cross-border transportation of cash and/or precious metals to a third person in Lebanon, regardless of the transferred amount:

- a) Ensure that it receives the notification specified in Paragraph 2, Article 9 of the Implementation Rules of the Law Regulating the Money Exchange Profession.
- b) Keep this notification for a five-year period.

3-¹ The bank must promptly inform Banque du Liban when an exchange institution fails to send any of the notifications specified in Paragraph (2) above.

4-² The bank is prohibited from:

- Opening any account for any exchange institution, before obtaining the approval of the Compliance Unit specified in Article 10 below.
- Opening accounts for exchange institutions or executing transfers upon the latter's request for purposes other than those specified in the Implementation Rules of the Law Regulating the Money Exchange Profession issued by Banque du Liban.
- Accepting or executing an exchange operation in favour of any exchange institution, unless the latter is one the customers of the concerned bank.

5-³ When issuing a chequebook in favour of an exchange institution, the bank must insert in all the cheques the expression "payable to the first beneficiary only".

Article 8:

Banks must, as far as each is concerned:

- a) Consider the following indicators in particular, and for indicative purposes only, as evidence of operations involving money laundering or terrorist financing:
 - 1- The exchange of big quantities of small-denomination bills for large-denomination bills of the same currency or of any other currency.
 - 2- Large or recurrent foreign exchange operations (cambio), by using cash funds.
 - 3- Certain movements in the customer's account, such as large or recurrent deposits unjustified by the customer's apparent activities.
 - 4- An account operated for the main purpose of transferring abroad, or receiving from abroad, sizeable amounts of money, while such operations are unjustified by the customer's activities.
 - 5- Large or recurrent operations related to a customer's offshore activities, and which appear to be inconsistent with the volume of the customer's activities.
 - 6- The replacement of large cash amounts by electronic transfer requests or by bank cheques.

¹- This paragraph was amended pursuant to Article 1 of Intermediate Decision No 10792 of 22 August 2011 (Intermediate Circular No 277).

²- This paragraph was added pursuant to Article 1 of Intermediate Decision No 10725 of 21 May 2011 (Intermediate Circular No 262).

³- This paragraph was added pursuant to Article 1 of Intermediate Decision No 10725 of 21 May 2011 (Intermediate Circular No 262).

- 7- A change in the pattern of deposit operations made by a customer exempted from filling the cash transaction slip (CTS).
 - 8- Large cash operations performed by a customer in the form of deposits and withdrawals, with insufficient personal identification.
 - 9- The fact of cashing or receiving cheques to the bearer issued abroad, or drawn to the order of a person but previously endorsed by persons other than the depositor, or cheques of different amounts that might be unrelated to commercial operations or are alleged to be resulting from gambling.
 - 10- Cash deposits and/or bank transfers followed by direct and numerous withdrawals.
 - 11- The existence of several accounts that are held by a single customer and are unjustified by the nature of the latter's activities, or the undertaking of numerous cash transfers between and through these accounts.
 - 12- The occurrence of cash deposits and/or bank transfers, while the customer's activities do not generate such a volume of funds.
 - 13- The fact of depositing bank/traveler's cheques in the account of a company/institution whose activities do not justify such deposits.
 - 14- Cash operations and/or bank transfers which appear unusual, considering the location of the branch.
 - 15- E-banking operations which appear unusual.
 - 16- ¹ Transfers between the accounts of an exchange institution and other accounts, in particular those held by any of the institution's owners, partners, shareholders, directors or authorized signatories or any of the family members of these persons (spouse, ascendants, descendants), especially if these transfers are followed by withdrawals.
 - 17- ² A cash deposit resulting from the sale of a real estate, followed by the withdrawal of the deposited amount or its transfer to the buyer or to any person designated by the buyer, under the pretext of cancelling the sale transaction.
- b) ³ To monitor, through the units and sections mentioned in Article 11 of these Regulations, the accounts opened and operations carried out, by utilizing specialized software programs for the control of accounts and operations that correspond to any of the above-mentioned indicators, based on customer profiling, and also to retrieve (daily, weekly, monthly, annual) reports on such accounts and operations.
- c) Take sufficient measures to prevent the misuse of technological developments for money laundering or terrorist financing purposes.

