

BANQUE DU LIBAN

Basic Circular No 32

Addressed to Banks and Financial Institutions

Attached is a copy of Basic Decision No 6568 of 24 April 1997, on Foreign Exchange Operations at Banks and Financial Institutions.

Beirut, 24 April 1997

The Governor of Banque du Liban

Riad Toufic Salamé

Old Numbering: 1516

BANQUE DU LIBAN

Basic Decision No 6568

Foreign Exchange Operations at Banks and Financial Institutions

Section one Foreign Exchange Positions

Article 1: Terms and Definitions

The following terms shall have the meanings specified below:

- 1- Foreign exchange open position:
The net, long or short position computed on the overall balance sheet and off balance sheet, in each major foreign currency or any other foreign currency needed to cover a trade operation.
The calculation of the open position in each foreign currency shall include the following items¹:
 - the net spot position (assets less liabilities, including accrued interest receivable).
 - the net forward position (foreign currencies to receive less foreign currencies to deliver).
- 2- Foreign exchange structural position:
The bank or financial institution's foreign-currency assets that are excluded from the calculation of the bank or financial institution's foreign exchange positions, where applicable, with the approval of Banque du Liban²:
 - a- Foreign exchange positions that are constituted by the bank under Article 3 of this Decision.
 - b- Capital allocation in Lebanese pound to branches abroad.
 - c- Shares of stock and long-term loans to participations in banks and financial institutions abroad, purchased or granted with the approval of Banque du Liban, and financed in Lebanese pound within the limit of Tier 1 LBP-denominated liquid assets.
- 3- Foreign exchange trading position:
The open position in each foreign currency, as specified in Paragraph (1) of this Article, after deducting the structural positions in the currency involved, as specified in Paragraph (2) of this Article.

¹- The new wording of Subparagraph 2, Paragraph 1 of Article 1, as amended by Article 1 of Decision No 6848 of 12 December 1997 (Circular No 1578 in the old numbering system).

²- The beginning of this Paragraph was amended by Article 1 of Intermediate Decision No 11708 of 28 February 2014 (Intermediate Circular No 356).

- 4- Net trading position:
The difference between total short trading positions and total long trading positions, as specified in Paragraph (3) of this Article.
- 5- Global position:
The total short trading positions or the total long trading positions, as specified in Paragraph (3) of this Article, whichever is greater, plus the absolute value of the position in gold, i.e. regardless of the sign of that position.

Article 2¹:

- 1- Banks are authorized to maintain a net, short or long trading position that shall not exceed, at any time, 1% of total net Tier 1 capital, provided that their global position does not exceed, at the same time, 40% of their total net Tier 1 capital, and that they simultaneously comply with the required capital adequacy ratio.
- 2- Financial institutions are authorized to maintain:
 - A net long trading position that shall not exceed, at any time, 100% of Tier 1 LBP-denominated liquid assets (i.e. after the deduction of strategic shares of stock and participations abroad financed with the Lebanese-denominated own funds and the Lebanese pound-denominated components of Article 153 of the Code of Money and Credit, excepting the amounts governed by Article 152 of the same Code and of depreciable, tangible fixed assets, other than real estate).
 - A net short trading position that shall not exceed, at any time, 5% of the net Tier 1 capital.

Article 3²:

First: Banks are authorized to maintain a fixed long position whose countervalue in Lebanese pound shall not exceed 60% of Tier 1 capital, after deducting the Lebanese-pound-denominated components of Article 153 of the Code of Money and Credit, including the amounts governed by Article 152 of the same Code and the fixed real estate assets.

Second: The following shall be deducted from the limits authorized for fixed long positions:

- 1- The foreign-currency components of Article 153 of the Code of Money and Credit, including:
 - Shares of stock and long-term loans to participations in banks and financial institutions abroad, purchased or granted with the approval of Banque du Liban.
 - Capital allocation to branches abroad.
 - Fixed real estate assets.
 - The amounts governed by the provisions of Article 152 of the Code of Money and Credit.
- 2- Premium on common stock recorded in foreign currencies.

¹- The last amendment to this Article was made pursuant to Article 2 of Intermediate Decision No 11708 of 28 February 2014 (Intermediate Circular No 356).

²- The last amendment to this Article was made pursuant to Article 1 of Intermediate Decision No 12688 of 5 October 2017 (Intermediate Circular No 474).

- 3- Premium on preferred shares and capital instruments eligible in Tier 1 capital, recorded in foreign currencies.

Article 4¹:

All fixed positions and special (exceptional) positions of financial institutions that have been ordinarily or exceptionally approved by BDL Central Council before the 1st of March 2014, shall be considered as cancelled and shall be computed within the trading positions.

Financial institutions whose status is inconsistent with the provisions of Paragraph 2, Article 2 of this Decision, are granted a time limit ending on 31 May 2014, to regularize their situation accordingly.

