

Basic Circular No 134

Addressed to Banks and Financial Institutions

Attached is a copy of Basic Decision No 11947 of February 12, 2015 relating to the Principles of Banking and Financial Operations with Customers.

Beirut, February 12, 2015

The Governor of Banque du Liban

Riad Toufic Salamé

Basic Decision No 11947

The Principles of Banking and Financial Operations with Customers

The Governor of Banque du Liban,

Pursuant to the Code of Money and Credit, particularly Articles 70, 174, 182 and 184 thereof; and

Pursuant to the Decision of the Central Council of Banque du Liban, taken in its meeting of February 4, 2015,

Decides the following:

Article 1: In relation to the provision of banking and financial services and products of all kinds, banks and financial institutions operating in Lebanon shall educate their customers, raise their awareness, and explain to them their rights, by spreading awareness and education programs in their head offices and branches, on their websites and any other means of communication with customers.

Article 2: Banks and financial institutions operating in Lebanon shall:

- 1- Prepare, in Arabic and in another foreign language chosen by the bank/financial institution, a list stating customers' rights and duties and including at least the information mentioned in the attached Annex.
- 2- Put this list at the disposal of customers at the head office and in all branches, provided it is written in a clear manner to be understood by the majority of stakeholders.
- 3- Give a copy of this list to each customer, provided the concerned employee explains to him/her its content and importance.
- 4- Obtain, no later than December 31, 2016, the customer's signature on a written document acknowledging that the latter has received the list and understood its content.¹
- 5- Post this list on their website and display it through other means of communication.

Article 3: Banks and financial institutions operating in Lebanon shall develop a policy relating to "The Principles of Banking and Financial Operations with Customers" to be approved by the Board of Directors. They shall also develop the relevant procedures and IT systems needed to:

- 1- Deal with customers in a continuously fair, equitable and professional manner that takes into account the customer's profile, and his/her perception of the operations and the risks and benefits associated thereto (e.g. customers with limited income and education, customers with special needs, and elderly customers).

¹ - This Paragraph was amended pursuant to Article 1 of Intermediate Decision No 12327 of August 25, 2016 (Intermediate Circular No 434).

- 2- Spread among their employees, particularly those who deal directly with customers, the culture of a transparent and fair relationship with customers, through training, capacity building, and enhancement of professional experience, including the implementation of the provisions of Basic Decision No 9286 of March 9, 2006 (Academic, technical and ethical qualifications required for performing certain functions in the banking and financial sectors).
- 3- Include in the Code of Conduct referred to in Basic Decision No 9382 of July 26, 2006 (Corporate Governance), specific criteria concerning the approach to /relationship with customers, in line with the above-mentioned policy.
- 4- Provide customers with accurate, clear, and ample key information on the conditions, benefits and risks of products or services, inform them of any change in these conditions, and reply with high professionalism, accuracy and speed to any inquiry made by a customer. Key information must include, for indicative purposes but not restrictively, the following elements:
 - The computational method of the actual cost of each product or service (i.e. all expenditures, commissions, expenses, charges, and/or any other amounts).
 - The computational method of the lending or deposit interest rate of each product or service.
 - The conditions to access any benefit linked to a product or service.
- 5- Ensure that advertisements are clear, transparent, comprehensive, and do not mislead customers about the features of the product or service.
- 6- Ensure the suitability of the product or service, whether provided or requested, with the customer's situation and needs.
- 7- Protect the customers' personal and financial information, without prejudice to the legislation in force, particularly the Banking Secrecy Law and Anti-Money Laundering Law.
- 8- Provide customers, for each account linked to a product or service, with a periodic statement that includes relevant data and information, in accordance with the regulations issued by Banque du Liban and the Banking Control Commission. All the means must be used to make sure that customers obtain this periodic statement personally and with no delay.
- 9- Develop a clear and efficient mechanism that enables customers to submit their claims for free and guarantees the follow-up and handling of these claims without delay.

Article 3 bis¹:

In addition to the provisions of Article 3 above, the policy relating to “The Principles of Banking and Financial Operations with Customers” should include specific procedures that make banking and financial services accessible for customers with special needs in general and those with visual impairment in particular. Such procedures are to include, at least, the following elements:

- 1- The measures that are required whenever a contract is signed between the bank and a customer with special needs, or whenever the latter carries out a common banking operation (withdrawal, deposit, transfer...).

¹- This Article was added pursuant to Article 1 of Intermediate Decision No 12519 of April 19, 2017 (Intermediate Circular No 458) which Article 2 reads as follows: “banks are granted a time-limit ending on June 30, 2018, to comply with the provisions of this Decision.”

- 2- To provide visually impaired customers with an electronic copy of the contract that they have signed with the bank, the key fact statements concerning the product or service and the list of customer's rights and duties.
- 3- To inform visually impaired customers, through adequate means, of each banking operation they carry out.
- 4- To enable customers with special needs in general and those with visual impairment in particular to carry out banking operations more easily, by catering for their needs through the use of pathways and slopes and friendly ATMs, such as Talking ATMS or Interactive Teller Machines (ITMs).

Article 4: Banks and financial institutions operating in Lebanon shall comply with the principles of Article 3, whenever providing to customers products or services through affiliated institutions (e.g. insurance companies).

Article 5: Banks and financial institutions operating in Lebanon shall establish a Unit in charge of implementing the policy relating to "The Principles of Banking and Financial Operations with Customers". This Unit shall be affiliated to the General Manager, shall not be involved in operations execution, and shall be staffed with the necessary human and technical resources to perform its tasks.