¹- This paragraph was added pursuant to Article 2 of Intermediate Decision No 10725 of 21 May 2011 (Intermediate Circular No 262).

²- This paragraph was added pursuant to Article 1 of Intermediate Decision No 12948 of 24 December 2018 (Intermediate Circular No 513).

³- The last amendment to this paragraph was made pursuant to Article 7 of Intermediate Decision No 13093 of 7 August 2019 (Intermediate Circular No 523).

Article 9:

Banks are required to:

First: Adopt a risk-based approach to classify customers and operations according to the following risk levels: low risk, medium risk and high risk. The following risks shall be taken into account, for indicative purposes only:

- 1- Customer risk:
 - a) ¹ Customers whose occupation relies mainly on cash (money exchange, gold and precious stones dealers, restaurants and night-clubs, real estate companies, car dealers, specialized lending entities known as “Comptoirs” (governed by the provisions of Articles 183 and 184 of the Code of Money and Credit), non-banking institutions performing electronic transfers of cash...).
 - b) ² Politically Exposed Persons (PEPs) according to the FATF definition.
 - c) Offshore companies.
 - d) Companies established in countries known to be tax havens.
 - e) The non face-to-face customers of the bank.
 - f) Customers dealing only through intermediaries.
 - g) Customers dealing through fiduciary contracts or trusts.
 - h) Companies whose capital is totally or partly constituted of bearer shares.
 - i) Customers who are nationals or residents of countries that do not apply or insufficiently apply the FATF Recommendations.
 - j) ³ Non-profit organizations (NPOs), particularly newly established NPOs that do not have clear programs or clear funding sources.
- 2- Country risk:
 - a) The strictness of AML/CFT laws, and the efficiency of the regulatory and judiciary authorities in charge of their implementation.
 - b) The existence of banking secrecy.
 - c) The situation of the country in terms of corruption and organized crime.
- 3- Service risk:
 - a) Private Banking.
 - b) Payable-through accounts, which are accounts opened by banks or financial institutions at other banks and put at their customers’ disposal to be used directly or through subaccounts.
 - c) Electronic Banking.

¹- This clause was amended pursuant to Article 1 of Intermediate Decision No 12255 of 4 May 2016 (Intermediate Circular No 421).

²- The last amendment to this paragraph was made pursuant to Article 8 of Intermediate Decision No 13093 of 7 August 2019 (Intermediate Circular No 523).

³- This clause was added pursuant to Article 2 of Intermediate Decision No 12255 of 4 May 2016 (Intermediate Circular No 421).

Second¹: Establish risk-based control measures and procedures, and at least adopt for customers and beneficial owners, for Politically Exposed Persons and their family members and close associates, as well as for operations classified as “high risk” according to risk scoring, the following enhanced measures and procedures:

- 1- To raise awareness about the importance and prioritization of increased supervisory examination, and to conduct enhanced ongoing monitoring of the business relationship.
- 2- To obtain more detailed information about customers and beneficial owners (Increased KYC Levels), in particular to determine the source of their wealth.
- 3- To obtain the approval of the Senior Management for establishing or pursuing a business relationship with customers and executing operations, in line with the specified risk level.
- 4- To review periodically the relationship with customers.
- 5- To make continuous peer comparisons.
- 6- To set up an adequate system in a way to determine whether the customer or beneficial owner is a Politically Exposed Person.

Third: Take into consideration the duration and the soundness of the business relationship with the customer.

Fourth: Use specialized software for performing controls in line with the adopted scoring.

Fifth: Adopt a special policy that is based on the obligations specified in this Article, in order to classify risks and determine control procedures to be applied by the concerned parties.