The Central Council may, pursuant to the Banking Control Commission's proposal and in specific cases, authorize financial institutions to overrun the percentages mentioned in Paragraph 2 of Article 2 above.

Article 5²:

Banks must obtain a prior approval from Banque du Liban to constitute the foreign exchange positions mentioned in Article 3 of this Decision. They must also specify the currency they intend to purchase and the quantity thereof.

Fixed positions must be constituted within a month from BDL approval date. Otherwise, this approval shall be cancelled de jure.

Article 6³:

Any change in the currencies that constitute the fixed positions specified in Article 3 of this Decision shall be subject to BDL prior approval. The concerned bank must inform Banque du Liban and the Banking Control Commission about the liquidation of any fixed position.

Article 7:

Any re-constitution of the positions specified in Article 3 of this Decision shall be subject to a prior approval from Banque du Liban.

Article 8⁴:

- 1- Banks that exceed the ceiling set for a net trading position (1%) are required to deposit at Banque du Liban a special reserve in Lebanese pound equivalent to the overrun, on the basis of a one-month deposit period per day of overrun.
Banks are also required to deposit at Banque du Liban, when they exceed the ceiling set for the global position (40%), a special reserve equivalent to the value of the overrun in US dollar on the day of its occurrence, on the basis of a one-month deposit period per day

¹- The last amendment to this Article was made pursuant to Article 4 of Intermediate Decision No 11708 of 28 February 2014 (Intermediate Circular No 356).

²- This Article was amended pursuant to Article 5 of Intermediate Decision No 11708 of 28 February 2014 (Intermediate Circular No 356).

³- This Article was amended pursuant to Article 6 of Intermediate Decision No 11708 of 28 February 2014 (Intermediate Circular No 356).

⁴- The last amendment to this Article was made pursuant to Article 7 of Intermediate Decision No 11708 of 28 February 2014 (Intermediate Circular No 356).

of overrun, and after they deduct the value of the overrun, if any, from the net trading position.

- 2- Financial institutions that exceed the ceiling set for a net long (100%) or short (5%) trading position, must deposit at Banque du Liban a special reserve in Lebanese pound equivalent to the overrun, on the basis of a one-month deposit period per day of overrun.

Article 9¹:

Banque du Liban shall collect a penalty interest from banks and financial institutions that do not comply with the obligation of depositing the special reserve stipulated in Article 8 above. This penalty interest shall be computed in accordance with the provisions of Article 77 of the Code of Money and Credit, at the interest rate applied to loans granted by Banque du Liban against bills of exchange.

Article 10:

The Banking Control Commission shall issue a Circular to implement “Section one” of this Decision.

Section two

Exchange Operations: Officers in charge and Execution Procedures

Article 11:

Each bank and financial institution operating in Lebanon is required to:

- a- Appoint an officer who shall be its sole representative in its exchange operations with Banque du Liban.
- b- Appoint an assistant to this officer in order to replace him/her in his/her absence.
- c- Provide the BDL Department of Foreign Exchange and International Operations with written information on:
 - The name and capacity of this officer and his/her assistant.
 - The phone and telex numbers of the location of exchange operations.
 - Any amendment in the aforementioned information.

The foregoing shall not preclude the implementation of BDL regulatory texts, and of the Articles of Association and system of operations of each bank, as well as the signature procedures adopted by that bank for the confirmation notices of operations.

Article 12:

Banks and financial institutions are required, when conducting directly with Banque du Liban purchase and sale operations of foreign currencies, to confirm these operations at the end of each day by telex or SWIFT.

In this respect, instructions given by fax shall be refused.

¹- The last amendment to this Article was made pursuant to Article 8 of Intermediate Decision No 11708 of 28 February 2014 (Intermediate Circular No 356).

Section Three
Statements, Registers and Records relating to Foreign Exchange Positions

Article 13:

All banks and financial institutions must submit to BDL Department of Statistics and Economic Research a monthly statement that shows their foreign exchange positions and includes the elements mentioned in attached Form No 1.

The Form prepared to this specific use can be obtained from BDL Services Department.

This statement must be submitted within five working days from its closing date.

Banks and financial institutions must use this statement with the utmost accuracy.

The amounts in any foreign currency mentioned in this Form shall be disclosed in their initial figures (i.e. with no conversion into their equivalent amount in Lebanese pound).

The amounts in any other foreign currency not mentioned in this Form shall be converted into Lebanese pound and their aggregate value shall be itemized under “the equivalent in Lebanese pound of all other foreign currencies”.

For each currency, the fractional part of the monetary unit shall be discarded from the figures stated in the Form.

In this statement, banks and financial institutions shall comply with BDL regulations and general instructions regarding residents and non-residents.

