



Intermediate Circular No 367

Addressed to Banks and Financial Institutions

Attached is a copy of Intermediate Decision No 11822 of August 11, 2014 amending:

- Basic Decision No 6116 of March 7, 1996 (Facilities that may be granted by Banque du Liban to Banks and Financial Institutions) attached to Basic Circular No 23.
- Basic Decision No 6938 of March 25, 1998 (Regulatory Capital for Calculating the Prudential Limits on Banks Operating in Lebanon) attached to Basic Circular No 43.
- Basic Decision No 6939 of March 25, 1998 (Capital Adequacy Regulatory Framework for Banks Operating in Lebanon) attached to Basic Circular No 44.

Beirut, August 11, 2014

The Governor of Banque du Liban

Riad Toufic Salamé



مصرف لبنان
BANQUE DU LIBAN

Intermediate Decision No 11822

Amending

**Basic Decision No 6116 of March 7, 1996
Basic Decision No 6938 of March 25, 1998
and Basic Decision No 6939 of March 25, 1998**

The Governor of Banque du Liban,

Pursuant to the Code of Money and Credit, namely the provisions of Articles 70, 153, 174, 175 and 177 thereof;

Pursuant to Basic Decision No 6116 of March 7, 1996 and its amendments, relating to the Facilities that may be granted by Banque du Liban to Banks and Financial Institutions;

Pursuant to Basic Decision No 6938 of March 25, 1998 and its amendments, relating to the Regulatory Capital for Calculating the Prudential Limits on Banks Operating in Lebanon;

Pursuant to Basic Decision No 6939 of March 25, 1998 and its amendments, relating to the Capital Adequacy Regulatory Framework for Banks Operating in Lebanon;

In order to clarify the provisions of Article 8 bis of Basic Decision No 6116 of March 7, 1996; and

Pursuant to the Decision of the Central Council of Banque du Liban, taken in its meeting of August 6, 2014,

Decides the following:

Article 1:

The text of the second paragraph at the beginning of Article 8 bis of Basic Decision No 6116 of March 7, 1996, is repealed and replaced by the following:

- “Banks may benefit from interest-free facilities for a maximum period of seven years, in exchange of their participation, at their full responsibility, in the capital of Companies, and without taking any guarantee from the latter for such participation, all in accordance with the following:”

Article 2:

The last sentence of Subparagraph 5 of Paragraph I of Article 8 bis of Basic Decision No 6116 of March 7, 1996, is repealed, while it read initially: “For the purposes of implementing the

provisions of this Article, funds allocated to participations in Companies are considered as being part of the capital.”

Article 3:

The text of Subparagraphs 2 and 3 of Paragraph III of Article 8 bis of Basic Decision No 6116 of March 7, 1996, is repealed and replaced by the following:

- 2- “Whenever the bank transfers its participation in the Company, the amounts and revenues of the selling operation shall be used, by priority, as follows:
 - a- The bank shall recuperate the value of the participation it has made in the Company by way of its own capital.
 - b- The bank shall use the remaining amounts and revenues to pay to Banque du Liban an amount that shall cap at the value of the bank’s participation in the Company from the facilities granted by Banque du Liban.
However, after obtaining Banque du Liban approval, the bank may reinvest the sum mentioned in this Subparagraph in new Companies, within a maximum period of six months, at the same conditions as specified in this Article.
 - c- The bank shall pay to Banque du Liban 50% of the remaining amounts and revenues, if any, after withdrawing the profits resulting from the bank’s participation in the Company by way of its own capital.

- 3- In case the Company distributes annual dividends to its shareholders, each participating bank shall pay 50% of these dividends to Banque du Liban, after withdrawing its profits resulting from its participation in the Company by way of its own capital.”

Article 4:

Subparagraph 4 shall be added to Paragraph III of Article 8 bis of Basic Decision No 6116 of March 7, 1996, and shall read as follows:

- 4- “Whenever a bank participates in a Venture Capital Company, and as long as the latter pursues its activities in accordance with the provisions of this Article, the profits and amounts due to Banque du Liban, as specified in Subparagraph 2 of Paragraph III, shall be paid - after deducting administrative fees and costs - at the time of the transfer by the bank of its participation in the said Company and not upon the transfer by this Company of its shares in Startup companies.”

Article 5:

The text of Subparagraph 1 (e) of Paragraph IV of Article 8 bis of Basic Decision No 6116 of March 7, 1996, is repealed and replaced by the following:

- e- The Company’s bylaws or draft bylaws, and the administrative structure in place or to be put in place.

Bylaws of a Venture Capital Company shall provide for the latter to:

- Be under the supervision of Banque du Liban and the Banking Control Commission.
- Provide Banque du Liban and the Banking Control Commission with all the information required regarding the Startup companies in which it participates (balance sheets, shareholders and stakeholders).
- Obtain the Central Council's prior approval on each amendment to be made to its bylaws and on every subscription to, and trading of its shares or stakes.

Article 6:

The text of Subparagraph 6 of Article 2 of Basic Decision No 6938 of March 25, 1998, is repealed.

Article 7:

The text of Article 7 of Basic Decision No 6939 of March 25, 1998, is repealed and replaced by the following:

“The funds allocated to the real estate investments of the branch of a foreign bank operating in Lebanon, shall be considered as common equity tier one, if they comply with the conditions stipulated in BDL regulations. “

Article 8:

Subparagraph 6 of Annex 1 attached to Basic Decision No 6939 of March 25, 1998, is repealed.

Article 9:

This Decision shall come into force upon its issuance.

Article 10:

This Decision shall be published in the Official Gazette.

Beirut, August 11, 2014

The Governor of Banque du Liban

Riad Toufic Salamé