Article 9 bis²:

First: 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:

- 1- Identify each natural person who holds, whether directly or indirectly, 20% or more of the capital of the legal person.
- 2- In case of doubt as to whether the natural person(s) identified pursuant to Subparagraph 1 above is (are) the Beneficial Owner(s), or when no natural person holds 20% or more of the Customer’s capital, the natural person who exercises 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...).

¹- The last amendment to this paragraph was made pursuant to Article 9 of Intermediate Decision No 13093 of 7 August 2019 (Intermediate Circular No 523).

²- This Article was added pursuant to Article 4 of Intermediate Decision No 12826 of 13 June 2018 (Intermediate Circular No 498).

- 3- When no natural person is identified pursuant to Subparagraphs (1) and (2) above, reasonable measures shall be taken in order to identify and verify the identity of the persons holding senior management positions.

Second: 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:

- 1- With regard to 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 exercising an effective control over the trust through direct or indirect ownership or through other means.

The definitions stated in the glossary attached to the FATF 40 Recommendations shall be adopted to identify the persons mentioned in this Subparagraph 1.

- 2- With respect to other types of legal arrangements, including those arrangements similar to trusts, the persons holding positions similar to the positions specified in Paragraph Second, Subparagraph 1, shall be identified.”

Section IV- Committees and administrative units in charge of the control of operations for fighting money laundering and terrorist financing, and their tasks

Article 10¹:

Each bank operating in Lebanon is required to:

- 1- ²Establish an AML/CFT Board Committee composed of three Board members at least, according to the following conditions:
 - To appoint a Chairman to this Board Committee chosen among its members, provided he/she is independent and has the necessary expertise.
 - To determine the remunerations of the Chairman and members of this Board Committee.

¹- This Article was amended pursuant to Article 3 of Intermediate Decision No 10725 of 21 May 2011 (Intermediate Circular No 262).

²- This paragraph was amended pursuant to Article 3 of Intermediate Decision No 12255 of 4 May 2016 (Intermediate Circular No 421) whose Article 9 reads as follows: “Banks are granted a one-year time limit from the issuance date of this Decision to comply with the provisions of Article 3 thereof”.

Except for the Chairman, any member of the AML/CFT Board Committee may, simultaneously, serve as member of the Audit Committee or the Risk Committee or the Remuneration Committee (Cross membership).

The Chairman of the AML/CFT Board Committee may not delegate his/her powers to any other person.

- 2- Establish the AML/CFT Compliance Unit (hereafter the Compliance Unit). The Head of this Unit must have sufficient experience in fighting money laundering and must hold specialized certificates such as the CAMS-Certified Anti-Money Laundering Specialist, while its staff must have the required skills. The Unit must have the necessary resources to fulfill its duties.

- 3- ¹ Appoint, in each of its branches, an AML/CFT Branch Officer in charge of controlling the operations, who is not the director of the branch. This Officer must hold a high position, have professional and academic expertise, and be entrusted with independent functions, without performing any marketing activity and receiving any kind of incentives against this activity (bonuses, remunerations, grants ...).

The AML/CFT Branch Officer's performance shall be directly evaluated by the Head of the Compliance Unit who will communicate the results of the evaluation to the Human Resources Department and to the AML/CFT Board Committee ².

- 4- ³ Establish, within the Compliance Unit, two Divisions at least. The first Division shall oversee the Head Office and the branches in Beirut, while the second Division shall oversee all other branches in Lebanon. Each Division shall ascertain that operations control standards are implemented by the Head Office and the relevant branches, to ensure their compliance with AML/CFT regulations. In case a bank is unable to establish the above-mentioned Divisions, it may submit to the Governor of Banque du Liban, by 31 March 2015, alternative proposals based on justified grounds to be considered by the Central Council for proper decision.

¹- This paragraph was amended pursuant to Article 1 of Intermediate Decision No 11850 of 11 September 2014 (Intermediate Circular No 371) whose Article 6 reads as follows: "provided banks are granted a time limit ending on 31 March 2015 to comply with the provisions of this Decision".