Article 14:

Banks and financial institutions operating in Lebanon are required to:

- 1- Prepare their registers and records at their respective Foreign Exchange Department, in a manner that shows instantly, in sequential order, and right upon their execution, the detailed exchange operations they conduct between the Lebanese pound and any foreign currency with residents and non-residents and with Banque du Liban.
- 2- Prepare, at the end of each business day, and in conformity with attached Form No 2, a summary table of the foreign exchange operations against the Lebanese pound, signed by the persons in charge, including the Head of the Foreign Exchange Department or his/her assistant. This Form shall be sent to BDL Foreign Exchange and International Operations Department on the next business day by 10:30 a.m.
For the purpose of submitting tables on due time, the required information that are itemized in accordance with the attached Form might be sent by SWIFT or telex, provided the bank or financial institution submits within 24 hours at most a duly signed copy of the sent telex.
- 3- If no foreign exchange operation against the Lebanese pound is carried out, this shall be expressly stated in the table, the telex or SWIFT message sent to Banque du Liban.

Article 15:

Banks and financial institutions are deemed responsible for the accuracy of information sent to Banque du Liban and the Banking Control Commission. In case of inaccuracy, they shall incur the measures and sanctions stipulated in applicable laws and regulations.

Section Four: Miscellaneous Provisions

Article 16:

The following BDL regulatory texts shall be repealed¹:

- Circular No 115 of 25 January 1973
- Circular No 149 of 27 March 1975
- Circular No 168 of 12 March 1977
- Circular No 171 of 14 May 1977
- Circular No 297 of 12 May 1981
- Circular No 504 of 2 October 1984
- Circular No 507 of 4 October 1984
- Circular No 512 of 22 October 1984
- Circular No 513 of 22 October 1984
- Circular No 545 of 1st March 1985
- Circular No 581 of 18 July 1985
- Circular No 661 of 2 July 1986
- Circular No 671 of 23 August 1986
- Circular No 761 of 21 October 1987
- Circular No 1206 of 5 November 1993, and attached Decision No 5274 of 5 November 1993
- Circular No 1375 of 26 October 1995, and attached Decision No 6038 of 26 October 1995.

Article 17:

This Decision shall be effective upon its issuance. However, “Section One” thereof shall be implemented after the issuance of the relevant implementation Circular by the Banking Control Commission².

Article 18:

This Decision shall be published in the Official Gazette.

Beirut, 24 April 1997

The Governor of Banque du Liban

Riad Toufic Salamé

¹- These Circulars are numbered according to the old system.

²- Refer to the following Circulars issued by the Banking Control Commission:

- Circulars to banks No 197 of 5 May 1997, No 207 of 3 September 1998, and No 210 of 7 January 1999.
- Circular to financial institutions No 1 of 4 March 1999.

Form No1

FX Positions as of:.....

	Gold ²	LBP	US Dollar	Pound Sterling	Deutsche Mark	Swiss Franc
a- short-term assets (less than one year)						
1- at non-resident banks						
2- loans to non-resident clients (except banks)						
3- discounted foreign bills of exchange						
4- foreign banknotes and stamps in vaults						
5- gold in vaults (1)						
6- foreign securities portfolio						
7- other foreign assets						
TOTAL						
b- long-term assets (more than one year)						
1- at non-resident banks						
2- loans to non-resident clients (except banks)						
3- discounted foreign bills of exchange						
4- foreign securities portfolio						
5- other foreign assets						
TOTAL						
c- short-term liabilities (less than one year)						
1- toward non-resident banks						
2- toward non-resident clients (except banks)						
TOTAL						
d- long-term liabilities (more than one year)						
1- toward non-resident banks						
2- toward non-resident clients (except banks)						
TOTAL						
e- internal assets						
1- loans to the resident private sector						
2- loans to the Lebanese public sector						
3- balance of other assets items						
TOTAL						
f- internal liabilities						
1- toward the resident private sector						
2- toward the Lebanese public sector						
3- balance of other liabilities items						
TOTAL						
g- term FX operations: foreign currencies to receive						
1- from non-resident banks and financial institutions						
2- from resident banks						
3- from resident clients (except banks)						
TOTAL						
h- term FX operations: foreign currencies to deliver						
1- to non-resident banks and financial institutions						
2- to resident banks						
3- to resident clients (except banks)						
TOTAL						

¹- Banks must allocate the column needed for each currency it owns, other than the currencies stated in this table.

²- The gold value is computed on the basis of USD 42.222 per ounce.

Form No 2

Attention: Banque du Liban

Department of Foreign Exchange and International Operations

From: (Name of the commercial bank or financial institution)

No in the List of Banks: (.....)

Summary Table of Exchange Operations (in USD)
For (date)

	Amounts purchased (in USD) from		Amounts sold (in USD) to	
	Residents	Non-residents	Residents	Non-residents
Banks				
Financial institutions and companies				
Individuals and clients				
Total	1	2	3	4
Overall Total	1+2		3-4	

Remark: Any foreign exchange operation conducted between banks through the “Société Financière du Liban S.A.L.” or any other intermediary shall be inserted under the item: “banks”.