BANQUE DU LIBAN

Intermediate Circular No 295

**Addressed to Banks, Financial Institutions
and Financial Intermediation Institutions**

Attached is a copy of Intermediate Decision No 10983 of April 30, 2012, amending the Regulations on Financial Derivative Transactions, attached to Basic Decision No 10852 of December 7, 2011, notified by Basic Circular No 125.

Beirut, April 30, 2012

The Governor of Banque du Liban

Riad Toufic Salamé

<u>Intermediate Decision No 10983</u>

Amending the Regulations on Financial Derivative Transactions,
Attached to Basic Decision No 10852 of December 7, 2011

The Governor of Banque du Liban,

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

Pursuant to Basic Decision No 10852 of December 7, 2011 relating to the Regulations on Financial Derivative Transactions, and

Pursuant to the Decision of the Central Council of Banque du Liban, taken in its meeting of April 25, 2012,

Decides the following:

<u>Article 1</u>:

The text of Paragraph 2 of Article 2 of the Regulations on Financial Derivative Transactions, attached to Basic Decision No 10852 of December 7, 2011, is repealed and replaced with the following text:

"2- A party that carries out its activities outside the United States or is not a resident of the United States, on condition that this party has a credit rating of "BBB" and is licensed to trade in financial derivatives by the relevant regulatory authorities in countries with a sovereign rating of BBB and above, in accordance with the ratings of Standard and Poor's or with similar ratings adopted by other international rating agencies.

The BDL Central Council may make, for each case separately considered, an exception for a party that has a rating below BBB or is not rated, provided this party is licensed to trade in financial derivatives by the relevant regulatory authorities in countries with a sovereign rating of BBB and above."

Article 2:

The text of Paragraph 8 of Article 3 of the Regulations on Financial Derivative Transactions, attached to Basic Decision No 10852 of December 7, 2011, is repealed and replaced with the following text:

“8- Determine the initial and maintenance margins for off-exchange retail forex transactions performed through an electronic platform, so that these margins are at least equivalent to:

a- the margins adopted by the correspondent, provided:

- Neither of the Financial Intermediary or electronic platform’s operator holds with one another, whether directly or indirectly, the majority of voting or ownership rights, or controls the majority of voting rights in the other’s Board of Directors, or possess influence over the other’s managers, or is empowered to manage the other’s financial or operational policies.

  The BDL Central Council may, on justified grounds, exempt any party from meeting all or some of the conditions included in the obligation stipulated in this Paragraph.

- The electronic platform’s operator ensures that there will exist no potential shortage in the margins on clients’ accounts or portfolios, by adopting an auto liquidation mechanism that closes out positions in case of a margin call, i.e. when the account’s balance becomes lower than the margin requirements.

- The electronic platform’s operator ensures that the Financial Intermediary and its clients are protected from risks and losses arising from market rapid fluctuations, particularly in case of price gaps, and undertakes to cover all losses resulting from the Financial Intermediary clients’ negative accounts as a consequence of the above -mentioned cases, and thus guarantees that neither the Financial Intermediary nor its clients shall bear any responsibility or losses due to any related balance deficit.

b- In case the above-mentioned conditions are not met, the margins adopted by the correspondent or the following percentages, whichever is higher:

- 2% of the notional value of transactions performed on major currencies (British pound, Swiss franc, Canadian dollar, Australian dollar, Japanese yen, Euro, New Zealand dollar, Swedish krone, Norwegian krone, and Danish krone).
- 5% of the notional value of transactions performed on secondary currencies and cross currencies.

<u>Article 3</u>:

This Decision shall come into force upon its issuance.

<u>Article 4</u>:

This Decision shall be published in the Official Gazette.

Beirut, April 30, 2012

The Governor of Banque du Liban

Riad Toufic Salamé