²- This subparagraph was amended pursuant to Article 4 of Intermediate Decision No 12255 of 4 May 2016 (Intermediate Circular No 421) whose Article 9 reads as follows: "Banks are granted a one-year time limit from the issuance date of this Decision to comply with the provisions of Article 3 thereof".

³- This paragraph was added pursuant to Article 2 of Intermediate Decision No 11850 of 11 September 2014 (Intermediate Circular No 371) whose Article 6 reads as follows: "provided banks are granted a time limit ending on 31 March 2015 to comply with the provisions of this Decision".

Article 11:

The committees and administrative units established at banks are respectively required, as all other concerned officers at the bank, to comply with the procedures aiming at controlling, fighting and preventing money laundering and terrorist financing operations. These procedures shall include, for indicative purposes only, what follows:

- 1- ¹ Regarding the AML/CFT Board Committee mentioned in Paragraph 1 of Article 10 above:
 - a) To support the Board of Directors in its functions and supervisory role with respect to fighting money laundering and terrorist financing and understanding the related risks, and to assist it in taking the proper decisions in this regard.
 - b) To review, from a risk-based approach, the reports submitted by the Compliance Unit and the Internal Audit Unit on adopted procedures, unusual operations and high-risk accounts, regarding cash deposits and withdrawals, transfers, exemptions from filling Cash Transaction Slips (CTS) and the link between these operations and economic activities, and to also take the relevant decisions.

- 2- ² Regarding the Compliance Unit:
 - a) To prepare a procedure guide on the implementation of the AML/CFT Law and of the present Regulations, and to submit this guide to the Board Committee mentioned in Paragraph 1 of Article 10 above.
 - b) To prepare a customer identification form (KYC: Know Your Customer) that includes basic information to be provided about customers, in particular the information specified in Article 3 of these Regulations for indicative purposes only, and to submit this form to the Board Committee mentioned in Paragraph 1 of Article 10 above.
 - c) To verify the proper implementation and effectiveness of AML/CFT procedures and regulations.
 - d) To review periodically these procedures and regulations and to develop them in line with the latest adopted methods.
 - e) To prepare a staff training program on controlling financial and banking operations in order to fight money laundering and terrorist financing.
 - f) To monitor, when the operation totals or exceeds USD 10,000 or its equivalent, the adequacy of exemption procedures whereby some well-known customers are exempted from filling the cash transaction slip (CTS), and also to determine the exemption ceiling and to modify it according to developments in the customer's economic situation.
 - g) To ascertain that concerned employees are complying with the procedure guide on the implementation of AML/CFT legal and regulatory texts, and that the KYC Forms are filled, and to prepare reports to this effect.

¹- This paragraph was amended pursuant to Article 5 of Intermediate Decision No 12255 of 4 May 2016 (Intermediate Circular No 421) whose Article 9 reads as follows: "Banks are granted a one-year time limit from the issuance date of this Decision to comply with the provisions of Article 3 thereof".

²- This paragraph was amended pursuant to Article 6 of Intermediate Decision No 12255 of 4 May 2016 (Intermediate Circular No 421) whose Article 9 reads as follows: "Banks are granted a one-year time limit from the issuance date of this Decision to comply with the provisions of Article 3 thereof".

