

BANQUE DU LIBAN

Basic Circular No 126

Addressed to Banks and Financial Institutions

Attached is a copy of Basic Decision No 10965 of April 5, 2012 on the Relationship between banks and financial institutions and their correspondents.

Beirut, April 5, 2012

The Governor of Banque du Liban

Riad Toufic Salamé

Basic Decision No 10965

**The Relationship between banks and financial institutions
and their correspondents**

The Governor of Banque du Liban,

Pursuant to the Code of Money and Credit, particularly Articles 70, 174 and 182 thereof,

Pursuant to Law No 133 of October 26, 1999 on the General Mission of Banque du Liban,

Pursuant to Law No 318 ¹ of April 20, 2001, on Fighting Money Laundering, particularly Article 5 thereof,

Pursuant to Basic Decision No 7818 of May 18, 2001 and its amendments, (Regulations for the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing),

Pursuant to Basic Decision No. 9382 of July 26, 2006, relating to Corporate Governance,

Whereas banks and financial institutions conduct an important portion of their operations through subsidiaries or sister companies or by way of correspondents abroad and participate, as a consequence, in international payment systems,

Whereas this participation has an important impact on the soundness and stability of the banking and economic conditions,

With a view to preventing reputational risks to which banks and financial institutions might be exposed, and to protecting the utmost national interest, and

Pursuant to the Decision of the Central Council of Banque du Liban, taken in its meeting of April 4, 2012,

¹- This Law shall be replaced by virtue of Law No 44 of November 24, 2015.

Decides the following:

Article 1:

Banks and financial institutions operating in Lebanon must:

- 1- Implement strictly the Regulations for the Control of Financial and Banking Operations for Fighting Money Laundering and Terrorist Financing, particularly with customers who request the conduct of cross-border operations by way of correspondent banks and financial institutions, by:
 - a- Adopting a risk-based approach and vetting the identity of both the customers and the economic right owner and obtaining the requisite information and setting procedures for monitoring their operations and accounts on an ongoing basis.
 - b- Updating their database for money laundering and terrorist financing operations, in conformity with the provisions of this Decision.
 - c- Notifying the Special Investigation Commission of any operation suspected of contravening the obligations set out in this Decision.

- 2- Be fully informed of the laws and regulations governing their correspondents abroad, and deal with the latter in conformity with the laws, regulations, procedures, sanctions and restrictions adopted by international legal organizations or by the sovereign authorities in the correspondents' home countries.

Within this scope, banks and financial institutions must adopt the utmost accuracy and due diligence to vet the identity of the economic right owner in the operations conducted.

The provisions of this Article shall govern any dealings between banks and financial institutions operating in Lebanon, and their branches, subsidiaries or sister companies abroad.

- 3- Control the transactions on payable-through accounts and strictly implement the enhanced due diligence measures on concerned customers.

Article 2:

External auditors must check banks and financial institutions' compliance with the provisions of this Decision. They must also insert in their report on the procedures adopted to control financial and banking operations for fighting money laundering and terrorist financing, detailed information about their inspection of the adopted procedures, the results of their audit, and their remarks in this regard.

Article 3:

Any party violating the provisions of this Decision shall incur the administrative sanctions stipulated in the applicable laws and regulations, particularly the sanctions stipulated in Article 208 of the Code of Money and Credit.

Article 4:

This Decision shall come into force upon its issuance.

Article 5:

This Decision shall be published in the Official Gazette.

Beirut, April 5, 2012

The Governor of Banque du Liban

Riad Toufic Salamé