Article 6: The Unit referred to in Article 5 above shall perform mainly the following tasks:

- 1- To contribute to the development of the policy relating to "The Principles of Banking and Financial Operations with Customers" and the procedures related to this policy.
- 2- To take prior cognizance of the ads, brochures, contract samples, account statements and other documents provided to customers; to review them and submit the necessary suggestions that guarantee their clarity, transparency and consistency with the provisions of this Decision and the relevant regulatory and implementation texts issued by Banque du Liban and the Banking Control Commission.
- 3- To participate in the preparation of a clear, transparent and simple key facts statement concerning services and products, to be given to, and signed by the customer upon receipt.
- 4- To contribute to the development of customers' awareness and education programs.
- 5- To receive claims from customers, to examine them and give an opinion in this regard.
- 6- To inform the customer about the outcome of the claim.
- 7- To suggest and participate in the development of training programs that educate employees on how to deal/interact with customers, and how to explain to them the features, risks and suitability of products and services with the customer's situation and needs.
- 8- To submit directly to the General Manager periodic reports, at least quarterly, about customers' claims, the nature, handling, and outcome of these claims, and the measures proposed to improve the policy relating to "The Principles of Banking and Financial Operations with Customers". The General Manager must be promptly notified of any major critical claim that might expose the bank or financial institution to high reputational risks or

significant financial losses; and a copy of these claims must be sent to the Board of Directors.

Article 7: Banks and financial institutions operating in Lebanon shall set a clear mechanism that ensures that claims are handled and settled within 15 days at most. They shall also comply with the following:

- 1- Allocate a specific space in their head office and all branches, and on their website, to receive customers' claims.
- 2- Notify the customer of the following:
 - The process and means for submitting claims (personally, claim box, ordinary mail, email, website, telephone or any other means).
 - The claim will be directly transferred to a specialized Unit at the head office of the bank or financial institution, and the management and staff of the concerned branch shall not take cognizance of its contents.
 - In all cases, the customer may directly file a complaint to the competent Lebanese administrative or judicial authorities, without going through the Unit referred to in Article 5 above.

Article 8: The Banking Control Commission shall issue the directives relating to the implementation of this Decision and shall ascertain the compliance by banks and financial institutions with its provisions.

Article 9: The bank or financial institution violating the provisions of this Decision shall incur the administrative sanctions stipulated in Article 208 of the Code of Money and Credit.

Article 10¹: Without prejudice to the provisions of Paragraph 4 of Article 2 above, banks and financial institutions operating in Lebanon are granted a time-limit ending on September 30, 2015, to comply with the provisions of this Decision.

Article 11: This Decision shall come into force upon its issuance.

Article 12: This Decision shall be published in the Official Gazette.

Beirut, February 12, 2015

The Governor of Banque du Liban

Riad Toufic Salamé

¹ - This Article was amended pursuant to Article 2 of Intermediate Decision No 12327 of August 25, 2016 (Intermediate Circular No 434).

Annex
(List of Customer's Rights and Duties)

Banks and financial institutions operating in Lebanon shall prepare a list of customers' rights and duties where customers' attention is drawn, at least, to the following points:

First: Customer's Rights

1. To take cognizance of the terms, conditions, and details of the product or service, and to request ample explanations to be sure that he/she has understood them and can abide by them.
2. To obtain from the concerned employee a clear, ample and simplified explanation about the financial services and products with different risk levels.
3. To obtain from the concerned employee a professional and clear answer to any question concerning an ambiguous clause or condition.
4. To request the use of Arabic in any document, correspondence or transaction with the bank or financial institution.
5. To request to read and obtain in advance a copy of each document and text referred to in any contract to be signed with the bank or financial institution.
6. To obtain and retain a copy of the contracts and documents signed by the customer, without bearing any additional cost.
7. To request the bank or financial institution to determine the actual cost of the product or service, including the actual insurance cost and the computational method of the lending or deposit interest rate.
8. To choose freely an insurance company among, at least, five companies that are accepted by the bank or financial institution and mentioned in a written list, in case obtaining the product or service is contingent upon the submission of an insurance policy to the bank or financial institution.
9. To obtain any product or service, provided it is suitable with the customer's request, profile and perception of the likely financial risks associated to the product or service.
10. To obtain, for each product or service, a periodic detailed statement of account.
11. Refuse to sign a blank or incomplete Form and make sure all the required fields and figures in the Form to be signed by the customer are correct and complete.
12. To submit a claim about any service or product, and request from the bank or financial institution an explanation on the claim submission procedure, the time limit needed to be notified of the claim outcome, and the mechanism applied to submit the claim to other authorities whenever the customer is not convinced of the claim outcome.

Second: Customer's Duties

1. Provide true, complete and accurate information when filling out any Form provided by the bank or financial institution, and refrain from providing any false information.
2. Disclose all financial obligations when applying for a product or service, without prejudice to the rights conferred to customers by the Banking Secrecy Law.
3. Update the personal information submitted to the bank or financial institution, on a continuous basis and whenever required to do so.
4. Comply with the terms and conditions governing the chosen service or product.
5. Promptly notify the bank or financial institution of any unknown operation on his/her account.
6. Provide the bank or financial institution with his/her home address, work address, email, ordinary mail, and telephone number, and report any change in this information to enable the bank or financial institution to contact the concerned customer personally and thus guarantee the privacy of information.

Third: Instructions to the Customer

1. Do not provide any other party, under any circumstances, with any details about your bank account or any other banking or critical personal information.
2. Whenever facing financial difficulties preventing you from meeting your obligations or paying your installments in due time, refer to the bank or financial institution in order to find out the best options, including the rescheduling of obligations.
3. Be careful when granting a proxy to a third party to complete your banking and financial transactions, by clearly determining the powers delegated under this proxy.