- h) To review periodically the effectiveness of AML/CFT procedures and regulations, to improve them and submit any proposed amendments thereto to the Board Committee referred to in Paragraph 1 of Article 10 above, for proper decision.
- i) To review the daily/weekly reports received from the concerned departments and branches about cash operations and transfers.
- j) To monitor all the customer's accounts and operations on a consolidated basis, in and off balance sheet, at the Head Office and at all branches in Lebanon and abroad, so as to ensure their consistency with the information provided in the KYC Form and with any other information held by the bank.
- k) To investigate unusual operations, in particular those mentioned in Paragraph 1 of Article 7 and Paragraph (a) of Article 8, provided the reasons behind these operations and their purpose are verified, and the findings are documented, retained for a five-year period and submitted to the SIC upon request; and also to prepare a periodical (at least, monthly) report to this effect and submit it to the Board Committee mentioned in Paragraph 1 of Article 10 above.
- l) To approve the opening of accounts for exchange institutions.
- m) To control the accounts of the exchange institution on a consolidated basis.
- n) To prepare the agenda of the AML/CFT Board Committee.
- o) To notify directly the Chairman of the Board/ Director General whenever the Compliance Unit is in possession of evidence or doubts that the banking operation involves money laundering or terrorist financing.
- p) ¹ To verify that programs against money laundering and terrorist financing are applied at the group level, including at the level of all the group's branches and majority-owned subsidiaries. These programs should include the following measures:
 - Policies and procedures for sharing information about customer due diligence measures and money laundering and terrorist financing risks.
 - The mandatory provision of information regarding customers, accounts, and operations from branches and subsidiaries, when it is necessary for AML/CFT purposes. This information should include analytical reports and reports on activities which appear unusual. Similarly, the branches and subsidiaries of the group must receive such information from the Compliance Unit when relevant and appropriate to risk management, analytical reports, and reports on unusual operations.
 - Adequate safeguards on the confidentiality and use of exchanged information must be in place, including safeguards to prevent tipping-off.

3- Regarding Internal Audit:

- a) To audit cash operations, transfers, and account movements.
- b) To ascertain that the branches and specialized sections are complying with the procedure guide on the implementation of AML/CFT legal and regulatory texts, and that the KYC Forms are properly filled.

¹- This paragraph was added pursuant to Article 10 of Intermediate Decision No 13093 of 7 August 2019 (Intermediate Circular No 523).

- c) To report discrepancies to the appointed external auditor, through a periodical report.
 - d) To inform the Compliance Unit through reports concerning the stipulations of Paragraphs a, b and c above, and any risky or unusual operations.
- 4- ¹ Regarding the AML/CFT Branch Officer:
- a) To ascertain that the employees of the branch are complying with the procedure guide on the implementation of AML/CFT applicable laws and regulations, and that the KYC Form is properly filled.
 - b) To control cash operations, transfers, and any other account-related operations, in particular those carried out through ATMs, and all other operations carried out electronically (non face-to-face banking).
 - c) To spread awareness among the employees of the branch on the AML/CFT procedures.
 - d) To inform both the Head of the Compliance Unit and the Head of the relevant Division within the Compliance Unit, of any unusual operations and of the branch's degree of compliance with required procedures; and to submit periodic reports to each of them, directly, and not through the director or the management of the branch.
- 5- ² Regarding the Head of the Transfers Section:
- a) To verify transfers received by customers' accounts, particularly electronic transfers that do not include the name of the originator (ordering customer) or of the beneficiary (beneficiary customer), and that exceed a specified amount and do not follow a specific pattern relative to the nature and size of the customer's activities; to verify also the accounts through which recurrent or unusual transfers are made, including the validity of their source of funds.
 - b) To report to the Compliance Unit, through the AML/CFT Branch Officer, any suspicious transfer that may involve money laundering or terrorist financing operations.
 - c) To keep for a five-year period at least, a record with all the information accompanying an incoming cross-border transfer, if the bank is unable to transmit such information upon the execution of a domestic transfer related to the incoming transfer.
- 6- Regarding Cashiers:
- a) To require from customers, except those exempted, to fill and sign a cash transaction slip (CTS), which must include in addition to the amount involved, information on the object of the operation, the source of funds, and the beneficial owner, in case of cash deposits totaling or exceeding each USD 10,000 or its equivalent, or in case of multiple cash deposits involving lower amounts but whose aggregate amount totals or exceeds USD 10,000 or its equivalent.

¹- This paragraph was amended pursuant to Article 3 of Intermediate Decision No 11850 of 11 September 2014 (Intermediate Circular No 371) whose Article 6 reads as follows: "provided banks are granted a time limit ending on 31 March 2015 to comply with the provisions of this Decision".

²- This paragraph was amended pursuant to Article 11 of Intermediate Decision No 13093 of 7 August 2019 (Intermediate Circular No 523).

- b) To prepare special tables for the operations that exceed the ceiling specified for customers exempted from filling the cash transaction slip, and to take the technical measures needed to safeguard these tables, in order to make them available, upon request, to the Internal Audit Unit, the External Auditors, or the SIC.
 - c) ¹To report to the Compliance Unit, through the AML/CFT Branch Officer, any suspicious cash deposit that may involve money laundering or terrorist financing operations, if the relevant supporting documents cannot be obtained.
- 7- Regarding the Head of the Cheque Section:
- a) To give caution and attention to cheques endorsed to a third party, to bank cheques that are not directly deposited by the first beneficiary, to traveler's cheques, to cheques issued by institutions located in foreign countries, and to cheques that do not specify the account holder's identity.
 - b) To report to the Compliance Unit, through the AML/CFT Branch Officer, any suspicious cheques.
 - c) To make sure that cheques are not credited to customers' accounts before they are effectively collected from the issuing banks.
- 8- Regarding the Branch Director:
- a) ²
 - b) ³ To review account opening operations, to approve the exemption of certain customers from filling the cash transaction slips (CTS), and to determine the ceilings of exemption, based on criteria that justify these exemptions and ceilings, provided the names of exempted customers and the ceilings of exemption are submitted to the Compliance Unit for consideration.
 - c) To coordinate with the Credit Director regarding debit accounts, and with the Branches Director regarding credit accounts.
 - d) ⁴ To make personally, or to request from the Branch Accounts Officer to make periodical visits to customers, so as to be informed of their business and assess their accounts' movements, then prepare the relevant report with a copy to be sent to the Compliance Unit in case that report indicates the occurrence of unusual operations.

¹- This paragraph was amended pursuant to Article 12 of Intermediate Decision No 13093 of 7 August 2019 (Intermediate Circular No 523).

²- This paragraph was repealed pursuant to Article 4 of Intermediate Decision No 11850 of 11 September 2014 (Intermediate Circular No 371) whose Article 6 reads as follows: "provided banks are granted a time limit ending on 31 March 2015 to comply with the provisions of this Decision".

³- This subparagraph was amended pursuant to Article 7 of Intermediate Decision No 12255 of 4 May 2016 (Intermediate Circular No 421) whose Article 9 reads as follows: "Banks are granted a one-year time limit from the issuance date of this Decision to comply with the provisions of Article 3 thereof".

⁴-This paragraph was amended pursuant to Article 13 of Intermediate Decision No 13093 of 7 August 2019 (Intermediate Circular No 523).

9- ¹ Regarding each of the Divisions established within the Compliance Unit, as mentioned in Paragraph 4 of Article 10 of this Decision:

- a) To ascertain that operations control standards are implemented at the Head Office and the branches under its supervision, to ensure their compliance with AML/CFT² regulations.
- b) To prepare a monthly report on the compliance at the Head Office and branches with AML/CFT² requirements, and to keep this report with the Senior Management.

Section V- Final Provisions

Article 12³:

First: Each bank is required:

- 1- To establish a computerized central archive for information collected about money laundering and terrorist financing operations that includes, at least, the names circulated by the Special Investigation Commission (SIC), and those of holders of suspicious accounts reported by the bank itself. The bank must also notify the SIC of any account opened subsequently by any of these persons, whether directly, indirectly, or by proxy, as long as the SIC has not taken a decision stating that there are not, at the present time, reasonable grounds for the doubts arisen relative to any of these persons.
- 2- To train the employees on a continuous basis, and involve the persons in charge of the training program as well as the concerned employees in relevant seminars, workshops and lectures, in a way to keep them abreast of the latest AML/CFT methods.
- 3- To not close any suspicious account before referring to the SIC.
- 4- To maintain a special registry with the names of the persons that open or activate accounts by proxy; such registry must determine the customer/representative relationship.
- 5- To impose, for employees' recruitment, the highest standards of honesty, integrity and efficiency.
- 6- To request their staff, subject to liability, to maintain absolute confidentiality and to not tip-off or permit to tip-off customers or any other party that the bank has notified or will notify the SIC in case of proven or suspicious ML/TF operations, or that the SIC is investigating or

¹- This paragraph was added pursuant to Article 5 of Intermediate Decision No 11850 of 11 September 2014 (Intermediate Circular No 371) whose Article 6 reads as follows: "provided banks are granted a time limit ending on 31 March 2015 to comply with the provisions of this Decision".

² The expression "AML" was replaced by "AML/CFT" following the promulgation of Law 44 of 24 November 2015.

³- The last amendment to this paragraph was made pursuant to Article 14 of Intermediate Decision No 13093 of 7 August 2019 (Intermediate Circular No 523).

inquiring about their operations or accounts, until the SIC decides to lift banking secrecy on the said accounts and to notify the concerned parties.

- 7- When resorting to intermediaries such as brokers and introducers, or to a third party belonging to the same financial group, to deal only with the intermediaries that meet the criteria required from banks and financial institutions towards their customers, and to promptly obtain from them the information required under the due diligence principle, as well as copies of any necessary documents upon request, provided that the bank is ultimately the party responsible of these measures; to remain also vigilant when dealing with third parties located outside Lebanon, and take into consideration the available information about the risk level of the countries in which these parties are located, particularly those that do not apply or insufficiently apply the FATF Recommendations.
- 8- To maintain and update a special register with the names of the Beneficial Owners that were identified relative to each “Customer/natural person” and only when the Customer is not the Beneficial Owner himself, and relative to each “Customer/legal person”.
- 9- To identify and assess ML/TF risks that might arise due to the development of new products and new business practices, including new mechanisms for service delivery, and due to the use of new or developing technologies for both new and pre-existing products. To assess those risks prior to the launch or use of the new products, business practices, or technologies, and take appropriate measures to manage and mitigate those risks.

Second: Lebanese banks’ branches and majority-owned subsidiaries operating abroad are required to adopt, as a minimum, the procedures specified in these Regulations. In case this proves to be impossible due to the incompatibility of these Regulations with the binding applicable laws and regulations in the branch or subsidiary’s host country, the bank must inform the SIC.

Third: Each Lebanese bank must conduct due diligence measures towards the customers of any of its overseas branches, whenever executing an operation or opening an account in Lebanon for any of these customers, even if these overseas branches are already conducting due diligence measures.

Article 13:

The external auditor of the bank is required to:

- 1- Review the internal audit procedures to ascertain compliance by the bank with the provisions of the law and of these Regulations. In this respect, the external auditor shall prepare an annual report to be submitted to the Board of Directors of the bank, the Governor of Banque du Liban, and the Banking Control Commission. The report shall include, along the audit results and the external auditor’s propositions for operations control enhancement, detailed information about the

verification process of the bank's fulfillment of, at least, the obligations stated below and which include but are not limited to:

- a) Complying with the provisions of Articles 3, 4, 5, 6, 10, 11, and 12 of these Regulations.
 - b) Filling the KYC Forms.
 - c) Adopting a policy and written procedures relative to the acceptance of, and the opening of new accounts for customers.
 - d) Enquiring about the source and final destination of received funds, and about the reasons behind cash operations, as specified in the Law on Fighting Money Laundering and in these Regulations; setting ceilings for cash deposits and withdrawals, and for incoming cross-border transfers that require vigilance; and adopting deposit forms that show the source of deposited funds when a deposit or the total amount of several deposits exceeds the specified ceiling.
 - e) Preparing periodical reports (at least, quarterly) on the movement of cash deposits and withdrawals, and on incoming transfers to customers' accounts; reviewing these reports by Management Officers and by the Internal Audit Unit.
 - f) Inserting, in the adopted internal audit procedures, specific measures for reviewing compliance with the said procedures.
- 2- Report immediately to the Governor of Banque du Liban, in his capacity as SIC Chairman, any violation of the provisions of these Regulations.

Article 14:

The provisions of these Regulations shall apply to financial institutions operating in Lebanon.